



Education Report: COVID-19 Budget Initiatives, Tranche Two

To:	Hon Chris Hipkins, Minister of Education		
Date:	17 April 2020	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1225877
Drafter:	John Wardrop	DDI:	§ 9(2)(a)
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report sets out a second tranche of potential initiatives that could be submitted for consideration as part of the Government's immediate response to COVID-19 by Cabinet on 11 May, and seeks your decisions on which of these initiatives should be submitted.

Summary

- Initiatives for the Government's immediate COVID-19 response must be submitted by 24 April, for Cabinet consideration on 11 May. The criteria for initiatives to be considered at this meeting are narrow:
 - the funding sought must be needed as a direct consequence of COVID-19
 - the funding must be needed outside of the normal budget cycle to support the response and/or recovery from COVID-19, and
 - the cost cannot be met from within existing baselines.
- We have already provided you with advice on a range of potential initiatives that could be submitted for consideration on 11 May. This report provides advice on final tranche of potential initiatives, for your decisions on which of these will be submitted for consideration on 11 May.

Recommendations

We recommend that you:

- a. **note** that initiatives proposed for the Government's immediate response package for COVID-19 must be submitted by 24 April, for Cabinet's consideration on 11 May
Noted
- b. **note** that the qualifying criteria for COVID-19 initiatives to be considered on 11 May are:
 - the funding sought must be needed as a direct consequence of COVID-19
 - the funding must be needed outside of the normal budget cycle to support the response and/or recovery from COVID-19, and
 - the cost cannot be met from within existing baselines**Noted**
- c. **note** that the Treasury advised us that on 11 May the Cabinet is expected to prioritise initiatives that are timely, temporary and targeted in terms of their impact on addressing COVID-19-related needs
Noted
- d. **note** that we have already provided you with advice on a number of potential initiatives for your consideration
Noted
- e. **decide** which of the following Tranche Two initiatives related to COVID-19 response should be submitted for Cabinet consideration on 11 May, or instead deferred for consideration at a later date:

Initiative	Submit for Cabinet Consideration on 11 May ✓	
	Submit	Defer
s 9(2)(f)(iv)		
Adult and Community Education funding increase	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
s 9(2)(f)(iv)		
COVID-19 Response: Support for Schools Payroll	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Emergency subsidy for Group Training Schemes	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Establishing Workforce Development Councils to support COVID-19 recovery	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Increase Wellbeing and Mental Health Support to Learners and Education Workforce	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Increasing Trades Academy places and supporting secondary transitions	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
s 9(2)(f)(iv)		
Meeting increased learner demand for tertiary education	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Mitigating the impacts of poverty and socioeconomic disadvantage	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>

s 9(2)(f)(iv)

Supporting Māori Learners and Whānau	<input type="checkbox"/> (R)	<input checked="" type="checkbox"/>
Supporting the Ministry's Construction Suppliers through COVID-19	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Targeted support for at risk ākonga	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Targeted support for Pacific learners and families	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
TITO and WDC-led Covid response projects	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
COVID-19 Tertiary Education Grant Funding Expenditure Transfer	<input checked="" type="checkbox"/> (R)	<input type="checkbox"/>
Fees free training for vocational provision	<input checked="" type="checkbox"/>	<input type="checkbox"/>

s 9(2)(f)(iv)

(R) Ministry Recommendation

- f. **agree** that, subject to your decisions in recommendation e), the Ministry, in consultation with your Office, prepares templates for those initiatives that you have decided will proceed and submits these to the Treasury by 24 April

Agreed Not Agreed

- g. **note** that we understand that where initiatives are developed that do not satisfy these narrow criteria for the 11 May meeting, there will be an opportunity for initiatives that you decide not to submit for this meeting to be considered at a later date

Noted

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

Release **Not release**


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17/04/2020

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Hon Chris Hipkins
Minister of Education

