

## **Aide memoir: 11 March Budget Bilateral discussion with officials**

- We expect your budget bilateral meeting with the Minister of Finance will focus on the following issues:
  1. whether to proceed with education manifesto commitments, or defer or not proceed with some commitments, as recommended by Treasury
  2. affirm savings identified in the line-by-line review of education
  3. agree the total amount of funding for other pressures in education
  4. medium term work arising from the line-by-line review (time permitting)
- We would also like to discuss with you your request that we prepare an additional bid for the Workplace Literacy Fund.

### **Summary – bids, savings, pressures**

*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

*Figures from CFIS, 6 March 2009.*

***These notes are based on our understanding of draft Treasury advice. Of course, that advice may not be mirrored by the Minister of Finance in your discussion.***

### **Manifesto commitments**

- There are several manifesto commitments which Treasury does not support. These include:
  - Expanding Te Kotahitanga
  - Additional funding for independent schools
  - 20 ECE hours policy changes
  - Support for Students to Meet Literacy and Numeracy Standards.
- Manifesto commitments and what we understand to be Treasury's view of these are listed in Attachment 1.

### **Pressures**

- Treasury supports very few of the cost pressures we have identified within Vote Education and discussed with you previously. In most instances when Treasury does support a cost pressure, they recommend lower-cost options.
- Pressures within Vote Education, and Treasury's current view of these, are listed in Attachment 2.

### **Savings**

- The Minister of Finance and you should affirm all the savings identified as part of the line-by-line review of Vote Education.
- Whilst some of these savings are 'bankable' for Budget 2009, others require further work (such as rescinding resources for schools for previously agreed teacher/student ratios). We will provide you with further advice on these.
- The savings identified in the line-by-line review are included as Attachment 3.

### **Management of manifesto commitments and pressures**

- Treasury is likely to recommend to the Minister of Finance that, if he wishes to provide further funding beyond what Treasury supports, he provide you an 'education allocation' to manage outstanding manifesto commitments and pressures.
- We expect Treasury to recommend that this additional allocation total between \$0 and \$67m over four years – i.e. an additional \$16.75m per annum at most.
- If the Minister of Finance adopts this course, you will need to discuss and agree the size of any additional allocation to manage manifesto commitments and pressures beyond those which Treasury supports.

### **Medium term work**

- If there is time, the Minister of Finance may wish to discuss medium-term work arising from the line-by-line review.
- Details proposed by Treasury are broadly consistent with the Ministry's presentation to the Expenditure Control Committee. There may be issues of detail to sort out,

such as timeframes for this work. We will advise on these before your bilateral meeting.

### **Workplace Literacy Fund**

- You have asked us to prepare a new bid for the Workplace Literacy Fund, seeking \$11 million over two years (\$5.5 million in each of 2009/10 and 2010/11). This will support over 3,000 learners.
- Further detail on this proposal, including scope to seek funding from the Department of Labour's skills strategy funding, is included as Attachment 4.

### Attachment 1: Policy priorities

	2008/09	2009/10	2010/11	2011/12	2012/13 & outyears
<b>Bids supported in whole or part by Treasury</b>					
Extension of ORRS <i>Treasury supported</i>	-	9.0 4.5	18.0 9.0	18.0 9.0	18.0 9.0
Voluntary Bonding for teachers in hard-to-staff areas or subjects <i>Treasury Supported</i>	-	-	-	11.1 11.1	5.3 5.3
School Operational Funding <i>Treasury Supported</i>	-	11.5 11.5	22.7 22.7	22.8 22.8	23.0 23.0
21 <sup>st</sup> Century building programme (opex and capex) <i>Treasury Supported</i>	-	213.5 213.5	242.6 190.5	89.3 60.5	56.8 48.5
<i>[deleted – confidentiality of advice]</i>					<i>[deleted – confidentiality of advice]</i>
Increasing Medical Training Places <i>Treasury Supported</i>		1.0 1.0	3.4 3.1	7.0 5.3	12.0 7.5
<b>Other bids not supported by Treasury</b>					
Expanding Te Kotahitanga <i>Treasury Alternative</i>	-	6.7 6.4	10.9 4.6	14.5 2.0	12.1 0.4
Additional funding for independent schools <i>Treasury Alternative</i>	-	5.0 2.5	10.0 5.0	10.0 5.0	10.0 5.0
20 ECE hours policy changes	-	8.9	22.9	23.6	24.2
<i>[deleted – confidentiality of advice]</i>					<i>[deleted – confidentiality of advice]</i>
Support for Students to Meet Literacy and Numeracy Standards	-	9.0	18.0	18.0	18.0
Additional Funding to Fight Truancy on the Front Line	-	4.0	4.0	4.0	4.0
Additional funds for the Interim Response Fund (IRF) for disruptive pupils.	-	2.0	2.0	2.0	2.0
Awards for Top Performing Teachers	-	1.0	2.0	2.0	2.0
Savings from Discontinuing the R&D Tax Credit		15.0	17.5	20.0	20.0
<b>TOTAL as submitted by MoE</b>					<i>[deleted – confidentiality of advice]</i>
<i>Total supported by Treasury</i>					<i>[deleted – confidentiality of advice]</i>

Figures from CFIS, 6 March 2009.

Teachers' wages are a pre-commitment and are not included here.

