

The Treasury

Budget 2011 Information Release

Release Document

June 2011

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Vote Education (Early Childhood Education and Schooling)

Four-year Budget Plan

15 February 2011

Submitted by:

Ministry of Education

Section 1: New Baseline and Summary of Changes

1. This Budget Plan outlines how Vote Education resources will be used more effectively to deliver better outcomes for children and students across the next four years and beyond. In early childhood and schooling substantial change will be required to deliver improved educational achievement and engagement for all young people, working within the resources available and creating more choices to strengthen financial control. Budget 2011 will take further steps towards higher educational achievement and engagement, and accelerating this process of change.

Our education system needs to perform better...

2. Our education system is a key driver of New Zealand's future performance. Every young person deserves to fulfil their potential, we also need them to achieve at school so that our workforce has the skills needed to contribute to a modern economy and society. Higher skilled workers are more productive, and have an important role to play in contributing to other drivers of growth, such as innovation and investment.
3. Our education system performs relatively well, but it can do better and change is needed to drive and sustain a shift in performance.
4. Success of the education system is measured by a number of indicators, including participation in good quality early childhood education, the acquisition of strong literacy and numeracy skills, and the qualifications with which students move into the workforce.
5. The success of the education system is also measured by its success for Māori and Pasifika students, students from low income families and those with special education needs – the children it does not serve well at present.

...to lift participation in quality early childhood education...

6. In early childhood, the focus will be on lifting participation in good quality early childhood education among Māori children, Pasifika children and children from low income families, while managing cost growth. The current early childhood funding system is totally demand-driven and meets increased costs in an uncontrolled way, whether driven by changes in volume, price or quality. The funding system also encourages more costly models of provision and does not enable resources to be directed to priority groups.
7. [2]

Actions have been taken in Budget 2011 to manage further cost growth while pursuing the Government's participation priorities.

...and to ensure every young person has the skills to succeed in a modern economy...

8. In schooling, the focus will be on lifting achievement in literacy and numeracy by all students and on engaging all young people in programmes of study

across secondary schools and tertiary education that lead to useful qualifications.

9. The current implementation of *National Standards* will help to ensure that all students leave primary school with the literacy and numeracy skills to succeed at NCEA. The expansion of the *Youth Guarantee* will offer young people a wider range of programmes to better meet their needs. *Success for All: Every School, Every Child*, the *Pasifika Education Plan*, and *Ka Hikitia* provide a strong foundation for lifting the achievement students not currently reaching their potential, by concentrating on approaches we know make the most difference.
10. In the medium term, improving student outcomes and value for money will require wider policy shifts, which build on the foundations provided by the initiatives above. [2]
11. In Budget 2011, further progress can be made by: investing in facilitating networked ways of working between schools – the continued roll-out of ultra fast broadband for schools will make an important contribution here; and continuing to improve the value of the existing spend on teacher professional development and school support.

...within a constrained financial environment over the next four years...

12. Cabinet has agreed an operating allocation for Vote Education of \$350 million for Budget 2011. There is no guarantee that similar increases will be available over the next three Budgets. Vote Education faces large cost and demand pressures, reflecting a demand-driven model of delivery and underlying demographic trends that can be difficult to predict. Managing these pressures quickly accounts for the majority of likely allocations. Substantial change is critical so that the education system can use existing resources more effectively to deliver improved outcomes and to develop more sustainable models of delivery.

[6]

13. The overall capital Budget is also under pressure. Meeting Government's key priorities (for example, upgrading internal IT networks within schools to enable their use of ultra-fast broadband) will require some trade-offs to be made. Requirements for new capital funding have been minimised by deferring building all but the most urgent new schools, and by reprioritising existing planned capital expenditure.

...by using existing resources more effectively.

