



Education Report: 2020/21 In-Principle Transfers for Vote Education and Vote Tertiary Education

To:	Hon Chris Hipkins, Minister of Education		
Date:	3 June 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1259115
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Messaging seen by Communications team:	No		

Purpose of report

1. This paper seeks your approval of additional proposed in-principle expense and capital transfers for Vote Education and Vote Tertiary Education (as well as some amendments for existing in-principle transfers). The submissions must be delivered to the Minister of Finance no later than 9 June 2021. The submissions also include extensions to expiry dates for two contingencies tagged to Vote Tertiary Education and a proposed capital to operating swap in Vote Education.

Summary

2. The Ministry proposes several additional in-principle expense and capital transfers from 2019/20 to 2020/21 and outyears for Votes Education and Tertiary Education. The need for these transfers has arisen since the 2021 March Baseline Update.
3. In-principle transfers can be approved by Joint Ministers, provided they comply with the Cabinet guidelines for expense transfers. Subsequent changes to appropriations are made as part of the 2021 October Baseline Update, following confirmation of the final amount of underspends and completion of the audited 2020/21 financial accounts.
4. In addition, this submission also addresses two other issues that have arisen since the March Baseline Update:
 - extensions to the expiry dates for the Vote Tertiary Education COVID-19 "Support for Apprentices" and "International Education Strategic Recovery: Diversification of International Education Products and Services" tagged operating contingencies are proposed (refer to paras 26 to 31 of Vote Tertiary Education submission); and
 - a proposed capital to operating swap to fund the additional lease costs for the Macleans College school site recently transferred to Ngāi Tai ki Tāmaki as part of a Treaty settlement (refer to paras 84 to 86 of Vote Education submission).

5. An in-principle transfer for Te Ara Whiti programme funding is proposed to allow for catch up workshops in 2021/22 as we were unable to deliver these yearly workshops this financial year (refer to paras 59 to 60 of Vote Education submission).
6. We have previously provided draft submissions to your office for review and are now providing the proposed final versions for your approval.
7. Treasury has been consulted on the proposed in-principle transfers in the draft letters to the Minister of Finance.

Recommended Actions

8. It is recommended that the Minister of Education:
 - a. **agree** to submit the proposed in-principle transfers from 2020/21 to 2021/22 and outyears as outlined in the attached proposed submission letters for Vote Education and Vote Tertiary Education to the Minister of Finance

☒ Agree/ ☐ Not agree

- b. **agree** to seek extensions to the expiry dates for the Vote Tertiary Education COVID-19 "Support for Apprentices" and "International Education Strategic Recovery: Diversification of International Education Products and Services" tagged operating contingencies from 30 June 2021 to 30 June 2022 and 30 September 2021, respectively

☒ Agree/ ☐ Not agree

- c. **agree** to seek a fiscally neutral capital to operating swap to provide for increased lease costs arising from the transfer of the Macleans College site to Ngāi Tai ki Tāmaki, with the following impacts on the operating balance and net core Crown debt:

Vote Education	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance and Net Core Crown Debt Impact	-	5.781	5.781	5.781	5.781
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	(57.810)	-	-	-	-
No Impact	-	(1.394)	(1.394)	(1.394)	(1.394)
Total	(57.810)	4.387	4.387	4.387	4.387

☒ Agree/ ☐ Not agree



- d. **note** that Cabinet has agreed that, where a decrease in total taxpayers' funds is due to a capital to operating swap, departments' baselines are to be adjusted downwards by the amount of the associated capital charge [CAB Min (10) 41/9 refers]

Noted

- e. **agree** to seek approval to the following changes to appropriations and departmental capital withdrawal to give effect to the policy decisions in recommendation (c) above, reflecting the baseline adjustment in recommendation (d) above:

	\$m – increase/(decrease)				
Vote Education Minister of Education	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Departmental Output Expense: School Property Portfolio Management (funded by Revenue Crown)	-	4.387	4.387	4.387	4.387
Departmental Capital Withdrawals	(57.810)	-	-	-	-

☒ Agree ☐ Not agree

- f. **agree** that the proposed changes to appropriations for 2021/22 in recommendations above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply

☒ Agree ☐ Not agree

- g. **sign** the attached two letters to the Minister of Finance to submit 2020/21 in-principle transfers for Vote Education and Vote Tertiary Education on or before 9 June 2021

☒ Agree ☐ Not agree

- h. **note** the transfers will be formally appropriated by Joint Ministers in the 2021 October Baseline Update, when the amount of underspend in 2020/21 for each appropriation can be confirmed following completion of the 2020/21 audited financial statements

Noted

- i. **agree** that this Education Report is not proactively release at this time as the proposed in-principle transfers are subject to approval by Minister of Finance.

☒ Agree/ ☐ Not agree



Dr Andrea Schöllmann
Deputy Secretary
Education System Policy

02/06/2021

APPROVED



Katrina Sutich
Group Manager
Graduate Achievement, Vocations and
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31/6/2021



Hon Chris Hipkins
Minister of Education

09 / 06 / 2021

Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



Hon Grant Robertson
Minister of Finance
Parliament Buildings
WELLINGTON

In-Principle Transfers for 2020/21 in Vote Education

1. I propose several additional in-principle expense and capital transfers from 2020/21 to 2021/22 and outyears that were not included in the 2021 March Baseline Update as well as some amendments to transfers agreed in March. These relate to matters that have arisen since that update.
2. The funding referred to in this letter is ring-fenced and fully committed. The amount provisioned also reflects the uncertainty over what progress will be made in these work programmes over the remainder of the financial year.
3. Also included is a proposed capital to operating swap that will fund the additional lease costs for the Macleans College school site recently transferred to Ngāi Tai ki Tāmaki as part of a Treaty settlement.
4. Treasury has been consulted on this letter. The proposed transfers comply with the rules of Cabinet Office Circular CO (18) 2.
5. The proposed additional or amended in-principle transfers for Vote Education are:

Accommodation for Early Learning Services

6. Various programmes to enhance facilities for early childhood education have been delayed by a combination of unexpected issues arising from property inspection, the need to assist Kōhanga Reo and Playcentre Boards to formulate often complex plans for building remediations, and having to deal with supply issues in the construction market. This has affected:
 - assessment of and associated remedial and rehabilitation work on Kōhanga Reo National Trust properties as part of an initiative to help revitalise te reo Māori and integrate it into the learning of children by improving the sustainability, capacity, and capability of Kōhanga Reo. Funding of \$99.956 million over four years was approved by Cabinet in Budget 2020 [CAB-20-MIN-0219.09 and METIS 1228142 initiative 12639 refer]
 - the partial funding stream of Targeted Assistance for Participation which was intended to make early childhood education accessible in communities where attendance was low to improve participation by Māori and Pasifika children and children from low socio-economic status communities. This was funded through fiscally neutral adjustments from non-departmental other expenses since 2010/11 [CAB Min (10) 38/5 and SOC Min (10) 25/1 refer]
 - one-off property funding of \$4.200 million in 2020/21 only to support Playcentre Aotearoa [CAB-20-MIN-0279 refers].