18/4/2020

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. Budget initiatives related to COVID-19 must be submitted by 24 April to be considered by Cabinet on 11 May [Treasury Circular 2020/02 refers].
2. The Treasury has set out the criteria that will be applied to COVID-19-related initiatives submitted for the 11 May Cabinet meeting, and has also provided a template that must be used to submit these. In summary, the criteria are:
 - the funding sought must be needed as a direct consequence of COVID-19
 - the funding must be needed outside of the normal budget cycle to support the response and/or recovery from COVID-19, and
 - the cost cannot be met from within existing baselines.
3. Submitted initiative templates must set out, among other things:
 - what the initiative will do
 - how the initiative relates to the COVID-19 Pandemic response and recovery
 - why funding is urgently required for the initiative
 - the consequences of not funding the initiative, and
 - whether there are any other options to fund the initiative.
4. The Treasury has advised us that Cabinet is expected to prioritise initiatives that are timely, temporary and targeted in terms of their impact on addressing COVID-19-related needs. We have assessed each initiative accordingly.
5. We have already provided you with advice on COVID-19 initiatives that could be included in the 15 May package, including:
 - **3 April:** a report on our proposed approach to this package [METIS 1225062 refers]
 - **9 April:** a report on a Tranche One of potential initiatives that could be submitted for consideration on 11 May [METIS 1225533 refers]
 - **15 April:** a report on options for a Wellbeing Package to respond to COVID-19 [METIS 1225662 refers]
 - **16 April:** a report on a potential vocational education and training boost package for COVID-19 Budget
 - **17 April:** a report on the tertiary education system COVID-19 response [METIS 1225852 refers], and
 - **17 April:** a report on further options to ensure income adequacy for students during the COVID-19 outbreak (METIS 1225871).
6. This report provides you with a final tranche of potential options that could be submitted on 11 May.

Tranche Two: Proposed COVID-19 Initiatives

7. This tranche has a particular focus on the Wellbeing Package and the Tertiary Package, and consists of the following initiatives:

			Cost (\$0.000m)	
Title	Description	Comment	Operating (5-Years)	Capital (10-Years)
s 9(2)(f)(iv)				

Title	Description	Comment	Cost (\$0.000m)	
			Operating (5-Years)	Capital (10-Years)
s 9(2)(f)(iv)		We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.		
Adult and Community Education funding increase	This initiative seeks to expand the provision of Government-funded ACE to help with the education system response to the economic and social impacts of COVID-19. Expanding ACE will help improve the employability of individuals who have been displaced from or are having difficulty entering the labour and will also provide opportunities for social interaction for older New Zealanders who have isolated as a result of the crisis and the lockdown.	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	15.971	-
s 9(2)(f)(iv)				

Title	Description	Comment	Cost (\$0.000m)	
			Operating (5-Years)	Capital (10-Years)
COVID-19 Response: Support for Schools Payroll	This initiative provides funding for Education Payroll Limited (EPL) to cover the additional costs and increased workload incurred as a result of COVID-19. This includes funding for temporary staff to clear the backlog of operations work and to cover the increase in costs regarding the delayed implementation of the new payroll user interface, EdPay. Led by the Minister of Education.	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	1.560	-
Emergency subsidy for Group Training Schemes	Maintaining viability of group training schemes in the medium term to maximise retention of apprentices in the system by part-subsidising wage costs of apprentices.	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	\$11 million per 1,000 apprentices per year.	-
Establishing Workforce Development Councils to support COVID-19 recovery	This initiative provides funding to accelerate the establishment of Workforce Development Councils (WDCs) to give industry greater leadership across the vocational education and training system, and help ensure the delivery of the skills industries need to recover from the impact of COVID-19. WDCs are a foundational component of the Government's Reform of Vocational Education. Led by the Minister of Education.	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	s 9(2)(f)(iv)	
s 9(2)(f)(iv)				
Increasing Trades Academy places and supporting secondary transitions	This initiative provides funding for two components: a) Increase in the volume of Trades Academy places by 1,000 places a year from 2021 ongoing. b) Increase the number of Ministry regionally-based Principal Adviser Secondary Transitions (PAST) roles by 7 full-time roles a year ongoing from 1 July 2020.	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	28.500	-