14. It will take deliberate and careful attention to contain and manage cost and demand pressures within baselines. This will require:
 - i. understanding and containing cost and demand pressures
 - ii. implementing options to manage risks across the Vote
 - iii. using existing resources more effectively to deliver priorities [2]
 - iv. increasing the ability of the education system to operate within ongoing financial constraints.

15. [2]

16.

17. The Ministry of Education's *Effectiveness Programme* has shifted the way the Ministry engages with the sector – through the establishment of the Student Achievement Function, which will see regional staff systematically using student achievement data to identify schools that need support, and working with the schools to tailor support to meet the needs of those schools. The Ministry will continue to streamline its activities to deliver improved performance, working within a broadly constant nominal baseline after 2013.

Budget 2011 provides further steps to lift educational achievement and engagement, and to accelerate this process of change.

18. Budget 2011 provides for significant new initiatives in early childhood and schooling – to lift participation and student achievement. To deliver these initiatives, and use existing resources more effectively to achieve the Government’s priorities and manage growth in demand-driven expenditure, around \$500 million of operational expenditure has been reprioritised and a further \$200 million of capital expenditure across the forecast period. Budget 2011 also takes important steps toward change in early childhood and schooling to deliver improved outcomes over time, including:
- increasing investment in early childhood equity funding
 - developing an *Early Learning Information* system that would give us better information on participation and performance
 - reprioritising substantial streams of existing funding in support of the *National Standards* to lift student achievement
 - expanding the *Youth Guarantee*
 - continuing the roll-out of *Ultra Fast Broadband for Schools*
 - continuing to invest in Māori language, for instance, through initiatives to strengthen the quality and use of te reo in schools, in line with the goals of *Ka Hikitia*
 - implementing *Success for All: Every School, Every Child*.
19. Given the importance of demand-driven expenditure within the overall Budget 2011 package, this Budget Plan is inevitably provisional. The final Budget 2011 package for Vote Education will be delivered within the allocation agreed by Cabinet. The fiscal tables below include provisions for likely changes in demand-driven expenditure in the imminent March Baseline Update. Final financial recommendations will be confirmed in March.

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	8,505,777	8,541,727	8,639,080	8,500,118	8,654,647
Cost of new/increased activities	203,797	271,203	378,309	196,691	350,000
Amount reprioritised	-	-	-	-	-
OBU 2010 Changes included in Opening Baseline	(128,797)	(92,075)	(142,703)	58,760	(96,654)
New baseline	8,580,777	8,720,855	8,874,686	8,755,569	8,907,993

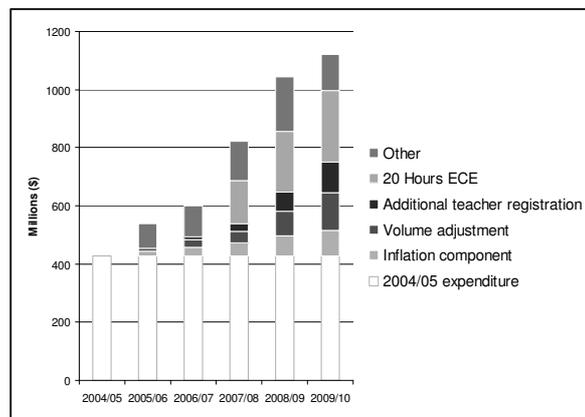
[2]

Section 2: Medium-term Vote Priorities and Pressures

20. Over the last ten years, there have been significant increases in funding for education, with modest gains in achievement. The priority, for the next four years, is to improve outcomes for all students, especially Māori and Pasifika students, students from low income families and students with specific education needs. This will require substantial policy shifts in both sectors to increase their effectiveness, and to build on the increases in efficiency that can be generated by ongoing financial control.