7. In addition, the Ministry has commissioned independent condition assessments of Playcentre Aotearoa buildings at risk of closure [CAB-20-MIN-0279 refers]. However, the first round of assessments may not finish until July due to new health and safety issues including asbestos. After that, the Ministry can work with playcentres to develop a plan to address the repairs required. Potentially, this includes additional assessments where complex property issues have been identified.
8. I therefore propose in-principle transfers from 2020/21 to 2021/22 to ensure that outstanding building improvement projects can be completed. This would comprise:
 - \$5.300 million in non-departmental output expense Early Learning
 - \$11.360 million in non-departmental output expense Support for Early Learning Providers
 - \$300,000 in departmental output expense Support and Resources for Education Providers under Primary and Secondary Education MCA.

Data for Wellbeing Programme (Te Rito)

9. Data for Wellbeing Programme (formally iEd programme) is a system-wide information management programme to make education data accessible to inform decision-making by learners, various education stakeholders and government. Some Student Management System vendors have lacked capacity to address security and privacy issues that prevent two-way data sharing with the Te Rito platform. These delays in addressing security concerns have prevented the programme from being able to scale as scheduled.
10. In-principle expense transfers are proposed from 2020/21 to 2021/22 under departmental output expense Stewardship and Oversight of the Education System in Oversight of the Education System MCA of \$2.210 million and \$750,000 in non-departmental output expense Secondary Education under Primary and Secondary Education MCA.

Education System Sector Engagement

11. The Education System Investment Group is leading several pieces of work which require engagement and consultation with the education sector. The review of how schools are funded for teacher aides was first delayed by COVID-19, then by having to wait for the sector group membership and chair to be approved by the Accord Group for Teacher Aide Pay Equity Claim (TAPEC).
12. As a result, the Equity Index and the TAPEC work programmes only began late in April 2020/21, several months later than planned. An in-principle transfer of \$200,000 is proposed from 2020/21 to 2021/22 under departmental output expense Support and Resources for Education Providers in Primary and Secondary Education MCA.

Early Learning Sustainability Fund

13. In April 2020, Cabinet agreed in principle to time-limited funding to support the viability of early learning services, subject to further work on the preferred allocation approach [CAB-20-MIN-0219.09]. Subsequently in August, Cabinet established an early learning sustainability fund of \$30 million to respond to COVID-19 impacts on early learning services [CAB-20-MIN-0388 refers].

14. In March 2021, we approved a fiscally neutral adjustment of \$15 million from non-departmental other expense Education Providers with COVID-19-Related Losses of Income to non-departmental output expense Early Learning for the reintroduction of the Childcare for Essential Workers scheme [METIS 1250401 refers]. The funding will only be used should there be another Alert Level 4 lockdown. The move to Alert level 4 is beyond the Ministry's control.
15. Wider government support for the early learning sector through the funding guarantee and wage subsidy finished at the end of last year. A risk therefore remains that the economic impact of COVID-19 may impact on service sustainability in the medium term. I would also like to transfer a portion of the remaining \$15 million to continue to support the viability of early learning services that are essential to the network and would otherwise close without additional, one-off financial support. The Ministry will report back to us in December 2021 on the status of this funding and any underspends can be reprioritised in Budget 2022.
16. I therefore propose in-principle transfers from 2020/21 to 2021/22 of \$15 million in non-departmental output expense Early Learning to ensure funding is available for Childcare for Essential Workers should the country move to alert level 4 and \$13.500 million in non-departmental other expense Education Providers with COVID-19 Related Losses of Income to ensure funding is available to support service sustainability of ECE services.

Free and Healthy School Lunches

17. In June 2019, Cabinet implemented a free and healthy school lunch prototype for Year 1-8 students [SWC-19-MIN-0077 refers]. In Budget 2020, the programme was scaled up significantly [CAB-20-MIN-01219.09 initiative 12698 refers] including \$500,000 for development of IT systems to support it and \$3.900 million for equipment in schools.
18. However, delivery of the IT solution to support the programme has been delayed due to increased complexity. The use of more local smaller suppliers and the introduction of more schools into the initiative has meant that the requirements for the IT build need to be reviewed before implementation.
19. In respect of capital equipment, it was expected that some 130 schools would be equipped in Term 2. However, a majority of these schools will now implement the programme from Term 3. As a result, the need for capital spending will roll into the next financial year.
20. In-principle transfers of \$500,000 in departmental output expense Interventions for Target Student Groups under Outcomes for Target Students Groups MCA and \$2 million in non-departmental capital expenditure Schools Furniture and Equipment are proposed from 2020/21 to 2021/22.

Free Period Products in Schools

21. In March 2020, Cabinet agreed to establish a two-staged opt-in initiative to provide access to free sanitary pads and tampons in all State and State-integrated schools and kura [SWC-20-MIN-0014 refers]. In December 2020, Cabinet extended the Access to Free Period Products in schools and kura to 2023/24 [CBC-20-MIN-0130 refers].

22. Due to unforeseen complexities in the procurement process related to securing supplies and logistics partners at scale to distribute to potentially 1,400 schools all with different needs, the tender process for 2020/21 is running later than expected. The tender process was also delayed by having to go to the Commerce Commission and then get a legal opinion to test whether products had to be branded. In-principle transfer of \$1.500 million from 2020/21 to 2021/22 is proposed under departmental output expense Interventions for Target Student Groups in Outcomes for Target Student Groups MCA to ensure funding is available to cover period products initially planned to go out to schools in 2020/21.

Holidays Act Project

23. In Budget 2020, funding was allocated to identify, assess, and find solutions for areas of non-compliance with the Holidays Act 2003 for the Ministry of Education's departmental payroll [CAB-20-MIN-0155.12 initiative 12098 refers]. This is also partly supported by investments in Budget 2021 [CAB-21-MIN-0116.10 initiative 13353 refers].
24. However, the scale and complexity of preparing the payroll data for the remediation calculator has required more work than originally foreseen. This is due to the age and limitations of the old payroll system, which assigned pay transactions to fortnightly batches, which has needed to be entirely rebuilt, with pay transactions reassigned to their effective daily dates before any further work can start. This has also led to delays downstream.
25. Consequently, some costs will now fall into the new financial year due to this unforeseen extra work arising and a transfer in principle of up to \$600,000 from 2020/21 to 2021/22 for departmental output expense Support and Resources for Education Providers under Primary and Secondary Education MCA is proposed. This is in addition to the \$3.650 million in-principle transfer agreed in MBU 2021.

Impairment of Historic TeachNZ Scholarships

26. In MBU 2021, we have approved an increase in provision for writing off historical pre-2006 TeachNZ Scholarships which have been found in default of their bonded terms and conditions to a total of \$10.900 million.
27. To date, \$8.614 million has been written-off for 2020/21. However, there are still several scholarship recipients to be contacted. This is a time-consuming exercise involving a three-stage formal communication process. A dedicated team is working on this; however, the process is likely to extend past 30 June 2021. I therefore propose an in-principle transfer of \$2.256 million from 2020/21 to 2021/22 in non-departmental other expense Impairment of Debts and Assets and Debt Write-Offs in relation to the impairment of historic TeachNZ Scholarships.

