

The Treasury

Budget 2025 Information Release

September 2025

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
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Treasury Report: Budget 2025: Advice on the Associate Minister of Education's package

Date:	19 March 2025	Report No:	T2025/736
		File Number:	SH-4-0-M116416

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	<p>Agree to the recommendations in this report.</p> <p>Discuss any outstanding concerns you have on the private schools Budget initiative with the Associate Minister of Education.</p>	Provide decisions by Monday 24 March 2025 to inform Budget Ministers 4 package.

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Joshua Mackay	Analyst, Communities, Learning and Work	[39] (wk)	N/A (mob)	✓
John Beaglehole	Manager, Communities, Learning and Work	[39] (wk)	[39] (mob)	

Minister's Office actions (if required)

<p>Return the signed report to Treasury.</p> <p>Refer a copy of this report to the Associate Minister of Education.</p>

Note any feedback on the quality of the report	
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Enclosure: Yes – Letter from Hon Seymour on Associate Education Budget 2025 package.

Treasury Report: Budget 2025: Advice on the Associate Minister of Education's package

Purpose of Report

1. This report provides you with advice on the Associate Minister of Education’s (the Associate Minister) proposed envelope for Budget 2025. It is intended to support you in responding to the Associate Minister’s Budget 2025 letter sent on Monday 17 March.
2. [33]
 - [33]
 - Increasing the size of the Associate Minister’s envelope to include an increase to the private schools’ subsidy (cost ranging from [33] depending on which option is progressed).

Approach to the Associate Minister of Education’s Budget 2025 package

At your Education bilateral meeting with the Associate Minister of Education, you agreed to an envelope of \$150 million for his delegated areas for Budget 2025 [T2025/319 refers].

3. This envelope was based on providing full funding for the Associate Minister’s attendance initiative and a 0.5% cost adjustment for early childhood education (ECE) subsidies. You also noted you were comfortable with funding being reprioritised from the Charter School Agency to support time-limited FTE funding for the Ministry of Education (MoE) to progress the ECE funding review. These decisions resulted in the below expected envelope:

ID	Name	Total OPEX (\$m)	Total CAPEX (\$m)
16673	Attendance package to improve attendance in schools	139.848	0.152
16540	ECE Cost Adjustment	51.081	-
16530	ECE Funding Review	3.856	0.154
16625	Regional Response Fund	(45.000)	
16932	Charter Schools Reprioritisation	(4.011)	
Total funding through Budget 2025		145.774	0.306

4. The \$150 million envelope is inclusive of the top-up to the envelope which you agreed to make up for the Associate Minister not being able to [33]
This top-up funding is captured within the Associate Minister's attendance package initiative.

The Associate Minister has now submitted a letter to your office seeking to confirm the approach to his Budget 2025 envelope.

5. Following the Education bilateral meeting, the Associate Minister has written to you seeking confirmation of the approach to his Budget 2025 package. As part of this letter, a table has been included which is not consistent with what was agreed at the bilateral briefing and how we reflect reprioritisation initiatives through Budget. **Annex 1** of this report outlines more detail on this inconsistency and how we propose the Associate Minister's attendance initiative should be reflected for the purposes of Cabinet making the required funding and reprioritisation decisions (noting there has been no change in what the bid is buying).
6. The letter also seeks your decision on two initiatives which were not discussed and/or resolved at the bilateral meeting:
- [33]
 - **Private schools' subsidy increase:** At the bilateral meeting you agreed to revisit the Associate Minister's private schools' subsidy proposal once you had seen how the overall Budget package was landing. The Associate Minister is now seeking your decision on this initiative – in particular, whether you support his [33] or MVO (a cost of \$15.661 million over forecast).
7. We provide our advice on these two new spend initiatives below. [33]
[33] can be funded within the Associate Minister's existing \$150 million envelope while the private schools' subsidy initiative would require increasing the size of the envelope.

[33]

[33]

8. [33]

9. [33]

10. [33]

11. [33]

Advice on private schools' subsidy increase Budget initiative (ID: 16527)

In line with our previous advice, Treasury does not support increasing funding for the private schools' subsidy for Budget 2025.