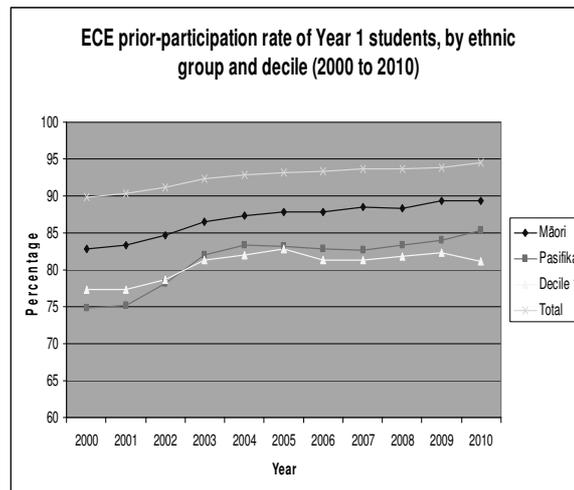
Section 2(i): Improving outcomes in the early childhood education sector

21. Government investment in early childhood education (ECE) in 2010/11 is almost three times the 2004/05 level of expenditure.
22. Long-term trends towards greater female labour market participation, changing preferences for formal over informal care, and growths in population have been increasing demand and volume. Quality improvements and industrial policy have been driving up cost. But core to the growing baseline is that existing policy settings translate these drivers directly into government expenditure in an uncontrolled way.



Improving participation rates for those groups who will benefit most ...

23. The priority for early childhood education is to see a significant improvement in the participation of Māori children, Pasifika children and children from low socio-economic status families. These children have the most to gain from good quality early childhood education, but they participate at rates consistently below the national average. Increasing the participation of these children would increase the value of Government's early childhood investment.



24. Lifting participation in good quality ECE by the children and families who will benefit the most within existing resources, will require significant shifts in the way ECE is funded. Controlling expenditure is also vital.
25. [2]

[2]

26.

27.

... and managing cost pressures in the short term ...

28. In the interim, short-term changes can be made to reduce expenditure and improve participation. Changes would be focused on policies that will not cause significant disruptions to services and families.

29. [2]

30.

31.

32. Equity funding is a small targeted grant within the existing ECE funding system. By extending [2] this funding, Government would be offering more support to priority families. ECE services would receive additional funding to establish in our priority communities, and respond to the language, culture and identity of those families.

33. Further options are being considered to slow the growth of ECE expenditure in the short term.

... will signal the longer term direction of change ...

34. [3]

35.

[2]

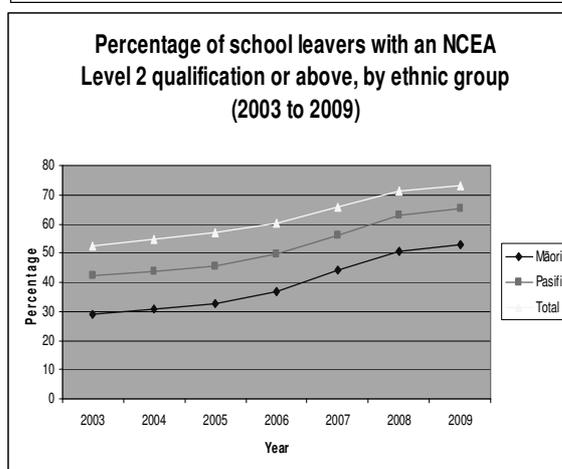
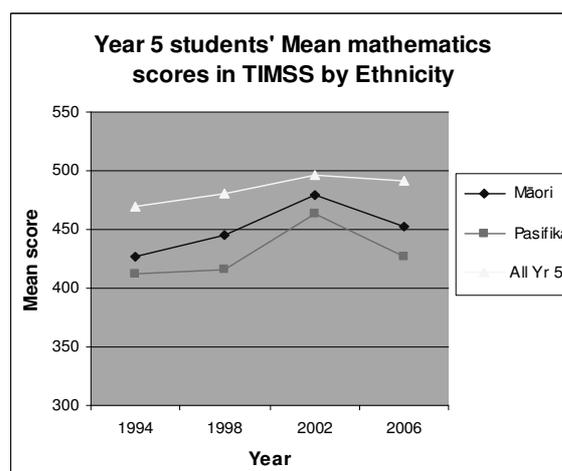
36. In addition, the proposal to extend equity funding would make a targeted funding increase to some services. [3]

Section 2(ii): Improving outcomes in the schooling sector

37. Most students do well in our schooling system. International studies confirm our schooling system performs well compared to other countries, and our top students are among the best in the world. However, the schooling system can do better and change is needed so that all students can maximise their potential.