## Attachment 2: Emergency pressures component

	2008/09	2009/10	2010/11	2011/12	2012/13 & outyears
<b>Pressures supported in whole or part by Treasury</b>					
Caretakers, cleaners & groundstaff wages (already agreed)	-	17.5	17.5	17.5	17.5
<i>Treasury supported</i>		17.5	17.5	17.5	17.5
<i>[deleted – confidentiality of advice]</i>	<i>[deleted – confidentiality of advice]</i>				
Maintaining current level of NCEA moderation	-	2.7	2.7	2.7	2.7
<i>Treasury Supported</i>		2.7	2.7	2.7	2.7
Maintaining existing level of funding for School High Health Needs Fund	-	2.7	2.7	2.7	2.7
<i>Treasury Supported</i>		1.4	1.4	1.4	1.4
<i>[deleted – confidentiality of advice]</i>	<i>[deleted – confidentiality of advice]</i>				
School Reorganisations	1.0	1.4	0.5	(0.6)	(2.0)
<i>Treasury Supported</i>					
Heat, Light and Water	(0.8)	3.2	2.4	2.4	2.4
<i>Treasury Supported</i>					
Additional Correspondence School Funding	0.6	0.6	0.6	0.6	0.6
<i>Treasury Supported</i>					
<b>Other pressures not supported by Treasury</b>					
Early childhood annual cost adjustment	-	15.0	16.0	17.0	17.0
Tertiary participation		30.0	30.0	30.0	30.0
Time limited funding initiatives (National Aspiring Principals Pilot, <i>[deleted – confidentiality of advice]</i> , Extra Therapy Support for Some High Needs Students)	<i>[deleted – confidentiality of advice]</i>				
<i>[deleted – negotiate without prejudice]</i>	<i>[deleted – confidentiality of advice]</i>				
Increased demand for services (tertiary participation, Before School Checks, <i>[deleted – confidentiality of advice]</i> )	<i>[deleted – confidentiality of advice]</i>				
New initiatives (increasing student allowance entitlements, <i>[deleted – confidentiality of advice]</i> , international student levy, training for New Born Hearing Screening advisors, <i>[deleted – confidentiality of advice]</i> , NCEA alignment) - includes opex & capex	<i>[deleted – confidentiality of advice]</i>				
<b>TOTAL as submitted by MoE</b>	<i>[deleted – confidentiality of advice]</i>				
<i>Total supported by Treasury</i>	<i>[deleted – confidentiality of advice]</i>				

Total as in CFIS at March 6. Figures for individual items to be confirmed.

**Attachment 3: Line by Line savings**

	<b>Non-Departmental Savings (High) (\$m)</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>4 Year Total</b>
1	Teacher Ratios - reverse previous ratio decisions	0.000	0.000	45.000	50.000	95.000
2	Career Service	3.300	3.300	3.300	3.300	13.200
3	Curriculum Support	<i>[deleted – confidentiality of advice]</i>				
4	School Support	10.180	6.823	4.867	4.867	26.737
5	Teacher professional development, scholarships and awards	<i>[deleted – confidentiality of advice]</i>				
6	<i>[deleted – confidentiality of advice]</i>	<i>[deleted – confidentiality of advice]</i>				
7	Other school expenditure - funding to support Children's Commission	0.200	0.200	0.200	0.200	0.800
8	ECE - reverse previous ratio decisions	35.200	76.000	81.300	82.800	275.300
9	ECE professional development	3.949	2.748	2.607	2.548	11.852
10	International education - scholarships, fees and support for students	2.100	6.000	9.200	11.800	29.100
11	Tertiary Sector	0.396	13.158	33.171	25.793	72.518
12	Tertiary Sector - Adult and Community Education	1.694	5.246	10.441	17.820	35.201
	<b>Total Non-Departmental Savings</b>	<i>[deleted – confidentiality of advice]</i>				

	<b>Departmental Savings(\$m)</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/2013</b>	<b>4 Year Total</b>
13	General operating expenditure (\$5.6m reduction over three years)	3.000	4.300	5.600	5.600	18.500
14	Policy expenditure*	0.000	1.300	1.300	1.300	3.900
15	Output: Support and Resources for Teachers	3.800	6.600	6.600	6.600	23.600
16	Output: Support and Resources to the Community	5.000	5.000	5.000	5.000	20.000
	<b>Total Departmental Savings</b>	<b>11.800</b>	<b>17.200</b>	<b>18.500</b>	<b>18.500</b>	<b>66.000</b>

<b>TOTALS</b>	<i>[deleted – confidentiality of advice]</i>				
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#### ***Attachment 4: Workplace Literacy Fund***

- You have asked us to prepare a new bid for the Workplace Literacy Fund, seeking \$11 million over two years (\$5.5 million in each of 2009/10 and 2010/11). This will support over 3,000 learners.
- The reductions required as part of unwinding the innovation allocation from Budget 2008 mean that the Workplace Literacy Fund will only increase by \$0.5 million from \$11.6 million in 2008/09 to \$12.1 million in 2012/13.
- There is considerably more demand for workplace literacy than can be met within this new baseline,<sup>1</sup> and the individual and workplace productivity benefits associated with literacy and numeracy skills makes this an important part of the education and training response to the recession.
- This bid would support a greater increase in workplace literacy provision, pending the development of embedded workplace literacy through Industry Training Organisations. The Workplace Literacy Fund has immediate scope for growth, whereas the development of embedded literacy and numeracy provision through Industry Training Organisations will take some time.
- The Workplace Literacy Fund is a high-intensity programme which cannot be delivered on a large scale (and it carries a high per-learner cost). Over the longer term, embedded literacy programmes will need to meet the needs of the larger group of people with moderate literacy and numeracy needs, with workplace literacy increasingly focussed upon the hardest to help. However, the Workplace Literacy Fund is able to be expanded immediately, and hence is useful in meeting immediate needs whilst other options are being developed.

*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

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<sup>1</sup> TEC is working to stretch funding further (e.g. by seeking economies of scale from larger projects), but there is still a large gap between current demand and available funding.

