All redactions made under s9(2)(f)(iv) of the OIA

Budget and Industrial Relation Sensitive

MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Education Report: Budget 2022 Updated Package

To:	Hon Chris Hipkins		
Date:	14 March 2022	**Priority:**	High
Security Level:	Budget Sensitive	**METIS No:**	1283659
Drafter:	Duncan Wilson	**DDI:**	+64 446 31558
Key Contact:	John Brooker	**DDI:**	+64 463 0912
Messaging seen by Communications team:	No	**Round Robin:**	No

Purpose of Report

This report provides you an updated Budget 2022 education package following your 14 March Agency meeting.

Summary

The Ministry provided you with a Budget 2022 education package for discussion at the 14 March Agency meeting. Your feedback from this meeting has been incorporated into the attached updated package. If you approve of the updated education package, you will need to share it with the Minister of Finance promptly and discuss it with him for his endorsement.

Recommended Actions

The Ministry of Education recommends you:

a. **agree** to the attached package and send it to the Minister of Finance for discussion

Agree / disagree

OR

agree to reduce the adjustments to 2.75% to balance the package around $2 billion

Agree / disagree

b. **do not release** this Education Report proactively at this time because the information contained within it is Budget sensitive.

Release/Not release

John Brooker
Group Manager
Te Puna Kaupapahere

__/__/____

Chris Hipkins
Minister of Education

__/__/____

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Updated package

1 At the 14 March agency meeting, you made the following changes to the post-bilateral package you had previously submitted to the Minister of Finance:

a. The Pay Parity in early learning initiative was scaled back [redacted]

b. The Equity Index initiative was reduced from $307.849 to $293.5 million to reflect the reduced transition costs created by the 2.8% cost adjustment to the schools' operational grant.

c. The Reform of Tomorrow's Schools initiative was reduced from $64.742 to $62.338 million by increasing the expected recruitment lag for leadership advisors.

d. The Funding Higher Demand for Tertiary Education initiative was reduced from [redacted] to $72.6 million as a result of updated enrolment forecasts and the TEC agreeing that $40 million could be found from its balance sheet given 2021/22 SAC underspends.

e. The Kāhui Ako Shortfall initiative was reduced from [redacted] to $24.735 million. This requires funding the shortfall in the 2021/22 and 2022/23 financial years only. This will result in a funding cliff for the Kāhui Ako programme in the 2023/24 financial year. Kahui Ako roles are established under the Staffing Order and reducing the number of roles would require an amendment. The Ministry is obliged to consult the NZEI Te Riu Roa and PPTA Te Wehenga Rua on any changes to the Staffing Order. The Ministry will work through this process with the NZEI and PPTA to explore the option of reducing the number of Kahui Ako roles. The likely impact would be not renewing fixed term agreements for Within School Kāhui Ako roles. This would reduce the future funding pressure. [redacted]

f. The cost adjustments for ECE, Schools, Tertiary and Alternative Education have all been scaled back to a 2.8% adjustment. This saves $24.45 million per annum.

2 Applying the above changes results in a revised package total of [redacted] billion. Noting that this still exceeds the Minister of Finance' the $2 billion allowance, reducing the annual cost adjustment rate to 2.75% would save an additional approximately $12 million. This would bring the revised package total down to close to $2 billion.