38. This pattern is visible in primary schooling. On average, New Zealand Year 5 students do relatively well by international standards in reading¹ and mathematics². However, a significant minority of Year 5 students underperform and Māori and Pasifika students and students in low decile schools are over represented in this group.

39. This pattern is also visible in secondary schooling. New Zealand 15-year-olds on average perform very well in core areas of reading, mathematics and science by international standards³. Despite this, one in five secondary students leave school without the skills needed for a modern economy and Māori and Pasifika students are over-represented in this group. Increasingly, the minimum requirement for joining the workforce will be NCEA level 2.



System change is required to respond to demographic pressure

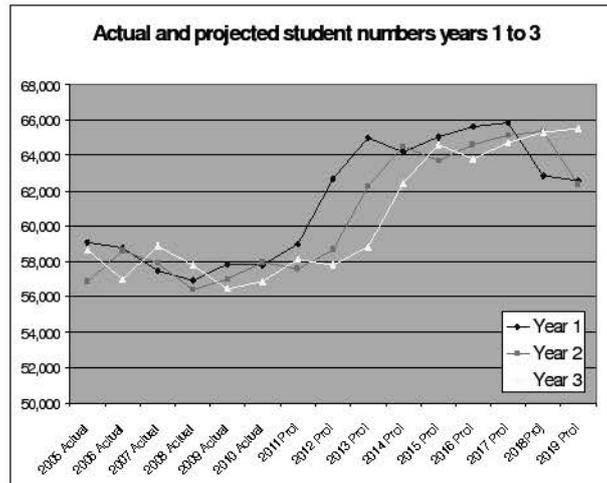
40. Demographic changes will impact on the schooling system over the next four years. There has been a significant and sustained increase in birth rates over the last four years, which has contributed to recent cost and demand pressures in ECE. This increase will result in a marked rise in the number of new entrants to schooling from 2012 and for the foreseeable future. There has also been a lift in retention rates at senior secondary levels, due in part to the current economic environment. It is anticipated that increased retention rates will continue as the economy recovers and the Youth Guarantee policies impact on students' decisions.

41. Increased student numbers directly drive significant increases in teacher numbers and the associated salaries bill, operational funding and property costs for schools. The current funding models are largely demand driven, with some policy settings that will exacerbate the impact of increased student numbers. This is most obvious in relation to teacher salaries, with low teacher: student ratios at both Year 1 and Years 11 to 13 in comparison to other Year levels.

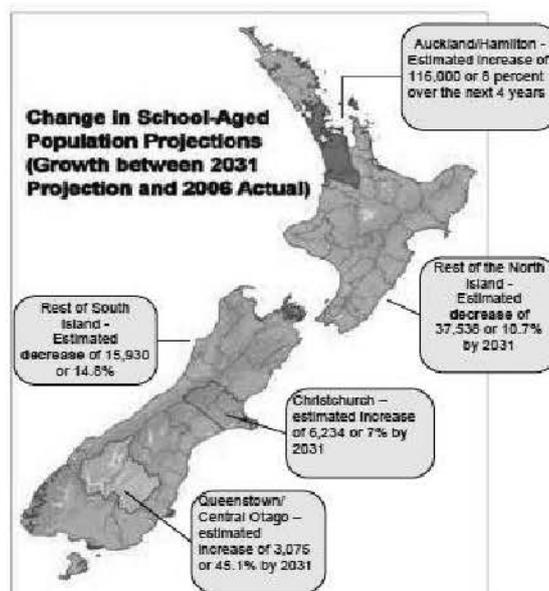
¹ Progress in International Reading Literacy Study (PIRLS) 2005/6

