

Briefing Note: **IN CONFIDENCE** Talking points to support bi-lateral discussions

To:	Hon Chris Hipkins, Minister of Education		
Date:	March 2018	Priority:	High
Security Level:	In Confidence	METIS No:	
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose

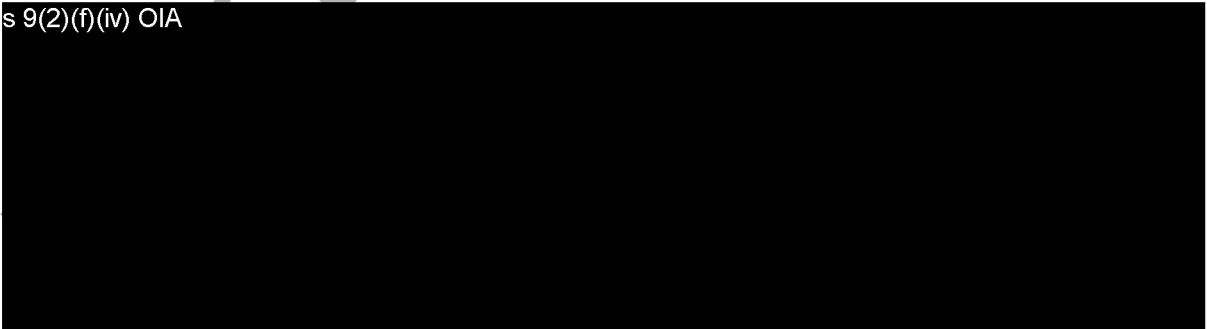
1. You are meeting with the Minister of Finance on Monday 12 March to discuss Vote Education.
2. This briefing note provides you with key talking points to support your discussion about the School growth package, funding for the Christchurch Schools Rebuild Programme and capability funding for the Education Infrastructure Service.

Key messages

School growth package

3. Treasury has indicated that the capital allocation available to support the School Growth package is s 9(2)(f)(iv) OIA with an associated operating impact from capital charge and depreciation of [REDACTED]
4. Our minimum scaled package was s 9(2)(f)(iv) OIA. We have been asked to provide a package that fits within the Treasury allocation.
5. To do this we have reprioritised the growth package and deferred some projects. The attached A3 outlines the revised package.
6. Roll growth funding has been reduced from s 9(2)(f)(iv) OIA to s 9(2)(f)(iv) OIA to accommodate the highest priorities.

s 9(2)(f)(iv) OIA



Christchurch schools rebuild programme

9. A briefing note (metis: 1110354) was provided to your office on 8 March on the impacts of scaling or deferring funding for the programme. This is attached as appendix two.
10. Capital funding for the Christchurch Schools Rebuild Programme is currently sitting outside of the identified envelope by Treasury.
11. The attached A3 provides a one year option of \$62 million in capital, with an operating impact of [REDACTED] over four years if scaling is required. The full budget bid is [REDACTED] s 9(2)(f)(iv) OIA

Support Infrastructure delivery

12. Appendix one provides you with a narrative around this bid and provides scaling options for you to consider. It ranges from [REDACTED] s 9(2)(f)(iv) OIA in operating funding that is required. [REDACTED] s 9(2)(f)(iv) OIA represents the minimum funding required.

Capital Investment Panel feedback

13. The Capital Investment Panel provided constructive feedback on the School Growth Package. It recognised the need to continue to deliver additional student places, acknowledged good demand analysis and notes that any deferral of funding would exacerbate demand in the future.
14. They also noted that EIS needed sustainable levels of operating funding to provide the capability required to deliver an expanded growth programme.

Proactively Released

SUPPORTING INFRASTRUCTURE SERVICE DELIVERY

15. Over the past five years the Education Infrastructure Service has moved away from being a funder and policy setter towards being a strategic asset manager.
16. We are now in control of major school property projects that were previously managed by schools themselves. Since 2013, we have gone from managing 30 percent of projects underway in the sector to over 70 percent. This approach has freed up significant amounts of time for school leaders and boards of trustee.
17. In addition, we are now managing around \$600 million in baseline capital to maintain our existing assets. This is up from around \$350 million in 2013/14. We have also expanded our personal by 60 percent to ensure we are effectively managing a growing portfolio.
18. Throughout this period of change there has been no real increase to our baseline funding. We are experiencing an expanding shortfall in departmental operating expenditure due to declining baselines (excluding PPP), cost increases and greater service requirements.
19. Previously we have absorbed the difference through gains on asset sales and legal recoveries. This is not a sustainable method of funding as recoveries and sales are diminishing over time.
20. Last year and this year we received \$8 million per annum to keep us going and we have an additional \$8 million for the 18/19 year.
21. From the 2019/20 financial period onwards EIS' forecast spend continues to increase primarily due to non-discretionary and limited discretionary costs (e.g. Building Warrant of Fitness, Insurance etc.). However, appropriations decrease in quantum due to time limited funding.

s 9(2)(f)(iv) OIA

Budget 2018

22. Budget 2018 is seeking s 9(2)(f)(iv) OIA to maintain existing service capability. Our scaled bid is s 9(2)(f)(iv) OIA and our minimum is s 9(2)(f)(iv) OIA. The s 9(2)(f)(iv) OIA difference between the two scaled bids would require a significant cut or reduction in forecast spend. This would include reducing spend on:

s 9(2)(f)(iv) OIA

s 9(2)(f)(iv) OIA

24. The impacts of not receiving funding will result in schools continuing to have old worn out and unused buildings on site. We will not be able to rationalise and or maintain these buildings potentially affecting the visual appearance of schools.