MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Briefing Note: 2022 Budget Package: Vote Education and Vote Tertiary Education (Technical Initiatives) – Cabinet Paper

To:	Minister of Education		
Date:	29 March 2022	**Priority:**	High
Security Level:	Budget Sensitive	**METIS No:**	1283217
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Messaging seen by Communications team:	No	**Round Robin:**	No

Purpose of Report

The purpose of this paper is for you to:

1) **Note** that the Technical Budget Package is being considered at Cabinet on 11th April 2022 – side by side with the Significant Budget Package.

2) **Note t**he technical package contains initiatives that are technical in nature and don't require policy decisions or new funding.

3) **Agree** that this Briefing will not be proactively released at this time because it is Budget related and details will be released by the Minister of Finance on Budget day (19 May).

Agree **Disagree**

Proactively Released

Summary

The proposed Budget 2022 technical initiatives for Vote Education and Vote Tertiary Education comprise the following:

EDUCATION

i) Software as a Service Arrangements – New Accounting Treatment (initiative 14360).
ii) 9(2)(j)
iii) 9(2)(j)
iv) Ka Ora, Ka Ako (Healthy School Lunches) Programme (initiative 14392)

TERTIARY EDUCATION

v) Te Pūkenga - Key IT Systems Funding (Initiative 14324)
vi) Implementation of the Unified Funding System for Vocational Education – Changes to Appropriation Structures (Initiative 14394)
vii) Earlier Recognition of Equity Funding Grant Expenditure for Vocational Education and Training (Initiative 14376)
viii) Software as a Service Arrangements – New Accounting Treatment (initiative 14361).

The draft Budget recommendations for technical initiatives are attached for information.

Mark Flintoff
Chief Financial Officer

29/03/2022

Hon Chris Hipkins
Minister of Education

31/03/2022
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Proactively Released

Background

1. The technical Budget Package contains initiatives that are technical in nature and don't require policy decisions.

2. These initiatives were not developed in time to be incorporated in the March Baseline Update (MBU), were beyond the delegation of Joint Ministers for inclusion in MBU or address other issues that are best considered at Cabinet.

3. In 2022 there are four technical initiatives related to Vote Education and four technical initiatives related to Vote Tertiary Education.

VOTE EDUCATION

Software as a Service Arrangements – New Accounting Treatment (initiatives 14360).

4. Recent international accounting guidance on treatment of configuration or customisation costs for Software as a Service (SaaS) contracts indicates these may need to be expensed rather than capitalised. The initiative therefore makes baseline changes to expense existing assets and work in progress that are now identified as SaaS arrangements.

5. There is a corresponding initiative 14361 for Vote Tertiary Education.

9(2)(j)

6. 9(2)(j)

7.

Ka Ora, Ka Ako (Healthy School Lunches) – Manage Increased Demand Risk (initiative 14392)

8. An in principle transfer from 2021/22 to 2022/23 and 2023/24 is proposed to cater for a combination of:
    - increased demand where schools change their minds after originally declining participation or become eligible after a ratings review, and
    - increased costs owing to supply chain shortages, higher than expected inflation and emerging complex dietary requirements.

9. This was submitted as part of the March Baseline Update but was subsequently moved to the technical initiatives instead.

Proactively Released

VOTE TERTIARY EDUCATION

Te Pūkenga - Key IT Systems Funding (initiative 14324)

10. This initiative transfers $16 million of capital funding for establishing and operating key systems for Te Pūkenga to 2022/23 due to delays in producing required business cases to access it. The funding will also be converted from capital to operating due to changes in accounting standards related to software costs.

Implementation of the Unified Funding System for Vocational Education – Changes to Appropriation Structures (initiative 14394)

11. With implementation of the Unified Funding System (UFS) due on 1 January 2023 this initiative restructures various tertiary appropriations, mainly comprising:
    - Consolidating funding for the delivery component under the Tertiary Tuition and Training MCA
    - Consolidating foundation education programmes with other funding for community education, also under the Tertiary Tuition and Training MCA
    - Moving output expense Access to Tertiary Education into the MCA to contribute to a new category for the learner component of the UFS
    - Reallocating the current Vocational Education Component category across the three new categories of the unified funding system, including establishing a new output expense Strategic Funding for National and Regional Priorities (comprising the strategic component)
    - Moving the Fees-free Payments category from the MCA to a separate other expense appropriation.

12. You previously received and approved these proposals in February [METIS 1280558 refers].

Earlier Recognition of Equity Funding Grant Expenditure for Vocational Education and Training (initiative 14376)

13. Budget 2021 extended equity funding for vocational education and training by $22 million per year [CAB-21-MIN-0116.29, initiative 13359 refers]. Funding for the 2022 calendar year has to be expensed in full in 2021/22 to comply with accounting standard PBE IPSAS 23. The required adjustment will be offset by savings elsewhere in the Vote over the forecast period. This was submitted as part of the March Baseline Update but Treasury has requested that it be included in the technical initiatives instead.

Software as a Service Arrangements – New Accounting Treatment (initiative 14361).

14. There is a corresponding initiative 14360 for Vote Education above.

Cabinet Process

15. We understand that Cabinet will consider the proposed technical initiatives but that the related financial recommendations will be presented to joint Ministers for approval. The draft financial recommendations for both Votes are attached for your information.

Proactive Release

16. We recommend that this Briefing is not released at this time because it is Budget related and details will be released by the Minister of Finance on Budget day.

Proactively Released