



## Education Report: Budget 2020: Reprioritisation Initiatives

|   |  |                     |           |
|---|--|---------------------|-----------|
| <b>To:</b>                                    | Hon Chris Hipkins, Minister of Education |                     |           |
| <b>Date:</b>                                  | 4 February 2020                          | <b>Priority:</b>    | High      |
| <b>Security Level:</b>                        | In Confidence                            | <b>METIS No:</b>    | 1219174   |
| <b>Drafter:</b>                               | John Wardrop                             | <b>DDI:</b>         | s 9(2)(a) |
| <b>Key Contact:</b>                           | Wayne Murphy                             | <b>DDI:</b>         |           |
| <b>Messaging seen by Communications team:</b> | No                                       | <b>Round Robin:</b> | No        |

### Purpose of Report

This report seeks your agreement to the education portfolio reprioritisation initiatives to be progressed in Budget 2020, and to consider other reprioritisation initiatives in future budgets.

### Summary

- The Government's budget process requires Ministers to identify opportunities to reprioritise funding to offset the cost of other areas of the budget package.
- We have looked at opportunities to reprioritise funding within education votes. This included identifying new options and revisiting options identified, but not progressed, in previous budget rounds. Opportunities fall into two categories:
  - those that are able to be progressed in Budget 2020, should you wish to do so, and
  - those that are potentially viable but require further work to better understand their impact and implications before a decision is taken, and which could be included in Budget 2021, and
- Potential savings from reprioritisation in Budget 2020 are small compared to what was achieved in the 2018 and 2019 budgets.
- The potential for reprioritisation in education votes is likely to arise in your 12 February Budget bilateral discussion with the Minister of Finance.

## Recommendations

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We recommend that you:

- a. **note** that the Minister of Finance expects that you will consider the scope for reprioritisation within education votes, to help offset the cost of your 2020 Budget package
- b. **agree in principle** to the following education portfolio reprioritisation initiatives being included in Budget 2020:
- reprioritisation of funding for Exemplary Post-Graduate ITE Programmes Yes/No ☒ No
  - ceasing normal and model school additional operational grant funding Yes/No ☒ No
  - removing eligibility to ECE subsidies for those eligible for paid parental leave Yes/No ☒ No
  - ceasing the special reasons allowance for specified area/composite schools Yes/No ☒ No
  - removing the mentoring and coordination staffing allowance for normal schools Yes/No ☒ No
- c. subject to your agreement to recommendation (b) above, **direct** the Ministry to provide you with further advice on the implementation and implications of these changes by 18 February 2020, to enable in-principle agreement to be confirmed. Yes/No ☒ No
- d. **agree** that the following reprioritisation options should be developed, for potential consideration in Budget 2021:
- recovery of unspent Resource Teacher Learning and Behaviour funding from lead schools Yes/No ☒ No
  - re-aligning the notional rolls for 18 Teen Parent Units to better reflect actual rolls Yes/No ☒ No
  - moving all composite schools with less than 250 students to the base funding formula model that applies to schools established since 2010. Yes/No ☒ No
  - reducing secondary year private schools subsidy rates to 130% of the primary subsidy rates Yes/No ☒ No
  - reducing the scale of boarding allowances Yes/No ☒ No
  - cancelling the Kiwi Can contract Yes/No ☒ No
- e. **direct** the Ministry of Education to prepare a letter to the Minister of Finance, reflecting these decisions, for your consideration, and Yes/No ☒ No

f. **agree** that this report is not proactively released.

Release/ Not Release



Damian Edwards  
Associate Deputy Secretary  
**Education System Policy**

4/2/20



Katrina Sutich  
General Manager, Tertiary  
Education  
**Graduate Achievement,  
Vocations and Careers**

4/7/20



Hon Chris Hipkins  
**Minister of Education**

8/2/20

## Background

1. As part of Budget 2020, Ministers have been asked to identify opportunities to reprioritise funding within their votes.
2. We have looked at opportunities to reprioritise funding within education votes. This work included revisiting options that were identified, but not progressed, in previous budget rounds.
3. In the 2018 and 2019 budgets you respectively returned \$123 million and \$500 million of operating funding through reprioritisation and return of underspends:
  - the scope for reprioritisation in Budget 2020 is lower than in these budgets, as most of the spending that was not well aligned with the Government's policy priorities has already been identified and reprioritised, and
  - as outlined in our briefing note for your bilateral discussion with the Minister of Finance [METIS 1219173 refers], anticipated underspends that will be returned to the centre are also lower than in these budgets.