Improving and Accelerating Education Outcomes for Pacific Learners

28. In Budget 2019, \$27.400 million over four years was allocated to the Improving and Accelerating Education Outcomes for Pacific Learners package within Vote Education [CAB-19-MIN-0174.13 initiative 10851 refers].
29. The package included \$748,000 in 2020/21 under departmental output expense Support and Resources for Education Providers, to support the development of the Action Plan

for Pacific Education through community-led initiatives [METIS 1218399 refers]. However, this work was overtaken by COVID-19 and it is now anticipated that much of this activity will now occur in 2021/22.

30. A further \$250,000 in 2020/21 was earmarked for consultation with the Pacific Communities and the Education sector and for other activities including evaluation and communications. As work related to COVID response took priority, much of this activity will now also occur in 2021/22.
31. Therefore, an in-principle transfer of \$1 million is proposed from 2020/21 to 2021/22 in departmental output expense Support and Resources for Education Providers under Primary and Secondary Education MCA.

Integrated School Property

32. In September 2020, Joint Ministers appropriated capital (\$89 million over three years) and operating funding (\$34.820 million over five years) for property-related costs associated with establishing the Learning Support Coordinators (LSC) roles in schools [METIS 1221058 refers].
33. In 2020/21, \$8.625 million was allocated for 123 LSC staff at 113 integrated schools. However, some proprietors are experiencing significant delays in finding Project Managers to undertake this work and submitting their proposals although they intend to access the funding. This is now expected in 2021/22.
34. In addition, Budget 2019 provided Policy Two¹ funding for growth at State Integrated schools (\$5.760 million over four years) [CAB-19-MIN-0174.13 Initiative 11710 refers]. This Policy Two funding is applied for by a proprietor applying for a maximum roll increase for one of its schools. The Ministry has no control over when this may happen nor about which applications will be eligible for the funding.
35. I therefore propose an in-principle transfer of \$6.195 million from 2020/21 to 2021/22 in non-departmental other expense Integrated Schools Property for LSC and Policy Two funding.

Learning Support Coordinators (LSC) Neurodiverse Training

36. In August 2019, Joint Ministers approved \$140.804 million over three years for the introduction of 600 new Learning Support Coordinator roles [METIS 1194784 refers]. Part of the funding was for LSC neurodiverse training which is an essential part of the LSC induction to help them understand the needs of neurodiverse children.
37. But the training could not be held in 2020/21 due to COVID-19 restrictions and will now take place in 2021/22. An in-principle transfer of \$325,000 is therefore proposed from 2020/21 to 2021/22 in departmental output expense Interventions for Target Student Groups under Outcomes for Target Student Groups MCA. This is in addition to the \$500,000 in-principle transfer agreed in MBU 2021.

¹ Discretionary property grant for expanding existing schools and establishment of new schools where the investment will reduce pressure for further expenditure in the State school network.

Ministry Redesign

38. The Ministry has been planning for changes relating to a new structure and operating model including the establishment of the Education Sector Agency for a while and set aside some baseline funding to assist in terms of future design, implementation and costs associated with change impacts. This is a challenging piece of work which has made good progress but is marginally behind schedule due in part due to the need to listen to both Ministry and Education sector feedback. The Ministry needs to ensure that appropriate costs are available to cover off items such as branding, restructuring, and ensuring adequate day 1 support is available to make the launch successful.
39. In-principle transfers in departmental output expenses Support and Resources for Education Providers under Primary and Secondary Education MCA of \$1.500 million and Interventions for Target Student Groups under Outcomes for Target Student Groups MCA of \$500,000 are proposed from 2020/21 to 2021/22.

NCEA Change Programme

40. In July 2020, Joint Ministers approved a number of reprioritisation options to support *The National Curriculum*, including a \$10 million fiscally neutral adjustment to fund the National Certificate for Education Achievement (NCEA) change programme from within Vote Education [METIS 1236732 and ROB 2954 refer].
41. Timeframes for delivery of the NCEA change programme have been delayed, primarily due to the resurgence of COVID-19 in Auckland. The Ministry's focus has been changed to the COVID-19 response and specifically to supporting schools and impacted learners instead of recruiting key specialist resources required for the NCEA change programme, including the Ākonga Māori team. The impact caused delays in securing contracts with the right external capability.
42. Therefore, an in-principle transfer of \$1.950 million is proposed from 2020/21 to 2021/22 in departmental output expense Support and Resources for Teachers under Improved Quality Teaching and Learning MCA.

Printing, Distribution and Warehousing

43. In March 2021, the Ministry established a new printing, distribution and warehousing contract that relates to Ministry resources for early learning services, schools, kōhanga and kura. The contract includes the set up and management of ongoing orders via online and customer services function. Delays have occurred with the procurement and the set up and establishment of new processes, including online ordering services and will now be completed in the first quarter of 2021/22.
44. As a consequence, an in-principle transfer of \$200,000 is proposed from 2020/21 to 2021/22 in departmental output expense Support and Resources for Education Providers under Primary and Secondary Education MCA.

Public Private Partnership (PPP) Expansions

45. Four PPP schools² are currently at varying stages of expansion. In Budget 2020, funding was provided based on the estimated cost of designing, building, financing, and

² These schools are Wakatipu High School, Rolleston College, Hobsonville Point Primary and Te Ao Mārama.

maintaining the expansions [CAB-20-MIN-0155.12 initiative 11785 refers]. These expansion processes have been complicated as these are the first PPP expansions that the Ministry has undertaken and there have been multiple negotiations around scope and pricing. Wakatipu High School is now in construction, but the other schools are not yet at this stage, with pricing and scope still to be finalised.

46. An in-principle transfer of \$4.500 million is proposed from 2020/21 to 2021/22 in departmental output expense School Property Portfolio Management to meet the expected actual costs.

Sensitive Claims of Abuse – Funding to Resolve and Acknowledge Historic Abuse in Schooling System

47. In Budget 2019, Cabinet approved funding of \$6.145 million over five years to ensure the resolution of claims against the Crown for allegations of historic physical, psychological and sexual abuse that occurred at a school, including residential special schools [CAB-19-MIN-0174.13 initiative 10875 refers].
48. The Ministry works directly with claimants to resolve their grievances. But fewer claims have been settled this year than anticipated due to:
 - temporarily diverted specialist sensitive claims resource away from actual settlement work to provide the Royal Commission of Inquiry with a range of highly technical and specialised information it sought about how to manage sensitive claims, and
 - dealing with significantly more claims received from direct claimants (claimants who are not legally represented) compared with previous years as a consequence of the Royal Commission's work. Working with direct claimants requires a significant amount of additional front-end work relative to other claims.
49. I therefore propose an in-principle transfer of \$1.368 million from 2020/21 to 2021/22 in departmental output expense Interventions for Target Student Groups under Outcomes for Target Student Groups MCA.