² Trends in International Mathematics and Science Study (TIMSS) 2006/7

³ Programme for International Student Assessment (PISA) 2009



42. The ongoing drift of the population towards urban areas will concentrate this demographic pressure on urban schools. This requires consideration of how the network management of the schooling system might better provide for effective and efficient delivery of schooling across the New Zealand system. [2]



...and to continue improving outcomes for all students

43. Lifting the achievement of all students in schooling - with an urgent and significant focus on the one in five students for whom the current system does not respond effectively - will require a concentrated and coordinated focus on those things which we know impact on student achievement. These changes need to occur in ways that incentivise both effective and efficient management of the schooling system, whilst also responding to the demographic pressures outlined above.

44. Ongoing initiatives provide a strong foundation. The Government's focus on *National Standards* and *Youth Guarantee*, alongside *Ka Hikitia*, the *Pasifika Education Plan* and *Success for All: Every School, Every Child* allows for ongoing improvements within the schooling system, building off those aspects of the system that already work well. All of these programmes illustrate a need for a systemic approach to addressing student achievement, to ensure that policies are aligned and leveraging from each other.
45. The foundations for improvement in the primary sector are in place. The *National Standards* programme provides benchmarks for student progression. The use of this information to inform teacher and school practice will continue to be supported by professional development and more assistance for schools and teachers. Further facilitation of knowledge about what works will be required to continue to build capability within and across our schools.
46. The *Youth Guarantee* will support system change at the senior secondary-tertiary interface aimed at ensuring that all young people are engaged in study at secondary school and tertiary that leads to useful qualifications and employment. An initial focus will be on developing qualification pathways that provide a clear direction for students looking to move into vocational areas, which will help to well position all students, including Māori and Pasifika students, to maximise their potential. In the short-term this will also need to be supported by improved careers advice and pastoral care for students.

[2]

[6]

[6]

[2]

54. The National Standards policy is a step towards ensuring that primary and intermediate schools have the data they need for self-review. Implementation of the Student Achievement Function will strengthen the support and challenge for (clusters of) schools on the actions they are taking to raise student achievement. There is also scope to expand Reading Together, for example to all schools in deciles 1 to 3.

55. There needs to be an ongoing focus on providing schools with access to data in real time. [2]

In the medium term, we might be able to provide easier access to data, assessment tools and information about what works in a common space. [2]

57. Implementation of the Student Achievement Function within the Ministry of Education, funded through reprioritisation, will strengthen engagement with (clusters of) schools to support and challenge them on what actions they are taking to raise student achievement.

58. Lifts in student achievement will also be achieved by ensuring that school boards and principals have the capability and access to information they need to help them make appropriate decisions. Current investment in board training is \$1.5 million per annum, as compared to centrally negotiated contracts worth over \$80 million for teachers. Increased, ongoing, investment in board training will contribute to improved governance of schools.

[2]

[2]

[3]

[2]

65. Budget 2011 also provides for:

- funding the outstanding aspects of the School Transport Review
- progressing Youth Guarantee initiatives for the implementation of new curriculum pathways and ongoing roll-out of Trades and Services Academies

[3]

Improving Māori student achievement in line with the goals of Ka Hikitia

66. At age 15, Māori students, perform below the OECD average in reading, mathematics and science literacy as measured in the *Programme for International Student Assessment* study⁴. To support every Māori student to

⁴ Programme for International Student Assessment (PISA) 2009

achieve their potential we need an education system that captures and reflects the importance of identity, language and culture as essential ingredients for the success of Māori learners. In addition to the initiatives outlined above, further investment will be made in community-based language initiatives. These will leverage off existing iwi knowledge in language, identity and culture to strengthen the quality and use of te reo Māori in the community and in schools. Ultimately the aim of this investment is to contribute to improving the performance of system, by providing a more meaningful and relevant educational experience for and with Māori learners, which explicitly supports Māori educational success.