## Analysis

4. The options that we have identified that could enable funding to be reprioritised fall into two broad categories:
  - those that may be able to be progressed in Budget 2020, should you wish to do so
  - those that require further work to better understand their impact and implications before a decision is taken, and which cannot be considered before Budget 2021, and

## Reprioritisation Options for Budget 2020

5. We have identified the following policy options for reprioritisation that could be included in Budget 2020:

| Initiative   | Comment  | Indicative 4Y Saving (\$M) |
|--|--|----------------------------|
| Exemplary Post-Graduate Initial Teacher Education Programmes                                       | The programmes that were supported by this funding have all ended, apart from one – the Auckland University Masters in teaching and learning (Primary) – which will end in June 2020. Therefore, this funding can be removed from baseline without impacting delivery.   | \$10.1                     |
| Removing eligibility to Early Childhood Education subsidies while eligible for paid parental leave | This would target currently universal resourcing by removing eligibility for subsidies for children under the age of one for the duration of paid parental leave (0-26 weeks). Evidence suggests secure attachments between primary caregivers and children support positive outcomes at a later stage, and the period of paid parental leave supports this. | \$38.0                     |
| Special reasons allowance for specified area/composite schools                                     | This saving would be realised by ceasing this allowance which provides additional staffing entitlement of between 0 and 1.23 FTEs to 39 specified area/composite schools. These schools would lose staffing.   | \$8.9                      |
| Normal schools mentoring and coordination staffing   | This saving would be realised by removing the mentoring and coordination staffing allowance for normal schools.  | \$6.0                      |
| Normal and model school additional operational grant funding                                       | These schools receive additional funding of \$7.09 per student per year. Removal of this entitlement would mean these schools would face a small reduction in their operational funding.   | \$0.3                      |
| Total  |  | \$63.3                     |

6. We seek your decision, in principle, on which of these options you wish to include in Budget 2020. Following this, we will prepare further advice on the implementation and implications of these changes, as well as updated costings, for final decision.

### **Reprioritisation Options for Budget 2021 Onwards**

7. The following policy options could enable reprioritisation of funding. However, their potential is subject to further assessment, costings and impact analysis; and in some cases sector consultation may also be required. Accordingly, we recommend that the following options are further developed for consideration from Budget 2021 onwards:
- i. recovering a small amount of unspent Resource Teacher Learning and Behaviour funding from lead schools
  - ii. re-aligning the notional rolls for 18 teen parent units to better reflect actual rolls
  - iii. moving all composite schools with less than 250 students to the base funding formula model that applies to schools established since 2010
  - iv. reducing the secondary private school subsidy rates so that they are 130% of the primary subsidy rates (i.e. same ratio as state funding)
  - v. changes to the scale of boarding allowances, and
  - vi. cancelling a contract for Kiwi Can (a values and life skills programme designed for primary and intermediate school students).
8. Where changes involve withdrawing entitlements from individuals it may be appropriate to grandparent eligibility — to ensure those who have already commenced a course of study based on current rules don't have their ability to complete this prejudiced.

### **Next Steps**

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9. We anticipate that the scope for reprioritisation within the education portfolio will arise in your Budget bilateral meeting with the Minister of Finance on 12 February 2020.
10. Subject to your agreement to the recommendations in this report, we will provide you with a further report on the in-principle reprioritisation options you wish to pursue in Budget 2020, to enable you to take final decisions.
11. Following your Budget bilateral meeting, we will prepare a letter to the Minister of Finance on underspends and reprioritisation for your consideration.

### **Proactive Release**

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12. We recommend that this Education Report is not proactively released, as it is Budget-related. This is consistent with s9(2)(f)(iv) of the Official Information Act 1982, which provides that a reason for withholding information exists if it is necessary to maintain the constitutional convention that protects confidentiality of officials' advice. A proactive release of Budget 2020 reports will be proposed for your consideration, as part of a wider communications strategy for your Budget 2020 package of initiatives.