Annexes

Annex 1: Updated education package

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Key	Changes to the Package

BUDGET AND INDUSTRIAL RELATIONS SENSITIVE

Budget 2022 Updated Education Package 14 March 2022				
Cluster	**Funding**		**Includes/proposed focus (OPEX cost)**	**Comment**
	Post Bilateral	**Two Billion Package**		
Pay parity	**OPEX** [redacted] **CAPEX** [redacted]	**OPEX** [redacted] **CAPEX $5.351m**	- Continuing to move towards pay parity for education and care teachers	A [redacted] lower scaled option reduces, at the margin, the size of the increases for steps 7-10 for teachers in education and care (saving [redacted] and reduces uptake assumptions for home-based care (saving $1.069m). The kōhanga contingency remains unchanged.
Equity	**OPEX $307.849m** **CAPEX $5.125m**	**OPEX $293.500m** **CAPEX $5.125m**	- Equity Index – Implementation in schools and kura, and system infrastructure costs for early learning services	This has been reduced as transition costs are lowered by the 2.8% Cost Adjustment to Schools Operations Grant.
Tomorrow's Schools	**OPEX $64.742m** **CAPEX $0.425m**	**OPEX $62.338m** **CAPEX $0.425m**	- Continuing the Reform of the Tomorrow's Schools System	Reducing this initiative by $2.404m is achieved by increasing the recruitment lag for Leadership Advisors.
Unavoidable cost pressures	**OPEX** [redacted] **CAPEX $0.000m**	**OPEX $111.558** **CAPEX $0.000m**	- Resolving the funding shortfall in Kāhui Ako (Communities of Learning) ($24.735m) - Funding higher demand for tertiary education and training in 2023. Total cost of $112.6m can be offset by $40m of 2021/22 SAC underspend bringing the Budget impact to $72.686m (was previously $121.7m in the post- bilateral package). - EPL Fees Review ($10.000m) - Managing Export Education Levy Revenue Pressure ($0.723m) - Replacement of an Unsupported Payroll/HRIS system (NZQA) ($3.500m)	The Tertiary demand initiative has been updated following indicative 2022 enrolment data, which led to the removal of demand increases for provider-based funding. The additional $40m in possible savings is supported by possible SAC underspends that will strengthen TEC's balance sheet. Note, there is still some Tertiary volume risk due to COVID and unemployment uncertainties Kāhui Ako has been reduced [redacted] The Ministry will work with the NZEI and PPTA to explore options to reduce the number of specific Kahui Ako roles to manage the future cost pressure. [redacted]
Cost adjustments	**OPEX** [redacted] **CAPEX $0.000m**	**OPEX** [redacted] **CAPEX $0.000m**	- 2.8% Cost Adjustment for Schools' Operational Grant [redacted] - 2.8% Cost adjustment for early learning services [redacted] - 2.8% Cost Adjustment to Tertiary Tuition and Training Subsidies [redacted]	The cost adjustment have been reduced to 2.8%, saving [redacted] m.
Wellbeing	**OPEX** [redacted] **CAPEX $0.360m**	**OPEX** [redacted] **CAPEX $0.360m**	- Creating safe, inclusive schools – Targeted and Intensive supports for Māori & Pacific learners at risk of disengaging ($7.745m) - Redesign of Alternative Education Provision – Cost Pressure and Incremental Improvements [redacted] - Price increase for Incredible years programmes ($7.832m) - Supporting schools to improve student attendance, engagement and participation ($6.000m) - Increased funding for Te Kura's at-risk students to better align funding rates with alternative education settings ($15.541m) - Strengthening New Zealand Sign Language in Education - cost pressure ($4.839m) - Creating safe, inclusive schools: Strengthening Positive Behaviour for Learning School-Wide (PB4L-SW) ($11.203m) - Community Learning Hubs - Maintaining and expanding support for ethnic communities' engagement in education ($6.394m)	The Alternative Education Cost Adjustment has been scaled back to be in line with the other cost adjustments in the package at 2.8%.
Curriculum and Assessment	**OPEX $135.000m** **CAPEX $3.534m** [redacted] **Total investment OPEX** [redacted]	**OPEX $135.000m** **CAPEX $3.534m** [redacted] **Total investment OPEX** [redacted]	- Teaching, Learning and Assessment for Progress in Literacy and Maths ($31.716m) - Developing Te Reo Matatini, Pāngarau and Aromatawai Research, Tools, Resources and Supports for Workforce and Ākonga ($30.150m) - NCEA Change Programme ($73.134m)	Note: the two NCEA initiative have been combined into one to reflect their status as a single programme. No changes to the total funding result from this change.
Digital	**OPEX $27.400m** **CAPEX $2.200m**	**OPEX $27.400m** **CAPEX $2.200m**	- Cybersecurity & Managed Digital Services for Schools	No Change
Education Infrastructure	**OPEX** [redacted] **CAPEX** [redacted]	**OPEX** [redacted] **CAPEX** [redacted]	- School Transport – baseline and ICT transformation [redacted] Land purchases for new schools identified in the NEGP ($14.875m) - National Education Growth Plan (NEGP) ($29.790m) - PPP School Expansion ($6.515m) - Christchurch Schools Rebuild ($30.395m) - Furniture and Equipment Grant for School Property (CAPEX only) - Te Pūkenga – New Zealand Institute of Skills and Technology Capital Investment Fund (CAPEX only)	No Change
Māori Education	**OPEX $79.650m** **CAPEX $0.017m**	**OPEX $79.650m** **CAPEX $0.017m**	- New Funding to grow Māori Language Education Provision Across the System ($74.650m) - Iwi / Māori Workforce Support Package ($5.000m)	No Change
Pacific Education	**OPEX $15.000m** **CAPEX $0.017m**	**OPEX $15.000m** **CAPEX $0.017m**	- Pacific bilingual and immersion education- Growing and retaining workforce ($12.952m) - Dawn Raids Apology: Maintain value of Tulī Takes Flight, Pacific Education Foundation and Tagaloa scholarships ($2.048m)	No Change
Totals	**OPEX** [redacted] **CAPEX** [redacted]	**OPEX** [redacted] **CAPEX** [redacted]	Total saving of [redacted]	

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Key	Changes to the Package

BUDGET AND INDUSTRIAL RELATIONS SENSITIVE

Additional items outside of the Education Package:

Depreciation

$199 million to cover 2021/22 and 2022/23. Note, we were originally seeking [redacted] to cover the four-year forecast period but the Minister of Finance supports the $199 million option.

[redacted]

Precommitments

The Education Budget Package submitted in December included three pre-commitments, totalling [redacted] operating funding over four years (the ABI ([redacted], Internet Connectivity ($20m) and COVID response ($10m). [redacted]

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