Managing potential risks in outyears

67. Over the next four years risks of higher than predicted expenditure exist in the following areas: further upward forecast changes, [2]
ongoing expectations about support for the broadband in schools
policy and costs associated with the redesign of the teacher payroll system

[2]

69. As noted above, in the medium term the aim is to shift to a policy environment in which costs are more predictable and more amenable to control, in order to ease Budget management, while offering continued scope for investment in Government priorities. Options to manage potential out year risks could be advanced in the context of either Budget 2011 or Budget 2012. If advanced in Budget 2011, they will be included in the final reconciliation of the Budget 2011 education package.

[2]

Section 2(iii): Capital expenditure

70. Capital pressures and policy commitments over the four years will arise from three initiatives:

- [2]

- a new early learning information system (ECE) with capital of \$18 million over three years

- [2]

[2]

71. The school property capital plan covers all school property costs including modernising the existing property and development of new property. Funding for the capital plan is based on depreciation and disposals. The capital injection represents the difference between forecasted capital expenditure and existing funding. The average forecast expenditure for modernising school property (including defective buildings and school re-organisations) over the next four years is \$383 million per annum compared to existing funding of \$483 million per annum.
72. The capital plan figures represent a reduction in capital expenditure when compared to 2009/10 and 2010/11 even with larger defective buildings programmes and school re-organisations included. [2]
 - less expenditure for previous years commitments (the carry-forward has reduced by \$500 million over the past two years as schools have got on with projects and spent capital) and this reduces the amount of capital expenditure forecasted in future years
 - less planned expenditure on site purchases and new schools. The last two years have included 4 new schools (including 2 secondary schools) opening per year [2]

This initiative will enable schools to benefit from the wider educational benefits linked to access to ultrafast broadband and will contribute to Government reaching its goal of enabling 97 percent of schools to connect to ultra-fast broadband.

Section 3 – Proposed Changes for Budget 2011

74. The initial steps toward the medium term strategies in early childhood and schooling can be taken in Budget 2011 and during 2011/12. By implementing a range of significant decisions, using the Vote Education allocation and through reprioritisation, we can make further moves toward lifting early childhood participation and improving outcomes for all students in schooling. The approach outlined below is provisional pending the impact of the March Baseline Update and will be confirmed in March in the final reconciliation of the Budget 2011 package.

Responding to demographic pressures in early childhood education by...

- meeting \$704.7 million over four years of demographic and behavioural shifts in demand-driven expenditure in early childhood education.

Targeting activity and resources in early childhood on those groups of children not currently participating by providing ...

- almost [2] over 4 years to strengthen the early childhood equity fund, which provides additional resources to early childhood services with high enrolments of children from priority groups
- \$30.8 million operating and capital over four years for an *Early Learning Information* system to improve information about participation and system performance, [2]

Responding to demographic, behavioural and cost shifts in schooling by providing...

- \$151.1 million over four years for demographic and behavioural shifts in demand-driven expenditure in schooling (including special education)
- \$118.1 million over four years (a 2.9% increase per annum) in cost increases for operational funding of schools, which will be targeted to both manage future cost pressures and to align with government priorities e.g. small, area and isolated schools and ICT
- [2] over four years in depreciation costs associated with capital expenditure related to new school property.

Continue to implement National Standards to ensure all students gain core literacy and numeracy skills at primary school by...

- reprioritising almost \$400 million over four years of baseline spending to better support Government's literacy and numeracy priorities and the implementation of National Standards, so that teachers will benefit from more evidence-based professional development, and schools that are struggling to lift the achievement of their students will benefit from more timely, tailored and intensive support
- providing \$9.7 million over four years of capital and operating funding to improve the consistency of teacher judgements about student achievement and progress against the National Standards. This investment aims to improve the reliability of National Standards data, help teachers to make quicker and more confident judgements, and report to parents and school boards in a clear, informative and consistent fashion.