Title	Description	Comment	Cost (\$0.000m)	
			Operating (5-Years)	Capital (10-Years)
s 9(2)(f)(iv)				
Meeting increased learner demand for tertiary education	<p>This initiative will fund additional tertiary education provision to meet the increased demand from learners during the expected economic downturn.</p> <p>While the need for provider-based education and training will increase, there is expected to be a decline in industry training due to the decline in employment. This reduced demand can offset the increase in provider-based study, including to help those who have started apprenticeships within industry training, to continue their study if they no longer have employment.</p>	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	s 9(2)(f)(iv)	-
Mitigating the impacts of poverty and socioeconomic disadvantage	<p>This initiative will help to provide welfare support for those experiencing financial difficulties. This will help to remove some of the financial barriers to attending schools. It is primarily focused on the FHSLP (Free and Healthy School Lunch Programme) which is currently paused while schools are closed.</p>	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	12.000	0.180
s 9(2)(f)(iv)				

Title	Description	Comment	Cost (\$0.000m)	
			Operating (5-Years)	Capital (10-Years)
s 9(2)(f)(iv)				
Supporting the Ministry's Construction Suppliers through COVID-19	This initiative provides funding to support our construction suppliers to remain solvent in light of the impact of COVID-19. It allows contractors to claim for fair and reasonable expenses incurred as a result of the nationwide lockdown. Led by the Minister of Education.	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.		
Targeted support for Pacific learners and families	This initiative provides funding to ensure Pacific learners are able to engage in education during the COVID-19 response. Fixed-term funding is sought to respond to immediate needs, by creating a contestable fund for early learning services, schools, and tertiary providers to meet the material and wellbeing needs of Pacific learners and families, providing a per-student grant for Pacific bilingual and immersion units in schooling to deliver programmes and translating and distributing key messages into 10 Pacific languages. Ongoing funding is sought to support the governance and management of Pacific early learning centres and provide Pacific community providers with funding to deliver services to meet educational needs. Led by Minister of Education, Hon Chris Hipkins.	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	43.014	-

Title	Description	Comment	Cost (\$0.000m)	
			Operating (5-Years)	Capital (10-Years)
TITO and WDC-led Covid response projects	<p>Projects led by Transitional ITOs (TITO) and Workforce Development Councils (WDCs) once established, involving industries and industry groups, and providers, to:</p> <ul style="list-style-type: none"> • develop local and industry responses to Covid-19 • make alternative arrangements for apprentices who have lost jobs • design with providers pathways demanded by industry, and • review existing standards and programme components so they are fit for purpose as short packages of learning 	We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.	16.000	-
<p>Fees free training for vocational provision</p> <p>Fees free training for vocational provision</p>	<p>A Fees Free programme-based expansion to vocational learning.</p> <p>This funding could provide additional support for vocational learning, within industry training or within provider-based provision. This would include micro-credentials, and smaller learning blocks to meet industry needs, and to support more flexibility around delivery during the pandemic alert levels.</p> <p>Eligibility would be based on the programme, so learners with prior study needing to retrain would benefit too. The entitlement would be additional to the current Fees Free focused on the first year of study. Extending to all apprenticeships would provide additional support to trainees and employers that have continued industry training arrangements, during the period of economic uncertainty.</p>	We do not consider that this initiative meets the criteria for consideration on 11 May, and do not recommend it is submitted for consideration on that date.	s 9(2)(f)(iv)	-
<p><i>Additional Comment:</i> We are also developing options to extend fees-free policies to a wider range of learners and programmes in vocational education and training (VET). While expanded fees-free coverage may reduce direct costs and access barriers, we do not see this as meeting the criteria for immediate priorities and time-bound measures for the May Covid-19 budget package. Targeting support for particular industries, improving living support for learners while studying, and ensuring flexible training options are available for people seeking work are likely to have greater impact than a more universal approach to fee subsidies. VET demand will rise due to higher unemployment regardless of fee policy settings, and learners enrolling in “full-time” study will have access to student loans to meet fee costs.</p>				

s 9(2)(f)(iv)