Supporting Maori Learners

50. In May 2020, Cabinet approved funding of \$200 million over four years to Support Māori Learners and Te Reo Māori post COVID-19 as part of COVID-19 Response and Recovery Fund [CAB-20-MIN-0219.09 initiative 12847 refers]. In MBU 2021, fiscally neutral adjustments were approved from departmental output expenses to non-departmental output expenses to reflect the nature of the partnership relationship with Iwi and Māori organisations.
51. While the initiatives are now at the final stage of procurement and contracting, the complexity of finalising agreements with multiple education suppliers has taken approximately three months longer than planned. The impact means that the commencement of Te Ahu o te Reo Māori, Te Kawa Matakura and Kura Whānau programmes will now commence in early 2021/22.
52. I therefore propose in-principle transfers from 2020/21 to 2021/22 in non-departmental output expenses Professional Development and Support of \$15 million and Curriculum Support of \$3.420 million under Improved Quality Teaching and Learning MCA and

departmental output expenses Interventions for Target Student Groups under Outcomes for Target Students Groups MCA of \$2.093 million and Support and Resources for Teachers under Improved Quality Teaching and Learning MCA of \$897,000 to manage that risk.

Talanoa Ako (formerly Pacific PowerUP)

53. Budget 2019 provided \$10.520 million over four years to expand the reach of the Talanoa Ako programme (formerly known as Pacific PowerUP) [CAB-19-MIN-0174.13 initiative 10851 refers].
54. The bulk of these funds are used to engage local community groups and providers to implement the Talanoa Ako programme. This is a critical element of the success of the programme. Most of our 65 Ako centres are located in Auckland. Due to COVID-19 Alert Level changes in late 2020 and early 2021, all of Auckland centres had to pause delivery of the programme. These delays combined with the pressure on Pacific communities in Auckland post COVID-19, meant many providers were unable to deliver the full programme.
55. An in-principle transfer of \$700,000 from 2020/21 to 2021/22 in departmental output expense Support and Resources for Education Providers under Primary and Secondary Education Providers is proposed to allow providers to complete delivery of the Talanoa Ako programmes.

Targeted Support for Pacific Learners and Families

56. In June 2020, Joint Ministers approved \$80.209 million over four years for Pacific learners and families to access and participate in culturally sustaining education as part of the COVID-19 response [METIS 1230218 refers].
57. Several transfers are proposed in relation to this funding:
 - **Translation (\$900,000):** The majority of the work translating and distributing key education materials in 10 Pacific languages to digitally excluded Pacific families will now occur in 2021/22. Latest advice is that there is a greater need for the translation of resources to support learners and whānau engage with education and learning in the new post COVID-19 environment.
 - **Pacific Education Innovation Fund (\$281,000):** Extra community-based supports were needed to assist a diverse range of Pacific communities to apply to this Fund in the ongoing COVID-19 environment.
 - **Parents and whānau engagement (\$124,000):** This work programme was significantly delayed as digital engagement with learning was prioritised. Parent and whānau engagement are critical to support attendance and engagement with learning in the post-COVID-19 environment. The development of tools and resources to support this engagement will now be completed in 2021/22.
58. An in-principle transfer of \$1.305 million from 2020/21 to 2021/22 is proposed for Targeted Support for Pacific learners and families programme under departmental output expense Interventions for Target Student Groups in Outcomes for Target Student Groups MCA for the three components above.

Te Ara Whiti

59. The Te Ara Whiti is a Ministry-wide programme to build a culturally responsive education system. This is linked to the Ministry's wider diversity and inclusion work programme that is aimed at attracting and nurturing diversity and making Education a great place to work. The programme includes training delivery for Te Tiriti and Racial Equity. This training was delayed due to COVID-19 Alert Level 3 lockdown in the North Island. The training is now planned to occur in 2021/22.
60. As a consequence, an in-principle transfer of \$557,000 in departmental output expense Support and Resources for Education Providers under Primary and Secondary Education MCA is proposed from 2020/21 to 2021/22.

Te Mana Tuhono

61. In Budget 2020, Cabinet approved \$34.452 million for the Network-as-a-Service (subsequently renamed Te Mana Tuhono) and Cybersecurity for Schools initiative to support the delivery and integrity of the rollout of NCEA online [CAB-20-MIN-0328-09 initiative 12855 refers]. This is to ensure that schools' ageing network hardware is upgraded, and cybersecurity protection is installed to tackle the increasing risk of phishing scams, data leaks, and exposure to harmful websites. Programme delivery of Te Mana Tuhono started later than forecast due to late announcement in August as the Ministry were unable to gear up/engage with the key supplier, until this was made public. This effectively resulted in a three-month delay to the start of the work.
62. In addition, the majority of the services are being delivered by an Auckland based organisation that was adversely impacted by the COVID lockdown. The key supplier is also experiencing recruitment challenges for the specialist resources needed in the Security Operations Centre, meaning a slower than expected initial spend as recruitment takes longer than expected, offset by higher than expected longer term costs as higher salaries are used to attract the right people.
63. As a consequence, an in-principle transfer in departmental output expense School Property Portfolio Management is proposed from 2020/21 of \$2.500 million to 2021/22 of \$2 million and 2022/23 of \$500,000.

Wellbeing and Mental Health Support to Learners and Education Workforce

64. As part of the COVID-19 Response and Recovery Fund Foundation Package within Vote Education, \$74.026 million was allocated in 2020/21 to Increasing Wellbeing and Mental Health Support to Learners and Education Workforce, including \$16 million for increased access to workplace assistance for educators [CAB-20-MIN-0219.09 initiative 12675 refers].
65. In September, I agreed to an initial \$8.940 million package of initiatives over three years to support the wellbeing of the education workforce in early learning, school and kura settings in response to the impacts of COVID-19 and its recent resurgence, including Auckland COVID-19 resurgence counselling and advice, individual sessions and group workshops, delivery of Employee Assistance Programmes in locations or regions experiencing further resurgence and procuring an online wellbeing hub [METIS 1240426].
66. Part of the funding was also to develop new systems and methods of access for wellbeing initiatives for teachers, and the Accord are working through propositions at the

moment. This process requires frontline Ministry teams to work with the sector to identify, develop and deliver high quality Wellbeing initiatives. This process has taken longer than planned, with delivery of these initiatives now to be completed in 2021/22.

67. Therefore in-principle transfers in non-departmental output expenses Primary Education of \$2.500 million and Secondary Education of \$1.550 million under Primary and Secondary Education MCA, departmental output expenses Interventions for Target Student Groups under Outcomes for Target Students Groups MCA of \$746,000 and Support and Resources for Teachers under Improved Quality Teaching and Learning MCA of \$400,000 are proposed from 2020/21 to 2021/22.