Continue to implement the Youth Guarantee so that all young people are engaged in a programme of study in senior secondary school that meets their needs, and enables them to gain useful qualifications, by providing ...

- \$67.7 million over four years of new funding in Budget 2011 to provide: 1000 more places in Trades Academies and an increase from 340 to 480 places in Service Academies; ongoing funding for 24 existing and new Trades Academies and 17 existing and new Trades Academies; and strengthening learning and qualifications pathways at the transition between schooling, tertiary education and work.

Improving results for specific groups of students by ...

- reprioritising \$7.1 million of baseline funding to expand the *Reading Together* programme to all decile 1-3 schools; reprioritising \$18 million over four years to enable the expansion of the professional development programmes *Te Kotahitanga* and *He Kakano*; \$12 million over 4 years to strengthen community-based Māori language initiatives; seeking \$60 million (over three years) in the capital plan to establish new kura and wharekura, allow for changes of class and to upgrade existing kura. This is in addition to the \$90 million in capital funding over three years appropriated in Budget 2009. All of this investment will improve the performance of the schooling system for Māori students and support Māori-medium schooling
- confirming the use of \$51 million over four years appropriated in Budget 2009, which will allow for 1,100 more children to get support from the Ongoing Resourcing Scheme, and \$25.6 million over four years for 1,000 more children to get specialist support in their first three years of school; reconfiguring approximately \$80 million over four years of existing resources to provide more flexible services e.g. for deaf, blind and low vision students; a stronger focus on inclusive education in initial teacher education; and \$17.5 million over four years of new funding to address special education cost pressures and support the implementation of *Success for All: Every School, Every Child*. This investment will improve the overall effectiveness the special education system
- implementing the School Transport Review (\$10.6 million over four years – a 1.3% increase per annum), which includes aligning transport assistance for students attending Kura with that of mainstream schools.

*Driving improvement across the school system by [3]
providing ...*

- [2]
- \$4 million over the next four years of to support improvements in Board of Trustees training and development
- \$17 million over three years to facilitate networks of school leaders in support of the *National Standards* (in primary) and the development of *Youth Guarantee* (across secondary and tertiary)

- \$6.1 million over four years to strengthen Alternative Education provision.

Capital expenditure

75. In Budget 2011, Government's overall capital envelope is expected to be under significant pressure. Our capital plan manages new investment within a capital allocation that is smaller than in Budget 2010, by:

- *scaling back investment in new schools to a minimal level* - deferring investment in one secondary school to prioritise investment in primary schools

[2]

76. Limiting investment in new schools carries some risk. Any further scaling back of plans to build new primary schools would result in some additional costs to provide extra capacity in existing schools.

Departmental expenditure

77. The Ministry of Education's *Effectiveness Programme* is focused on ensuring that current departmental capabilities and expenditure are aligned with the achievement of the Government's goals.

78. The Effectiveness Programme will deliver \$25 million of savings by 2012/13 from departmental expenditure to manage increasing cost pressures, and will correspondingly be reducing and reshaping its FTEs in line with government priorities focusing on front-line delivery and linking to all-of-government initiatives on administrative and financial management services.

79. The Effectiveness Programme includes the review of, and change to, core Ministry functions – both those serving the internal organisation and in supporting external customers in the community and education sectors.

80. Reprioritisation to implement the new Student Achievement Function and the redesign of Professional Learning and Development, referred to above, are central to the Programme, focused as they are on the Ministry taking a more proactive role in leading and influencing improved performance with education providers.

81. The next phase of the Programme is due to start in March 2011 and will seek to improve the efficiency and speed of services that support the basic infrastructure of the education system, for instance, looking at options for centralising or creating shared services, improving the levels of customer service provided to ministers, the public and education providers.