			Cost (\$0.000m)	
Title	Description	Comment	Operating (5-Years)	Capital (10-Years)
s 9(2)(f)(iv)				
Total				

Tranche 2 Fiscally Neutral Adjustment			
COVID-19 Tertiary Education Grant Funding Expenditure Transfer			
Description	Comment	Cost (\$0.000m)	
		Operating (5-Years)	Capital (10-Years)
<p>This initiative provides funding to implement the Minister of Education's commitment to give tertiary education organisations funding certainty in 2020, regardless of any impact on domestic student numbers resulting from COVID-19. This initiative is fiscally neutral over 2019/20 and 2020/21, but requires an urgent and necessary transfer of funding to avoiding breaching appropriations. It has no impact on payments to tertiary education organisations in 2020, or the funding available for 2021. This initiative is led by the Minister of Education.</p> <p>This initiative provides funding to implement the Minister of Education's commitment to give tertiary education organisations funding certainty in 2020, regardless of any impact on domestic student numbers resulting from COVID-19. This initiative is fiscally neutral over 2019/20 and 2020/21, but requires an urgent and necessary transfer of funding to avoiding breaching appropriations. It has no impact on payments to tertiary education organisations in 2020, or the funding available for 2021. This initiative is led by the Minister of Education.</p> <p>The commitment to guarantee 2020 funding requires the Ministry of Education and Tertiary Education Commission to account for the funding for the six months from 1 July to 31 December 2020 in 2019/20. This necessitates recognising \$1.2 billion of grant funding as an expense earlier, in 2019/20. Without transferring this amount from 2020/21 into 2019/20, Vote Tertiary Education appropriations will be breached by \$1.2 billion in 2019/20.</p>	<p>We consider that this initiative meets the criteria for consideration on 11 May, and recommend it is submitted for consideration on that date.</p>	1,200.000	-

8. We seek your decision on whether each of these initiatives will be submitted for Cabinet consideration on 11 May, or deferred until a later date.

Tertiary Sector Challenges

9. The tertiary education and training system will need to reorient itself to meet the needs people affected by the major disruption of New Zealand's labour market. This includes displaced workers, people retraining in new jobs, and young people who face more difficult prospects entering the labour force. This requires more flexible approaches to education, training and careers advice, and increased funding to meet rising demand.
10. We consider the tertiary education priorities for the COVID-19 Budget package should focus on immediate measures to:
- Gear up the system to meet a significant increase in demand with flexible training options that maintain learners' attachment to the labour market:
 - Accelerating elements of RoVE that strengthen employer voice and ensure responsive delivery of vocational training
 - Funding to meeting growth in demand volumes
 - s 9(2)(f)(iv)
 - Keep learners engaged in education and training:
 - Supporting continuity of employment and training for apprentices

- Supporting students disadvantaged by the disruption of face-to-face teaching and the shift to online learning, and
 - Further financial support for living costs for students facing a loss of employment earnings.
11. We are also developing options to extend fees-free policies to a wider range of learners and programmes in vocational education and training (VET). While expanded fees-free coverage may reduce direct costs and access barriers, we do not see this as the highest priority for the May Covid-19 budget package. Targeting support for particular industries, improving living support for learners while studying, and ensuring flexible training options are available for people seeking work are likely to have greater impact than a more universal approach to fee subsidies. VET demand will rise due to higher unemployment regardless of fee policy settings, and learners enrolling in “full-time” study will have access to student loans to meet fee costs.

Next Steps

12. For those initiatives that you have decided to submit for Cabinet to consideration on 11 May, we will submit completed initiative templates to the Treasury by 24 April. We will also provide the required departmental submission letter to the Secretary to the Treasury.
13. We continue to seek clarification from the Treasury on the process for considering the remaining initiatives that were developed for Budget 20 that are not cost pressures or COVID-19 related, and/or do not meet the criteria for Cabinet consideration on 11 May.