



Education Report: COVID-19 Budget Initiatives and Process

To:	Hon Chris Hipkins, Minister of Education		
Date:	12 June 2020	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1231208
Drafter:	Wayne Murphy	DDI:	s 9(2)(a)
Key Contact:	John Brooker	DDI:	
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report seeks your agreement to our proposed approach for submission of further COVID-19 initiatives as requested by the Minister of Finance.

This report also seeks your agreement on the cost-pressure initiatives to be submitted for the Minister of Finance's consideration, ahead of the Cabinet's consideration on 6 July.

Summary

- As indicated by the Minister of Finance on 4 June, the next round of the Budget 2020 process has two components: unavoidable cost-pressure and an economic recovery component aimed at specific areas (in the case of the education portfolio this is limited to international education).
- Cost-pressure Budget initiatives for next funding round for the COVID-19 Response and Recovery Fund (CRRF) must be submitted by 15 June to be considered by Cabinet on 6 July. The international education initiative the Minister of Finance has requested to support the economic recovery is also required to be submitted on 15 June.
- For the purposes of this process, there is a very high bar to meet the definition of unavoidable cost or revenue pressure. Submitted for your consideration and approval are the cost-pressure initiatives that we consider meet Treasury's requirements.
- Alongside the cost-pressure templates which we are required to submit to the Treasury, you have also been asked to write to the Minister of Finance. This letter provides an opportunity for you to indicate to the Minister of Finance other potential education initiatives that could be further developed due to their economic stimulus potential, for example, in the property area.

Recommendations

We recommend that you:

- a. **decide** which of the following initiatives should be submitted for Cabinet consideration on 6 July:

Initiative	Submit on 15 June ✓	
	Submit	No not submit
Maintaining support for international education (Export Education Levy funded-activities)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Supporting schools for lost revenue from international students	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COVID 19 Related additional costs in schools	<input checked="" type="checkbox"/>	<input type="checkbox"/>
s 9(2)(f)(iv)		
Vital Funding to support the Ministry's Construction Suppliers through Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Network as a service	<input checked="" type="checkbox"/>	<input type="checkbox"/>
s 9(2)(f)(iv)		
Building a Digital Identity for Online Assessment and Learning	<input checked="" type="checkbox"/>	<input type="checkbox"/>
s 9(2)(f)(iv)		
Ongoing Resourcing Scheme	<input checked="" type="checkbox"/>	<input type="checkbox"/>
s 9(2)(f)(iv)		

- b. **agree** that subject to your decisions in recommendation a) the Ministry, in consultation with your Office, will prepare templates for those initiatives that you have decided will proceed to submit these to the Treasury by 15 June,

Agreed Not Agreed

- c. **note** that the Minister of Finance has also confirmed he will invite a limited number of other proposals, including for international education, and asked that these also be submitted on 15 June

Noted

- d. **note** there are several initiatives under development that do not conform to the cost-pressure criteria and it would be opportune to indicate these to the Minister of Finance due to their economic stimulus potential

Noted

- e. **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**



John Brooker
Group Manager
Education System Policy

12/06/2020



Hon Chris Hipkins
Minister of Education

15/6/2020

Background

1. On 4 June the Minister of Finance announced a further funding round for the COVID-19 Response and Recovery Fund (CRRF). Budget initiatives for this round must be submitted by 15 June to be considered by Cabinet on 6 July [Treasury Circular 2020/10 refers].

Strict eligibility criteria to be applied

2. The Treasury has advised that this round is for proposals relating to unavoidable cost or revenue pressures. Initiatives in scope will be directly related to COVID-19 and may not have been addressed by the initial CRRF response or Budget 2020, or may have emerged since those announcements.
3. For the purposes of this process, there is a very high bar to meet the definition of unavoidable cost or revenue pressure. An initiative will only be considered if it:
 - a. demonstrates increased costs or reduction of revenue that are urgent and directly related to COVID-19; and
 - b. demonstrates that additional costs cannot be met from existing baselines or reprioritisation, or that revenue reductions cannot be managed through existing cash reserves or cost decreases not involving staff redundancies.
4. In addition to the above, the following cost pressure definition from Budget 2020 also applies. Cost pressures:
 - a. must be non-discretionary or present significant service delivery risks if not funded, and
 - b. are limited to pressures driven by increases in volume, decreases in revenue, or increases in price. This includes meeting existing or impending legislative requirements and volume/price-driven personnel pressures.
5. Non-Governmental Organisations that deliver critical government services are within scope of this process for if they have lost revenue in line with the above definition.
6. Unavoidable cost or revenue pressure proposals should be time limited. If out-year funding is sought, departments must demonstrate why the proposal cannot reasonably be time limited. Many of the cost pressures identified for submission are time limited. Where it has not been possible to avoid this, s 9(2)(f)(iv) we have narrowed the scope and sought a minimum viable quantum of funding.
7. The Minister of Finance has also invited Ministers to submit initiatives in specific areas to support the economic recovery post COVID, including for International Education.

