



Education Report: Budget 2020 Funding for Early Learning Costs and Digital Pressures

To:	Hon Chris Hipkins, Minister of Education Hon Grant Robertson, Minister of Finance		
Date:	8 April 2020	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1225457
Drafter:	John Wardrop	DDI:	s 9(2)(a)
Key Contact:	Damian Edwards	DDI:	
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report seeks your agreement to

- include three early learning cost pressures initiatives in Budget 2020, and
- charge the expenses for the Enabling Student Access to Online Teaching and Learning initiative against the COVID-19 Response and Recovery Fund established as part of Budget 2020.

Summary

Early Learning

- On 6 April Cabinet considered a truncated 2020 Budget package, which was largely confined to cost pressures.
- At this meeting, Cabinet authorised the Minister of Finance and relevant Appropriation Ministers to: approve changes to initiatives and appropriations; and agree new significant financial recommendations, where production has been affected by COVID-19 and/or where this proves necessary to finalise the 2020 Budget Package.
- The Minister of Education has advised us that he wishes to progress three early-learning cost pressures under this delegated authority, which were not able to be included in the 6 April Cabinet paper.
- This paper includes financial recommendations to include these initiatives in the 2020 Budget Package.

Digital

- Under Cabinet delegated joint authority, on 27 March you approved \$36.4 million for a package of initiatives to ensure students can access online teaching and learning if their school is temporarily closed.
- At the time you agreed to this it had not been determined how the expenses and capital expenditure incurred would be charged. We now recommend that these expenses be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020.

Recommendations

We recommend that you:

- a. **note** that on 6 April Cabinet:
- considered a truncated version of the Governments 2020 Budget Package which, because of the disruption caused by COVID-19, was largely confined to cost pressures, and
 - authorised the Minister of Finance and relevant Appropriation Ministers to approve changes to initiatives and appropriations, and agree new significant financial recommendations, where production has been affected by COVID-19 and/or where this proves necessary to finalise the 2020 Budget Package

Noted

Minister of Education

Noted

Minister of Finance

Early Learning Cost Pressures

- b. **note** that the following three early-learning cost pressures were not able to be included in the 6 April Cabinet paper:
- Improving Teacher Pay in Education and Care Services [Initiative 12145]
 - Supporting Playcentre Sustainability [Initiative 12013], and
 - Home-based ECE – Support for Educators to Become Qualified [Initiative 12146]

Noted

Minister of Education

Noted

Minister of Finance

- c. **agree** to including \$151.124 million over four years in Budget 2020, to fund the Improving Teacher Pay in Education and Care Services cost pressure initiative

Agreed

Minister of Education

Not Agreed

Agreed / Not Agreed

Minister of Finance

- d. **approve** the following changes to appropriations to give effect to the policy decision in recommendation c), with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Education	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Minister of Education					
Non-Departmental Output Expense:					
Early Learning	-	35.038	36.878	38.706	40.502

Approved

Minister of Education

Not Approved

Approved / Not Approved

Minister of Finance

- e. **agree** to including \$3.073 million over four years in Budget 2020, to fund the Supporting Playcentre Sustainability cost pressure initiative

Agreed / Not Agreed
Minister of Education

Agreed / Not Agreed
Minister of Finance

- f. **approve** the following changes to appropriations to give effect to the policy decision in recommendation e), with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Education Minister of Education	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Non-Departmental Output Expense: Early Learning	-	0.762	0.768	0.771	0.772

Approved / Not Approved
Minister of Education

Approved / Not Approved
Minister of Finance

- g. **agree** to including \$36.150 million over four years in Budget 2020, to fund the Home-based ECE - Support for Educators to Become Qualified cost pressure initiative

Agreed / Not Agreed
Minister of Education

Agreed / Not Agreed
Minister of Finance

- h. **approve** the following changes to appropriations to give effect to the policy decision in recommendation g), with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Education Minister of Education	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Non-Departmental Output Expense: Early Learning	-	3.638	6.132	10.591	12.131
Multi-Category Expenses and Capital Expenditure: Improved Quality Teaching and Learning MCA					
Non-Departmental Output Expense: Professional Development and Support	-	0.764	0.779	0.530	0.541
Oversight of the Education System MCA					
Departmental Output Expense: Stewardship and Oversight of the Education System (funded by revenue Crown)	-	0.384	0.220	0.220	0.220
Total Operating	-	4.786	7.131	11.341	12.892

Approved / Not Approved
Minister of Education

Approved / Not Approved
Minister of Finance

- i. **agree**, subject to your agreement to recommendations c), e), and g), that the operating balance and net core Crown debt impact in recommendations d), f) and h) be charged against the operating allowance for Budget 2020

Agreed / Not Agreed
Minister of Education

Agreed / Not Agreed
Minister of Finance

Digital

- j. **note** that Cabinet delegated joint authority to appropriate, and you subsequently jointly approved, \$36.440 million for a package of initiatives to ensure students can access online teaching and learning if their school is temporarily closed (CAB-20-MIN-0136 and METIS 1224603 refer)

Noted
Minister of Education

Noted
Minister of Finance

- k. **note** that at the time of appropriating the above it was still to be determined how the expenses and capital expenditure incurred would be charged

Noted
Minister of Education

Noted
Minister of Finance

- l. **agree** that the expenses approved in METIS 1224603, and described in recommendation j), be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020

Agreed / Not Agreed
Minister of Education

Agreed / Not Agreed
Minister of Finance

- m. **agree** that this Education Report not be proactively released at this time, because the information contained within it is Budget Sensitive.

