



Education Report: Submission of Proposed Budget 2020 New Spending Initiatives

To:	Hon Chris Hipkins, Minister of Education		
Date:	2 December 2019	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1211614
Drafter:	John Wardrop	DDI:	s 9(2)(a)
Key Contact:	Wayne Murphy	DDI:	
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report seeks submission of your Budget 2020 new spending initiatives for the education portfolio to the Minister of Finance; and approval for the Ministry to provide supporting information to the Treasury.

Summary

- 1 This report seeks submission of s 9(2)(iv) education new spending initiatives, with a five-year operating cost of s 9(2)(f)(iv) and a ten-year capital cost of s 9(2)(f)(iv) to the Minister of Finance for consideration in Budget 2020.
- 2 s 9(2)(f)(iv)
- 3 Some initiatives meet the Cabinet requirements for a business case to be prepared, but do not currently have a completed business case. This is addressed in the attached letter to the Minister of Finance, which advises that capital will not be drawn down for an initiative requiring a business case until a satisfactory business case has been completed.

¹ The cost over the next four financial years, and any funding sought in the 2019/20 Supplementary Estimates.

Recommended Actions

The Ministry of Education recommends that you:

- a. **Sign** the attached letter to the Minister of Finance, outlining your proposed education portfolio new spending initiatives for Budget 2020, and submit it to him by 2 December 2019

Agree / Disagree

- b. **Agree** that the Ministry of Education submits supporting templates for these initiatives to the Treasury

Agree / Disagree

- c. s 9(2)(f)(iv)

- d. **Agree** to not proactively release this Education Report at this time, because the information contained within it is Budget sensitive

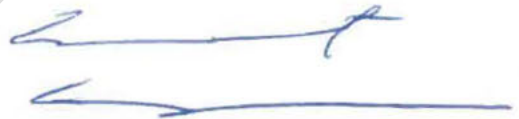
Agree / Disagree

- e. **Note** that you are scheduled to meet with the Minister of Finance on 5 December 2019 for a bilateral discussion of your budget packages, and we have provided you with a briefing note for this meeting.



Damian Edwards
Associate Deputy Secretary
Education System Policy

2/12/19



Grant Klinkum
Deputy Secretary
Graduate Achievement,
Vocations and Careers

2/12/19



Hon Chris Hipkins
Minister of Education

2/12/19

Background

Budget Process

- 1 On 1 November 2019 you submitted education cost pressure initiatives to the Minister of Finance. Following advice from the Treasury one item s 9(2)(f)(iv) has been reclassified as a new spending initiative. Reflecting a Cabinet decision on 25 November, the Collective Bargaining initiative has been reclassified as a Budget pre-commitment.
- 2 Submitted cost pressures now total s 9(2)(f)(iv) (operating over five years) and s 9(2)(f)(iv) (capital over ten years). In addition, Cabinet has approved three Budget 2020 pre-commitments, with a total operating cost of s 9(2)(f)(iv) bringing the combined total to s 9(2)(f)(iv).
- 3 New spending initiatives for Budget 2020 must be entered into the Treasury's CFISnet system by 5pm on 29 November 2019, and the Ministry has met this deadline. New initiatives submitted after this deadline will be considered to be late, requiring permission from the Minister of Finance to be included in the Budget process. New initiatives must also be notified to the Minister of Finance in a submission letter.
- 4 Submitted initiatives are not final. Between now and March 2020 work will be undertaken to revise and refine initiatives, and produce an education package that fits within available funding. This will be informed by Budget Priority Lead Ministers' advice to the Minister of Finance in January 2020.
- 5 You are scheduled to meet with the Minister of Finance for a bilateral discussion on your Budget 2020 packages on 5 December 2019. We have provided you with a briefing note for this meeting [METIS 1213542 refers].
- 6 Cabinet is expected to agree the final Budget package in March 2020. The Budget will be delivered in May, with the exact date still to be confirmed.

Priority Themes

- 7 There are five priority themes for Budget 2020. Each of these is led by a Minister supported by a secretariat, who is responsible for developing priority-aligning packages for submission to the Minister of Finance in January 2020. These priority themes and their lead Ministers are:

Priority	Title	Ministerial Lead
Priority A	Just Transition	Hon David Parker
Priority B	Future of Work	Hon Phil Twyford
Priority C	Māori and Pacific	Hon Kelvin Davis
Priority D	Child Wellbeing	Hon Tracey Martin
Priority E	Physical and Mental Wellbeing	Hon David Clark

- 8 New spending initiatives that do not align with any of these priorities will be considered by the Minister of Finance.

Business Cases

- 9 Cabinet [Cabinet Office Circular CO19(6) refers] sets out expectations related to capital expenditure. It requires that departments follow the Treasury business case guidance for all significant investment proposals, defined as those:
 - having a high degree of importance in terms of a likely impact on, and likely consequences for the Crown or the agency or sector, customers or clients, or the

capacity of State services agencies to perform their functions; or the government's fiscal strategy; or the government's investment or infrastructure strategy; or

- that require Cabinet or Ministerial approval, or have whole-of-life costs in excess of \$15 million.

- 10 Advice from the Treasury is that if there are initiatives where a business case may be required under terms of CO19(6), but one is not currently available, then this should be addressed in your letter to the Minister of Finance.

Budget 2020 New Spending Initiatives

- 11 We have discussed potential education new spending initiatives with you and the Associate Ministers of Education.
- 12 Following these discussions, we have prepared a package of ^{s 9(2)(f)(iv)} education new spending initiatives, with a five-year operating cost of ^{s 9(2)(f)(iv)} and a ten-year capital cost of ^{s 9(2)(f)(iv)}, for submission to the Minister of Finance.
- 13 Details of these initiatives are attached as Annex One.