Whanau and Community Events

68. As part of the Whanau/Family Supporting Learning programme [originally established in Budget 2003 – CAB Min (03) 13/9(18) refers], a variety of events were planned for 2020/21 to support engagement of parents, whanau and community with education. Due to COVID-19 alert level changes in late 2020 and early 2021, many events have been postponed or cancelled. It is now intended to deliver these in 2021/22 instead, as parent and whanau engagement with education is critical in our current post COVID-19 environment.
69. A transfer in principle of \$300,000 is therefore sought from 2020/21 to 2021/22 under non-departmental output expense Supporting Parenting.

Departmental Capital

Digital Identity for Online Learning

70. In Budget 2020, Cabinet approved \$13.195 million operating and \$6.898 million capital funding over four years to add functionality and identity records to the Education Sector Logon system for secondary schools students so that they can sit NCEA online securely [CAB-20-MIN-0328.09 initiative 12851 refers].
71. There have been various delays in the planning of the project. Procurement processes took longer than expected for securing specialised resources (including Business Case Writer, Digital Identity Architects and Service Designers) to engage in the planning. Some of the specialty resources assigned to the project have competing priorities with other projects. In addition, the initial project leader resigned during the process and a replacement is not yet in place. These delays have affected the timing of capital expenditure which has to be pushed out to future years.
72. Therefore, in-principle transfers are proposed, \$2.688 million from 2020/21 to 2022/23 for departmental capital injections and \$1.050 million from 2020/21 to 2021/22 for departmental output expense School Property Portfolio Management.

Non-teaching Spaces (School Property Guides) and Learning Support Coordinators

73. The Schools Non-Teaching Spaces and Learning Support Coordinator programmes comprise multiple projects, the majority being managed by individual schools. Appropriations in 2020/21 for these two programmes are \$7.600 million and \$19 million respectively [CAB-18-MIN-0158.09, CAB-18-MIN-0526 and METIS 1221058 refer].
74. The Ministry is actively encouraging schools to complete their projects, but progress has been hindered by a 'supply-constrained' construction market and complexities in the

nature of the projects. COVID-19 lockdowns also slowed these projects. Schools having to decide how they would accommodate Learning Support Coordinators and provide any additional spaces has also had an impact. As a result, over 56% of the total capital funding is yet to be allocated to schools.

75. Therefore, an in-principle transfer for up to \$7 million from 2020/21 capital injections to 2021/22 is proposed. Current forecasts indicate that all the appropriated funding is required to complete the projects in the pipeline.

School Property Energy Initiatives

76. In Budget 2019, the government provided capital for the School Energy Efficiency initiative over four years. This funding is allocated to a sustainability contestable fund (\$5 million) and LED replacement programme (\$8 million) [CAB-19-MIN-0174.13 initiative 11290 refers]. On 24 September 2020, the Government also announced \$50 million funding to continue replacing coal boilers in schools as part of the State Sector Decarbonisation Programme [CAB-19-MIN-0572 and EECA 2020 BRF043 refers]. This programme will replace 94 boilers across 85 schools.
77. Although funding for the contestable fund has been allocated to schools, investment is impacted by increased lead times and market saturation. For the LED replacement programme, the Ministry is currently completing procurement and finalising contracts for the supply and installation of LEDs at 68 schools. Time frames for these programmes have been delayed due to COVID-19.
78. The Decarbonisation programme has taken some time to initiate as considerable work has gone into centralisation of the procurement of boilers as well as finalising a project management approach. A representative from EECA also visits the schools to determine which solution should be used for any given school. This will ensure smoother delivery once the detailed project scope is confirmed. It is expected that the programme will ramp up in the next few months.
79. An in-principle capital transfer of \$17.900 million is therefore proposed from 2020/21 to 2021/22.

School Investment Package (SIP)

80. In December 2019, the Government announced \$400 million of capital funding to invest in property for most State schools [CAB-19-MIN-0572 refers]. This funding was phased over three years and is to be drawn down by the end of 2021 calendar year and spent by June 2022.
81. This capital has been set aside for 2,044 schools to accelerate upgrade work that would otherwise be deferred due to a lack of available funds. The Ministry's property staff are supporting schools to identify projects and delivery options and funds are allocated once these plans are agreed.
82. Schools are taking longer than assumed in the expenditure profile of this initiative to go through initiation and procurement before being ready for the delivery phase of the project. The COVID-19 lockdown has also delayed the delivery plans. A majority of schools are still in the initiation and procurement phases of the project. These projects require flexibility to manage any changes in circumstances.

83. Based on the Ministry's latest forecast spend profile, it is unlikely that the SIP funding appropriated for the 2020/21 financial year will be fully drawn down by the end of June 2020/21. Therefore, an in-principle capital transfer of \$9 million is proposed from 2020/21 to 2021/22.

Macleans College Site Treaty Settlement

84. Finally, a capital to operating swap is proposed to fund the additional lease costs for the Macleans College school site recently transferred to Ngāi Tai ki Tāmaki as part of a Treaty settlement.
85. The Ministry completed a significant Treaty Settlement with Ngāi Tai ki Tāmaki on 30 March 2021 for the sale and lease back of the land at Macleans College in Auckland. The sale of the land for \$97.840 million resulted in a gain of \$69.961 million. The cost to lease the land back from Ngāi Tai ki Tāmaki at 6% per annum on the sale value is \$5.871 million. This rate is similar to other school land transfers under Treaty settlements. This request follows the approach for funding two previous transfers approved in the 2019 October Baseline Update and the 2020 March Baseline Update. The Ministry is working with Treasury and Te Arawhiti to consider funding for future Treaty settlements.
86. It is proposed the gain is returned to the centre and the Ministry's operating funding is increased from 2021/22 by \$5.871 million to cover the additional lease.

Recommendations

87. I recommend that you:

In-Principle Expense Transfers

- a. **note** additional in-principle expense and capital transfers, due to factors outside the Ministry's control, have been identified since the March Baseline Update;
- b. **approve** the in-principle expense and capital transfers from 2020/21 to 2021/22 and outyears up to the maximum amount indicated for each proposal above, with no impact on the operating balance or debt;
- c. **note** the final amount for the in-principle expense and capital transfers will be determined following completion of the audit of the Ministry of Education 2020/21 Annual Report and confirmed in the 2021 October Baseline Update;
- d. **note** that the approved in-principle expense and capital transfers for Vote Education from 2020/21 (including those previously agreed in the 2021 March Baseline Update) would then be as set out in Appendix 1;

Macleans College Site Treaty Settlement

- e. **note** that the Treaty settlement with Ngāi Tai ki Tāmaki on 30 March 2021 for transfer of the Macleans College site for \$97.840 million has resulted in a gain on sale of \$69.961 million which will be reported as part of the Ministry's operating surplus for the 30 June 2021 fiscal year;

