



Briefing Note: Supporting advice for Budget 22 Bilateral – School Property

To:	Hon Chris Hipkins, Minister of Education		
Date:	15 February 2022	Priority:	High
Security Level:	Budget Secret	METIS No:	1281669
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Purpose of Report

This report provides you with advice relating to school property initiatives ahead of your meeting with Hon Grant Robertson, Minister of Finance, at 9am on Wednesday 16 February to discuss the Budget 22 Vote Education package.

Summary

1. The Treasury has provided advice, including its proposed Vote Education Budget 22 package, to the Minister of Finance in preparation for the bilateral tomorrow [T2022/117 *Budget 2022: Education Portfolio Bilateral – 16 February 2022* refers]. The Treasury's advice was also shared with your office, and this report responds to their advice.
2. The property initiatives sought by the Ministry represent our minimum viable options to continue the momentum established over the previous three Budgets. Any decisions taken now that reduce capital has a minor impact on your wider operating balance, particularly if depreciation is not considered within your Vote Education allocation, but it will have a significant impact on our ability to deliver projects to achieve your school property condition and growth objectives to 2030.

Recognising previous funding committed to the National Education Growth Plan through Budget 19

3. In its advice, the Treasury has considered funding allocated to the National Education Growth Plan (NEGP) in previous Budgets as a Budget pre-commitment [Table Two]. Effectively, this considers the initiative as part of the Budget 22 package.
4. Funding was agreed by Cabinet in May 2019, through the \$1.2 billion NEGP Budget 19 school property initiative [CAB-19-MIN.0174.13]. At this time, a tagged contingency was established, which included a process for drawing down the capital and identified the operating impact, and the budget year in which it would be appropriated. The operating for the first tranche was drawn down through a tagged operating contingency

with subsequent operating tranches to be drawn down in the same way as capital was required.

5. In August 2020, Cabinet also noted that any additional operating funding needed to support future capital funding beyond the \$1.2 billion Budget 19 package would be sought through future Budgets (recommendation 10) [SWC-20-MIN-0129].
6. The Budget 19 funding has been publicly announced and widely agreed. In our view, the Budget 19 funding has already been agreed by Cabinet and therefore sits outside of any new package funded through Budget 22.
7. Cabinet agreed the operating funding was a pre-commitment against future Budgets, but did not require this to be a pre-commitment against Vote Education.
8. The second drawdown was approved by Cabinet in 2020 [SWC-20-MIN-0129]. The final drawdown is expected in the first half of 2022, subject to Cabinet approval.
9. The final draw down of the Budget 19 funding will be applied to planned school growth projects. Therefore, if Budget 22 does not allocate any additional growth funding no further student places can be delivered. This would require the Ministry to reforecast the delivery of the National Education Growth Plan, and would likely mean that the Government's commitment to delivering 100,000 additional student places could not occur by 2030.

9(2)(f)(iv)



Balancing funding for condition - National School Redevelopment Programme – against growth – National Education Growth Plan

16. The Treasury's recommends prioritising the maintenance of the existing portfolio over investment in expansion. This prioritises funding the National School Redevelopment Programm (NSRP) ahead of the NEGP. This is likey due to the Treasury's perception that the NEGP is already receiving funding through the final drawdown of Budget 19.
17. The NSRP is primarily funded through the Ministry's baseline (depreciation funding). If the depreciation uplift is allocated, the Ministry will be able to progress condition work through the NSRP.
18. As noted above, the Budget 19 growth funding has been allocated to planned projects and does not offer the ability to fund any additional student places beyond those already planned and funded. Treasury present the operating impact funding of Budget 19 investment in growth as part of Budget 22 [Table Two]. However, this represents the depreciation and capital charge impact of projects planned and funded through Budget 19.
19. Therefore we would recommend the prioritisation of any NEGP funding and the deferral of the Ministry's NSRP initiative.

Proactive Release

- a **agree** that this briefing is not published due to as it contains free and frank advice relating to budget secret initiatives.

Agree / Disagree.



Scott Evans
Hātū | Te Puna Hanganga, Matihiko

15/02/2022

Hon Chris Hipkins
Minister of Education

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