^{s 9(2)(f)(iv)}

- 14 ^{s 9(2)(f)(iv)}
- 15

Business Cases for Submitted Initiatives

- 16 A number of initiatives in your package require business cases. In some cases these are not completed but work is currently underway:

Initiative	Status
^{s 9(2)(f)(iv)}	
^{s 9(2)(f)(iv)}	
- NCEA Online: Transforming Assessment for Learners	The NZQA prepared a business case for this initiative last year, and an updated version of this will be available in early 2020
^{s 9(2)(f)(iv)}	

- 17 In other cases it isn't clear whether a business case will be required, and/or it isn't prudent to spend money developing a business case unless the initiative is likely to proceed. These assessments will be made in early 2020:

- once it is known that it is likely to proceed, and
- following decisions about scaling, and/or discussion with the Treasury, to determine whether the final form of the initiative meets the thresholds in CO19(6).

The attached letter to the Minister of Finance advises that where a business case is required, your intention is that capital will not be drawn down until a business case has been approved.

Work With Other Agencies

- 18 As shown in Annex One, there are a number of further initiatives that are connected to the education portfolio, but which will be submitted by other agencies against their vote:

- s 9(2)(f)(iv)

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- Community Organisation Refugee Sponsorship (MBIE).

Financial Implications

- 19 Submitted initiatives will be progressed as part of your Budget 2020 education package, and, if successful, be included in your Votes.

- 20 s 9(2)(f)(iv)

Next Steps

- 21 The next step in the Budget process is your bilateral meeting with the Minister of Finance on 5 December 2019. We have provided a briefing note for this meeting.
- 22 Lead Ministers are expected to finalise the budget packages for each of the five priority areas, and submit them to the Minister of Finance in January 2020. Following this, Cabinet Committees will be consulted, and finance Ministers will then recommend a Budget package to Cabinet in April 2020.
- 23 The submitted package materially exceeds the funding that we expect the Minister of Finance will allocate to an education package. Once Priority Ministers have reported back, and the Minister of Finance has given a firmer indication of the funding likely to be allocated to an education package, decisions will be needed on scaling, phasing, deferral and withdrawal of bids.
- 24 We are exploring savings to help offset the cost of the package, noting that:
- s 9(2)(f)(iv)
 - we are also looking at additional reprioritisation opportunities – however are likely to be well below the savings realised in the 2018 and 2019 budgets

- uptake of the School Donations initiative funded in the 2019 Budget has been high (around 90%) and therefore any associated underspend will be relatively low, and
- many of the readily achievable savings from spending not well aligned with your policy agenda have already been identified and realised.

Proactive Release

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

Attachments

Annex 1: Summary of New Spending Initiatives as at 29 November 2019
Submission Letter to the Minister of Finance



Hon Grant Robertson
Parliament Buildings
WELLINGTON

Dear Minister,

I am submitting the education portfolio new spending initiatives outlined below, for consideration as part of the Budget 2020 process.

Total amount of funding sought:

s 9(2)(f)(iv)

This submission relates to both Vote Education and Vote Tertiary Education, and is comprised of the following initiatives:

- s 9(2)(f)(iv)
- 100% qualified ECE teachers
- s 9(2)(f)(iv)
- - NCEA Online: Transforming Assessment for Learners
- s 9(2)(f)(iv)
- Adult and Community Education (ACE) funding increase
- s 9(2)(f)(iv)
- Expanding the Free and Healthy School Lunches Prototype
- s 9(2)(f)(iv)
- Modernising Careers Advice: Careers System Online
- Home-based ECE – Support for educators to become qualified
- Kia manahua te katoa ki te reo Māori
- s 9(2)(f)(iv)

s 9(2)(f)(iv)

- s 9(2)(f)(iv) [Redacted]
- Improving teacher pay in education and care services
- s 9(2)(f)(iv) [Redacted]
- Sustaining kohanga reo and revitalising te reo Maori
- s 9(2)(f)(iv) [Redacted]
- Early intervention: Te Kohanga Reo – Learning Support initiative
- s 9(2)(f)(iv) [Redacted]
- ORS Teacher Aides – Increasing hours
- s 9(2)(f)(iv) [Redacted]
- Supporting playcentre sustainability
- s 9(2)(f)(iv) [Redacted]
- Supporting Pacific early learning centres
- s 9(2)(f)(iv) [Redacted]

- s 9(2)(f)(iv)
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Ministry Payroll – Holidays Act Compliance

s 9(2)(f)(iv)

[REDACTED]

Business Cases

The Budget guidance submitted by the Treasury, and Cabinet Office Circular CO19(6), advises that business cases are required for significant investment proposals — including those with a high degree of importance or risk to the Crown, or those with a whole-of-life cost exceeding \$15 million dollars.

A number of my submitted initiatives will require business cases, but business cases will not be available until the first half of 2020². For some other initiatives it isn't currently clear whether a business case will be required, or it isn't prudent to spend money developing a business case until it is clearer that the initiative is likely to proceed. These assessments will be made in early 2020, once it is clearer whether the initiative is likely to proceed, and once scaling decisions and discussion with the Treasury enable me to determine whether the final form of the initiative meets the thresholds in CO19(6).

Where an initiative progresses and a business case is required, my intention is that capital will not be drawn down for that initiative until a satisfactory business case has been completed.

Yours sincerely



Hon Chris Hipkins
Minister of Education