- f. **note** that section 22(1) of the Public Finance Act 1989, except as agreed between the Minister of Finance and the responsible Minister for a department, the department must not retain any operating surplus that results from its activities;
- g. **note** that as part of the Treaty settlement, the Ministry will incur an additional annual lease cost of \$5.781 million to use the Macleans College site;
- h. **note** that the Ministry of Education propose to retain a portion of their reported operating surplus for the 30 June 2021 fiscal year in order to help fund the annual lease cost;
- i. **agree** to the Ministry of Education retaining \$29.931 million of the reported operating surplus for the 30 June 2021 fiscal year;
- j. **note** that the proposal in recommendation (i) will have a corresponding adverse impact on net core Crown debt;
- k. **note** that the Ministry of Education propose the annual lease cost is funded by a capital to operating swap, which will require a capital withdrawal of \$57.810 million to fund the annual lease cost of \$5.871 million;
- l. **note** that the capital withdrawal to be returned to the Crown reflects the cash received from the transfer of Macleans College that relate to the book value of the site of \$27.879 million along with the proposed retention of surplus of \$29.931 million in recommendation (i);
- m. **agree** to a fiscally neutral capital to operating swap to provide for increased lease costs arising from the transfer of the Macleans College site to Ngāi Tai ki Tāmaki, with the following impacts on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Education	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance and Net Core Crown Debt Impact	-	5.781	5.781	5.781	5.781
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	(57.810)	-	-	-	-
No Impact	-	(1.394)	(1.394)	(1.394)	(1.394)
Total	(57.810)	4.387	4.387	4.387	4.387

- n. **note** that Cabinet has agreed that, where a decrease in total taxpayers' funds is due to a capital to operating swap, departments' baselines are to be adjusted downwards by the amount of the associated capital charge [CAB Min (10) 41/9 refers];
- o. **approve** the following changes to appropriations and departmental capital withdrawal to give effect to the policy decisions in recommendation (m) above, reflecting the baseline adjustment in recommendation (n) above; and

	\$m – increase/(decrease)				
Vote Education Minister of Education	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Departmental Output Expense:					
School Property Portfolio Management (funded by Revenue Crown)	-	4.387	4.387	4.387	4.387
Departmental Capital Withdrawal	(57.810)				

- p. **agree** that the proposed changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Approved/Not Approved

Agree/Disagree

Approved/Not Approved

Agree/Disagree



Hon Grant Robertson
Minister of Finance

Date:

Hon Chris Hipkins
Minister of Education

Date: 9 / 06 / 2021

Appendix 1: Proposed In-Principle Transfers - Vote Education

Proposed IPECT GST Exclusive \$000	Appropriation	2020/21	2021/22	2022/23	2023/24
Departmental output expenses					
Accommodation for Early Learning Services (new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(300)	300	-	-
Data for Wellbeing Programme (Te Rito) (new)	Stewardship and Oversight of the Education System (Oversight of the Education System MCA)	(2,210)	2,210	-	-
Digital Identity for Online Learning (new)	School Property Portfolio Management	(1,050)	1,050	-	-
Education System Sector Engagement (new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(200)	200	-	-
Free and Healthy School Lunches (new)	Interventions for Target Student Groups (Outcomes for Target Students Groups MCA)	(500)	500	-	-
Free Period Products in Schools (new)	Interventions for Target Student Groups (Outcomes for Target Student Groups MCA)	(1,500)	1,500	-	-
Holidays Act Project (\$600,000 new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(4,250)	4,250	-	-
Improving and Accelerating Education Outcomes for Pacific Learners (new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(1,000)	1,000	-	-
Learning Support Coordinators Neurodiverse Training (\$325,000 new)	Interventions for Target Student Groups (Outcomes for Target Student Groups MCA)	(825)	825	-	-
Ministry Redesign (new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(1,500)	1,500	-	-
	Interventions for Target Student Groups (Outcomes for Target Student Groups MCA)	(500)	500	-	-
NCEA Change Programme (new)	Support and Resources for Teachers (Improved Quality Teaching and Learning MCA)	(1,950)	1,950	-	-
Pacific Education Action Plan and Community Pilot (unchanged from MBU)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(983)	983	-	-
Printing, Distribution and Warehousing (new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(200)	200	-	-
Public Private Partnership Expansions (new)	School Property Portfolio Management	(4,500)	4,500	-	-
Restarting Te Hurihanganui (unchanged from MBU)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(2,649)	279	2,274	96
Sensitive Claims of Abuse – Funding to Resolve and Acknowledge Historic Abuse in Schooling System (new)	Interventions for Target Student Groups (Outcomes for Target Students Groups MCA)	(1,368)	1,368	-	-

Proposed IPECT GST Exclusive \$000	Appropriation	2020/21	2021/22	2022/23	2023/24
Support and Advice to Schools on the Management and Planning of Property Needs (unchanged from MBU)	School Property Portfolio Management	(4,800)	4,800	-	-
Supporting Maori Learners (new)	Intervention for Target Student Groups (Outcomes for Target Students Groups MCA)	(2,093)	2,093	-	-
	Support and Resources for Teachers (Improved Quality Teaching and Learning MCA)	(897)	897	-	-
Talanoa Ako (new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(700)	700	-	-
Targeted Support for Pacific Learners and Families (new)	Interventions for Target Student Groups (Outcomes for Target Student Groups MCA)	(1,305)	1,305	-	-
Te Ara Whiti (new)	Support and Resources for Education Providers (Primary and Secondary Education MCA)	(557)	557	-	-
Te Mana Tuhono (new)	School Property Portfolio Management	(2,500)	2,000	500	-
Weather-tightness Product Claim Legal Expenses (unchanged from MBU)	School Property Portfolio Management	(500)	500	-	-
Wellbeing and Mental Health Support to Learners and Education Workforce (new)	Interventions for Target Student Groups (Outcomes for Target Students Groups MCA)	(746)	746	-	-
	Support and Resources for Teachers (Improved Quality Teaching and Learning MCA)	(400)	400	-	-
Total departmental output expenses		(39,983)	37,113	2,774	96
Non-departmental output expenses					
Accommodation for Early Learning Services (new)	Early Learning	(5,300)	5,300	-	-
	Support for Early Learning Providers	(11,360)	11,360	-	-
Data for Wellbeing Programme (Te Rito) (new)	Secondary Education (Primary and Secondary Education MCA)	(750)	750	-	-
Early Learning Sustainability Fund	Early Learning	(15,000)	15,000	-	-
Learning Support Coordinators (unchanged from MBU)	Learning Support (Outcomes for Target Student Groups MCA)	(775)	775	-	-
Restarting Te Kotahintanga (unchanged from MBU)	Schooling Improvement	(7,714)	-	1,969	5,745
Supporting Maori Learners (new)	Professional Development and Support (Improved Quality Teaching and Learning MCA)	(15,000)	15,000	-	-
	Curriculum Support (Improved Quality Teaching and Learning MCA)	(3,420)	3,420	-	-
Whanau and Community Events (new)	Supporting Parenting	(300)	300	-	-