Release / Not release
Minister of Education

Release / Not release
Minister of Finance



Damian Edwards
Associate Deputy Secretary
Education System Policy

08/04/2020



Hon Chris Hipkins
Minister of Education

13/4/2020

Hon Grant Robertson
Minister of Finance

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Background

1. As a consequence of measures taken to control the spread of the Corona Virus Disease 2019 (COVID-19), changes have been made to the 2020 Budget process. These include:
 - Cabinet consideration of the Government's 2020 Budget Package was rescheduled from 30 March to 6 April, with the submitted package largely confined to cost pressure initiatives, and
 - The Treasury have advised that Cabinet, inter alia, authorised the Minister of Finance and relevant Appropriation Ministers to: *"approve changes to initiatives and appropriations, and agree new significant financial recommendations, where production has been affected by COVID-19 and/or where this proves necessary to finalise the 2020 Budget Package"*.
2. Three early learning cost pressures were not included in the package considered on 6 April. The Minister of Education wishes to seek the agreement of the Minister of Finance, pursuant to the above delegated authority from Cabinet, to include these in Budget 2020.
3. Under Cabinet delegated joint authority you have approved \$36.4 million for a package of initiatives to ensure students can access online teaching and learning if their school is temporarily closed. At the time you agreed to this it was still to be determined how the expenses and capital expenditure incurred would be charged.

Early Learning Cost Pressures

4. The Minister of Education has advised that he wishes to utilise the authority that Cabinet delegated to Appropriation Ministers and the Minister of Finance to include three early learning cost pressures in Budget 2020. The three initiatives are as follows:

Early Learning Cost Pressure Initiatives Proposed For Budget 2020				
Initiative	Description	Comment	4-Year Cost, \$million	
			Operating	Capital
Improving Teacher Pay in Education and Care Services	This initiative will provide funding to improve pay for qualified and certificated teachers in education and care services. Improving pay rates will increase teacher wellbeing, improve retention, make studying to become a qualified Early Childhood Teacher (ECE) teacher more attractive, and promote more consistent quality education and care. Led by the Minister of Education.	<p>This funding will address the cost pressure that early learning services are under due to the salary/funding gap with kindergartens and schools, which has been further exacerbated by the unified pay system wage settlement last year.</p> <p>This funding gap is likely to be impacting on:</p> <ul style="list-style-type: none">• the motivation of education and care service teachers, who perform similar work and with the same qualifications as kindergarten teachers• provider retention of qualified and experienced teachers, and• the level of parental fees in education and care services required to compete with kindergartens for the same teacher pool. <p>The teacher aide pay settlement, when ratified, will put further pressure on these centres in terms of paying and retaining staff.</p>	151.124	0.000
Supporting Playcentre Sustainability	This initiative will provide funding for playcentres to help support financial sustainability of this service type. Led by the Minister of Education.	This initiative increases funding rates for playcentres to better reflect their costs and allow for financial sustainability of the service type. Providers of playcentre-type services have been under considerable viability pressure in recent years, and are funded at a lower rate than any other licensed service type.	3.073	0.000

Home-based ECE – Support for Educators to Become Qualified	<p>This initiative will provide funding to enable the existing educator workforce to transition to a minimum Level 4 Early Childhood Education (ECE) qualification. This includes funding for visiting teachers to support the educator workforce as they complete the Level 4 ECE qualification. Home-based ECE services on the quality funding rate will receive a 3.8% rate increase. Funding will also enable changes to Ministry of Education IT systems so that the Ministry can collect information on visiting teachers, educators and homes. Led by the Minister of Education.</p>	<p>It is estimated that 70% of home-based educator workforce are unqualified, however, in January 2019, Cabinet agreed to a minimum Level 4 ECE qualification for all home-based educators. Educators who not qualify for fees free may not be able to afford to study for the Level 4 ECE qualification. This means that some educators may leave the workforce and decrease the availability of ECE provision.</p> <p>This funding would be directed to home-based ECE service providers, and addresses a cost pressure associated with the move to support a more highly trained workforce of home-based educators. The bulk of the funding will be spent on the costs associated with transitioning home-based ECE services from the standard funding rate to the quality funding rate.</p>	36.150	0.000
Total			190.348	0.000

5. These initiatives were not able to be included in the Cabinet paper considered on 6 April.

Consultation

6. The Treasury was consulted in the preparation of this report.

Digital

7. On 27 March you agreed to \$36.4 million for a package of initiatives to ensure students can access online teaching and learning if their school is temporarily closed. At this time it was still to be determined how the expenses and capital expenditure incurred would be charged.
8. We recommend that the cost of this be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020.

Next Steps

9. Subject to your agreement, the above initiatives and recommendations will be included in the 2020 Budget, and budget-related communications material.

Proactive release

10. We recommend that this Education Report is not released at this time because it contains information that is Budget Sensitive. Instead, we recommend that it is considered for inclusion in the Budget 2020 proactive release, following delivery of the 2020 Budget.