Proposed Cost Pressure Initiatives

8. In anticipation of this round we have developed a number of potentially qualifying cost-pressure initiatives. These initiatives are as follows:

Initiative Title	Initiative Description	Cost (\$ millions)	
		Operating (5-Years)	Capital (10-Years)
Maintaining Support for International Education (Export Education Levy Funded-Activities)	This initiative provides funding to offset the shortfall in revenue from the Export Education Levy (EEL) which Cabinet has agreed to defer provider payments to through 2021. The EEL is paid by providers with international students and the funds are used to deliver services to support international education and international students. As far fewer students are able to study in New Zealand due to COVID-19, the projected EEL revenue is lower than needed to fund the pastoral care services and marketing and promotion activities. This builds on the recent Budget 2020 initiative to cover the shortfall in the Export Education Levy for part of 2019 and 2020. Led by the Minister of Education	s 9(2)(f)(iv)	-

Initiative Title	Initiative Description	Cost (\$ millions)	
		Operating (5-Years)	Capital (10-Years)
Transition support for state and state integrated schools that have lost international student revenue as a result of COVID 19	This initiative supports schools to meet cost pressures arising from a sudden decrease in international student revenue due to COVID-19. It supports state and state integrated schools to transition to a lower income stream, minimising disruption for students and staff while continuing to meet existing expenses (mainly staff costs). This initiative also seeks to establish a contingency of \$20m over two years for a possible extension of support to enable the rebuilding of the international education market. Led by the Minister of Education, Chris Hipkins.		-
Funding to support schools to manage the immediate costs of COVID-19	This initiative provides funding to help schools meet additional cleaning and sanitation costs. It also provides additional staff to support principals of very small schools and relief teacher funding to cover anticipated increases to sick leave. This initiative also supports the school hostel workforce who have been adversely impacted by COVID-19. It will support schools to remain financially viable, meet health and safety requirements and minimise disruption for students and staff. Led by the Minister of Education, Chris Hipkins.		-
s 9(2)(f)(iv)			-
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			-
Vital Funding to support the Ministry's Construction Suppliers through Covid-19	This initiative reimburses the unavoidable cost-pressure commitments for 250 Ministry of Education-led and 400 school-led projects and construction activities. Due to construction work ceasing at the start of the COVID-19 lockdown, the Ministry of Business, Innovation and Employment issued guidance for public sector agencies managing contracts under NZS 3910:2013 on 7 April 2020. In line with this guidance and the Construction Sector Accord, contractors working on school property projects have the contractual right to claim for fair and reasonable expenses incurred during the lockdown period. Led by the Minister of Education		

Initiative Title	Initiative Description	Cost (\$ millions)	
		Operating (5-Years)	Capital (10-Years)
Network as a Service	<p>This initiative will fund all eligible state and state-integrated schools with a fit-for-purpose network that provides equitable digital access and support. COVID-19 forced a shift towards digital learning that goes over and above what was previously delivered in a normal schooling environment. Reliable networks are crucial to extending the rollout of NCEA Online. If students are going paperless, we need assurance that their examination answers are safely stored and not intercepted.</p> <p>NaaS will replace and fix faulty equipment and is the first funding stream dedicated to cybersecurity. Without these foundations in place, systems will eventually fail with an increased risk of unmanaged phishing schemes designed to disable the network. Led by the Minister of Education.</p>	27.482	21.560
s 9(2)(f)(iv)			-
Building a Digital Identity for Online Assessment and Learning	<p>Learning online safely and securely requires robust digital identity management. The full roll-out of Te Rito and NCEA Online assessment will put more learner information online, increase the risk of misuse of data, and risk the integrity of NCEA qualifications. Digital identity creates secure access to online learning environments by teachers, learners and whānau. In conjunction with the Network as a Service bid this initiative buys a safe and secure digital environment for schools. Led by the Minister of Education</p>	13.024	7.101
s 9(2)(f)(iv)			-
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s 9(2)(f)(iv)		
Ongoing Resourcing Scheme	<p>This cost pressure initiative addresses the urgent need for an increase in teacher aide hours for more than 10,000 high and very high needs students in the Ongoing Resourcing Scheme (ORS). The level of student need and resulting demand for teacher aide hours has been higher over the past year than is currently funded, creating an ongoing baseline cost pressure.</p> <p>Funding these cost pressures will ensure that the increased investment in teacher aide hours through COVID-19, intended to support the attendance, engagement and participation of ORS students at school, will not be eroded and the benefits fully realised.</p> <p>Led by the Minister of Education</p>	
s 9(2)(f)(iv)		

9. We seek your decision on which initiatives will be submitted on 15 June.

Other Initiatives

10. In his letter to ministers, the Minister of Finance has also confirmed he will invite a limited number of other proposals. We have developed an international education proposal that is ready for submission on Monday 15 June.
11. There are also a number of Property initiatives that fall outside of this round's eligibility criteria that could be of interest to the Minister of Finance, due to their economic stimulus potential.
12. In the course of submitting the cost-pressure initiatives set out above, we propose that these other initiatives be indicated again in a letter to the Minister of Finance from you.

Next Steps

13. The next steps to complete this round are as follows:

- 12 June - the cost-pressure initiatives that you have approved for submission are finalised.
- 15 June - the cost-pressure initiatives are lodged into CFIS.
- 15 June - you write to the Minister of Finance to formally notify him of the initiatives you are recommending for Cabinet's consideration and indicate other initiatives that may warrant being advanced due to their economic stimulus potential.
- By 19 June Treasury provides assessment and advice to Minister of Finance on cost-pressure and economic recovery initiatives.
- By 19 June - non-cost-pressure initiatives are completed.
- By 26 June – Budget Ministers consider advice, provide feedback and take majority of decisions
- Circa 24 June (assumed) - Budget Ministers consider cost-pressure funding requests and make recommendations to Cabinet.
- 6 July Cabinet meets

14. The process for non-cost-pressure initiatives is yet to be confirmed.