Proposed IPECT GST Exclusive \$000	Appropriation	2020/21	2021/22	2022/23	2023/24
Wellbeing and Mental Health Support to Learners and Education Workforce (new)	Primary Education (Primary and Secondary Education MCA)	(2,500)	2,500	-	-
	Secondary Education (Primary and Secondary Education MCA)	(1,550)	1,550	-	-
Total Non-departmental output expenses		(63,669)	55,955	1,969	5,745
Non-departmental other expense					
Charter School Transition and School Property Programme (unchanged from MBU)	Integrated Schools Property	(6,087)	6,087	-	-
Early Learning Sustainability Fund	Education Providers with COVID-19 Related Losses of Income	(13,500)	13,500	-	-
Impairment of Historic TeachNZ Scholarships (new)	Impairment of Debts and Assets and Debt Write-Offs	(2,256)	2,256	-	-
Integrated School Property (new)	Integrated Schools Property	(6,195)	6,195	-	-
Total Non-departmental other expenses		(28,038)	28,038	-	-
Non-departmental Capital expenditure					
Free and Healthy School Lunches (new)	Schools Furniture and Equipment	(2,000)	2,000	-	-
Total Non-departmental Capital expenditure		(2,000)	2,000	-	-
Capital injection					
Digital Identity for Online Learning (new)	Departmental Capital Injection	(2,688)		2,688	
New Schools (unchanged from MBU)	Departmental Capital Injection	(28,513)	-	-	28,513
Roll Growth (unchanged from MBU)	Departmental Capital Injection	(6,800)	2,040	4,760	-
Non-teaching Spaces (School Property Guides) and Learning Support Coordinators (new)	Departmental Capital Injection	(7,000)	7,000	-	-
School Property Energy Initiatives (new)	Departmental Capital Injection	(17,900)	17,900	-	-
School Investment Package (new)	Departmental Capital Injection	(20,000)	20,000	-	-
Total Capital injection		(71,901)	35,940	7,448	28,513
Total IPECTs proposed for Vote Education		(205,591)	159,046	12,191	34,354



Hon Grant Robertson
Minister of Finance
Parliament Buildings
WELLINGTON

In-Principle Expense and Capital Transfers for 2020/21 in Vote Tertiary Education

1. I propose several additional in-principle expense and capital transfers from 2020/21 to 2021/22 that were not included in the 2021 March Baseline Update. These proposals relate to matters that have arisen since that update.
2. The funding referred to in this letter is ring-fenced and fully committed. The amount provisioned also reflects the uncertainty over what progress will be made in these work programmes over the remainder of the financial year.
3. In addition, extensions to the expiry dates for the COVID-19 “Support for Apprentices” and “International Education Strategic Recovery: Diversification of International Education Products and Services” tagged operating contingencies are proposed.
4. Treasury has been consulted on this letter. The transfers comply with the rules of Cabinet Office Circular CO (18) 2.
5. The new proposed in-principle transfers for Vote Tertiary Education are as follows.

Domestic Tertiary Student Dispute Resolution Scheme

6. We agreed to provide funding to the Ministry of Education to develop and deliver a Disputes Resolution Scheme (\$150,000 in 2020/21 and \$300,000 in 2021/22 and outyears) to resolve contractual and financial disputes between domestic tertiary students (and former and prospective students) and tertiary education providers [METIS 1244594 refers].
7. However, feedback from stakeholders highlighted that more work than anticipated is needed to develop the Scheme and its enabling legislation. Consequently, the development stage of the Disputes Resolution Scheme has been delayed and some development costs originally anticipated in 2020/21 will now be incurred in 2021/22.
8. Therefore, I am proposing an in-principle expense transfer of up to \$100,000 from 2020/21 to 2021/22 under departmental output expense Stewardship and Oversight of the Tertiary Education System.

International Education Recovery

9. COVID-19 has hit the sector hard with ongoing border restrictions which have resulted in a marked reduction in international students and associated revenue. The Government has invested additional resources to help support the industry and position the sector for an eventual recovery – for example supporting international education communications, marketing and brand awareness so that the government can drive and convert demand when circumstances allow [CAB-20-MIN-0328.22, initiative 12954 refers] and by providing funding to offset the shortfall in revenue from the Export Education Levy [CAB-20-MIN-0219.27 initiative 12726 refers].
10. The Ministry and Education New Zealand have formed a joint team to manage applications for border exemptions and the subsequent operational processes that are required to support tertiary education organisations and students through the border and managed isolation and quarantine process. This includes the initial identification of eligible students and providing an approved list to the Ministry of Business Innovation and Employment, as well as supporting the sector to develop a “ready to go” plan. Timeframes were unknown due to uncertainties with the border reopening. However, it is now clear this work will need to continue through the second half of the year due to the border mostly remaining closed.
11. Therefore, I am proposing an in-principle expense transfer from 2020/21 to 2021/22 for up to \$400,000 under departmental output expense Stewardship and Oversight of the Tertiary Education System to allow the continuation of that recovery planning.

Early Childhood Education (ECE) Qualification Translation

12. In Budget 2019, \$1 million was appropriated over 2019/20 and 2020/21:
 - for tertiary education providers (TEPs) to develop home-based ECE programmes in languages other than English and Māori, such as Tongan and Samoan, and
 - to better understand how to support and engage with TEPs to develop programmes [CAB-19-MIN-0174.40 initiative 11681 refers].
13. The impact of the COVID-19 lockdown led to \$500,000 being transferred from 2019/20 to 2020/21 in the 2020 October Baseline Update.
14. But uptake has been slower than expected, as TEPs continued to rebuild and prioritised resources towards recovery from COVID-19. This has delayed some ECE qualifications work and extended the programme and contractual Workforce Development payments into 2021/22.
15. Therefore, I am proposing an in-principle expense transfer of up to \$145,000 from 2020/21 to 2021/22 under non-departmental output expense Tertiary Sector/ Industry Collaboration Projects.

Transitional Industry Training Organisations (ITOs) COVID-19 Response Projects

16. In Budget 2020, funding from the COVID-19 Response and Recovery Fund was appropriated for projects led by transitional ITOs and Workforce Development Councils (WDCs) to develop local and industry training responses to COVID-19 [CAB-20-MIN-0219.27 initiative 12674 refers]. This comprises \$13 million in 2020/21 and \$3 million in 2021/22.
17. Due to the delay in establishing the WDCs, more projects were allocated to transitional ITOs, with the duration of these projects now longer than initially anticipated while WDCs build their capability, with higher-than-expected costs now likely to fall in 2021/22.
18. Therefore, I am proposing an in-principle expense transfer of up to \$8.800 million from 2020/21 to 2021/22 under non-departmental output expense Tertiary Sector/Industry Collaboration Projects to cover Tertiary Education Commission commitments to COVID-19 Response Projects being currently undertaken by transitional ITOs.

Capital Funding to Te Pūkenga

19. Capital funding of \$20 million was provided in 2020/21 for the establishment and operation of key systems at Te Pūkenga to support its financial operations and data analysis capabilities [CBC-20-MIN-0067 refers]. A total of \$4 million was paid immediately with the remaining \$16 million subject to Ministerial endorsement of appropriate business cases.
20. Te Pūkenga has begun work on business cases but further work still needs to be undertaken to ensure any investment decision achieves value for money and is consistent with its long-term operating model.
21. Therefore, I am proposing an in-principle capital transfer of up to \$16 million from 2020/21 to 2021/22 under non-departmental capital expenditure appropriation Support for a Single National Vocational Education Institution.

Tertiary Education Institutions (TEIs) Proceeds from Disposal of Crown Assets

22. In the 2021 March Baseline Update, we approved the establishment of non-departmental capital expenditure appropriation Tertiary Education Institutions' Proceeds from Disposal of Crown Assets to record the expected fiscally neutral transfers of \$17 million from the Crown to TEIs in 2020/21.
23. Funding for this appropriation is for 2020/21 only and the Ministry will need to establish funding for future years at some point.
24. Some sales are now unlikely to be finalised before 30 June 2021, mainly for Wellington Institute of Technology property (\$5.100 million) and University of Otago land (\$475,000), so I am proposing an in-principle capital transfer of up to \$5.940 million from 2020/21 to 2021/22.

25. Finally, it is proposed that the expiry dates for the following tagged operating contingencies (currently both 30 June 2021) are extended:

Extending the Expiry Date for Support for Apprentices Contingency

26. On 11 May 2020, Cabinet approved the COVID-19 Response and Recovery Fund Foundational Package for Vote Tertiary Education [CAB-20-MIN-0219.27 refers]. However, some financial recommendations were still outstanding at that time. Subsequently under delegation from Cabinet, we jointly approved the Contingency: COVID-19 Support for Apprentices of \$412 million as part of that Foundational Package [METIS 1228142 initiative 12670 refers].
27. On 15 June 2020, Cabinet appropriated \$379.654 million for the Apprenticeship Boost Initiative (ABI) and \$30.318 million for expanding the Mana in Mahi programme in Vote Social Development plus \$900,000 in Vote Tertiary Education [CAB-20-MIN-0280 refers]. At that time, Cabinet also noted that the expenses funded in those decisions would reduce the balance of the COVID-19 Support for Apprentices tagged operating contingency to \$1.128 million [Recommendation 43 refers].
28. The remaining balance is expected to be drawn down during 2021/22 to help meet demand for the ABI and Mana in Mahi programmes. Therefore, it is proposed to extend the expiry date of the contingency to 30 June 2022.

Extending the Expiry Date for Diversification of International Education Products and Services Contingency

29. On 6 July 2020, Cabinet established a tagged operating contingency of \$9.150 million, from the COVID-19 Response and Recovery Fund, to support the diversification of International Education products and services [CAB-20-MIN-0328.22 refers]. On 10 October 2020, we jointly approved an initial drawdown of \$1 million under non-departmental output expense International Education Programmes in 2020/21 [METIS 1235115 refers] for Education New Zealand to work with the sector to progress the development of new products and services, including a Unified Digital Learning Platform (UDLP).
30. Education New Zealand has been engaging extensively with the sector since then to understand its needs, build strong relationships and co-design new products and services. The co-design approach has been very successful with several potential products being identified and greater clarity about the how UDLP can support education providers to reach new markets and widen its learner base. The feedback from the sector is also being used to develop the implementation plan and detailed costings for the next phases of the project.
31. However, with sector engagement only starting in October (later than anticipated) and some proposed changes to planned approach and timings (supported by the Government Chief Digital Officer), the detailed planning information needed to enable the contingency to be drawn down may not be completed before year end. Consequently, it is proposed to extend the expiry date of the contingency from 30 June to 30 September 2021.

Recommendations

32. I recommend that you:

In-Principle Expense and Capital Transfers

- a. **note** additional in-principle expense and capital transfers, due to factors outside the Ministry's control, have been identified since the March Baseline Update;
- b. **approve** the in-principle expense and capital transfers from 2020/21 to 2021/22 up to the maximum amount indicated for each proposal above, with no impact on the operating balance;
- c. **note** the final amount for the in-principle expense and capital transfers will be determined following completion of the audit of the Ministry of Education 2020/21 Annual Report and confirmed in the 2021 October Baseline Update;
- d. **note** that the approved in-principle expense and capital transfers for Vote Tertiary Education from 2020/21 would then be as set out in Appendix 1;

Extending the Expiry Date for Support for Apprentices Contingency

- e. **note** that the COVID-19 Support for Apprentices tagged operating contingency [CAB-20-MIN-0219.27 and METIS 1228142 refer] is due to expire on 30 June 2021;
- f. **agree** that that due to potential demand for the Apprenticeship Boost Initiative and Mana in Mahi in 2021/22, the expiry date for the contingency is extended to 30 June 2022;

Extending the Expiry Date for Diversification of International Education Products and Services Contingency

- g. **note** the COVID-19 International Education Strategic Recovery: Diversification of International Education Products and Services tagged operating contingency [CAB-20-MIN-0328.22 refers] is due to expire on 30 June 2021; and

- h. **agree** that due to sector engagement starting later than anticipated and some improvements to the planned approach potentially delaying the detailed planning information required for future draw downs, the expiry date for the contingency is extended from 30 June to 30 September 2021.

Approved/Not Approved

Approved/Not Approved

Agree/Disagree

Agree/Disagree



Hon Grant Robertson
Minister of Finance

Hon Chris Hipkins
Minister of Education

Date:

Date: 9 / 06 / 2021

Appendix 1: In-Principle Expense and Capital Transfers: Vote Tertiary Education
\$000 GST Exclusive

Programme	Appropriation	2020/21	2021/22
Departmental Output Expenses			
Domestic Tertiary Student Dispute Resolution Scheme (new)	Stewardship and Oversight of the Tertiary Education System	(100)	100
International Education Recovery (new)	Stewardship and Oversight of the Tertiary Education System	(400)	400
Total Departmental Output Expenses		(500)	500
Non-Departmental Output Expenses			
Investment in Southern Institute of Technology Telford (unchanged from MBU)	Access to Tertiary Education	(1,255)	1,255
Investment in Te Pūkenga – New Zealand Institute of Skills and Technology (unchanged from MBU)	Establishment of a Single National Vocational Education Institution	(5,500)	5,500
ECE Qualification Translation (new)	Tertiary Sector/Industry Collaboration Projects	(145)	145
Transitional Industry Training Organisations (ITOs) COVID-19 Response Projects (new)	Tertiary Sector/Industry Collaboration Projects	(8,800)	8,800
Total Non-Departmental Output Expenses		(15,700)	15,700
Non-Departmental Capital Expenditure			
Capital Funding to Te Pūkenga (new)	Support for a Single National Vocational Education Institution	(16,000)	16,000
TEIs Proceeds from the Disposal of Crown Assets (new)	Tertiary Education Institutions' Proceeds from Disposal of Crown Assets	(5,940)	5,940
Total Non-Departmental Capital Expenditure		(21,940)	21,940
Total IPETs proposed for Vote Tertiary Education		(38,140)	38,140