12. While the value of the private schools' subsidy has not increased since 2010, Treasury's view is that there is no evidence to suggest that increasing funding for private schools will improve their outcomes or make private education accessible and affordable to a wider range of students. In particular, we note that despite the lack of increased funding, student volumes for private schools have increased annually since 2010, suggesting that the lack of subsidy has not negatively impacted student uptake.

We also do not support the proposal to forecast adjust funding for private schools.

13. The Associate Minister has also proposed to forecast adjust funding for private schools. We recommend not supporting this proposal. Treasury's general position is that the bar for forecast changes is very high, and they should only be used where there is a strong policy rationale for not considering funding through Budget. We have not seen evidence of a strong rationale in this case.

14. Funding is forecast adjusted for State, state-integrated and charter schools. There is a material difference here as the Government has legislative requirements to provide funding for State, state-integrated and charter schools to allow students access to education. Additionally, these schools have limited options to seek further funding elsewhere, in comparison to private schools where the majority of funding is provided through fees.

If you wish to progress additional funding for private schools, there are more targeted options which we consider would provide higher value for money.

15. Current funding for private schools is provided on a largely unconditional basis, i.e. private schools are not required to report on how funding is spent and there are no limits on the level of private fees schools can charge on top of the state subsidy.

16. [33]

17. While these proposals were not ultimately pursued through the Budget 2025 process, the Treasury considers that these provide better options for value for money and could be explored for Budget 2026.

If you wish to pursue any alternative proposals, we recommend seeking further advice from the Associate Minister and Ministry of Education on more targeted funding options to inform Budget 2026.

Recommended actions

We recommend that you:

- a **note** at your bilateral meeting with the Associate Minister of Education, you agreed to provide the Associate Minister with a net envelope of \$150 million operating over the forecast period [T2025/319 refers].
- b **note** the Associate Minister of Education has submitted a letter outlining his proposed package for Budget 2025, and is seeking your decisions ^[33] and the existing private schools' subsidy initiative.
- c **agree** that ^[33]

Agree / Disagree

- d **indicate** your preferred treatment of the private schools' subsidy initiative, noting that any funding would necessitate an increase in the Associate Minister's envelope:

- i. Not included for Budget 2025 (Treasury recommended), OR

Yes / No

- ii. Funded at a minimum viable option of \$15.661 million over forecast, OR

Yes / No

- iii. ^[33]

Yes / No

- e **indicate** your preferred approach for the Associate Minister of Education's proposal to seek Cabinet agreement to forecast adjust funding for the private schools' subsidy:

- i. Funding for the private schools' subsidy continues to be sought through the Budget process (Treasury recommended), OR

Yes / No

- ii. Seek Cabinet's agreement to forecast adjust funding for the private schools' subsidy (Associate Minister recommended).

Yes / No

- f **If you agree to option i in recommendation d above, indicate** if you would like the Associate Minister and Ministry of Education ^[33]

to inform

any Budget 2026 decisions.

Yes / No

- g **refer** this report to the Associate Minister of Education

Refer/not referred.

John Beaglehole
Manager, Communities, Learning and Work

Hon Nicola Willis
Minister of Finance

Annex 1 – Additional information on the Attendance Budget initiative and treatment of reprioritised funding

1. The Associate Minister initially submitted a Budget initiative seeking \$79.848 million in operating funding over the forecast period to increase investment in attendance supports. This amount of funding was based on assumed reprioritisation of the Regional Reprioritisation Fund ^[33]
2. The Associate Minister’s approach to articulating his attendance initiative is not consistent with the approach Treasury and other Ministers have taken the Budget package where reprioritisation is being used to offset new spend investments. Where existing funding is being redirected towards a new investment, the Budget package should include:
 - specific reprioritisation initiatives, and
 - the new spend initiative/s should be included at its full cost (with the reprioritisation initiatives offsetting this cost in the net quantum for the package).
3. To ensure Cabinet has the necessary visibility on the decisions needed to reprioritise existing funding for the attendance initiative, the cost of the attendance initiative should be as follows:

Funding source	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Funding requested through Budget 2025	-	19.952	19.896	20.000	20.000	79.848
Funding reprioritised from the Regional Response Fund for attendance ¹	-	10.000	10.000	10.000	10.000	40.000
Funding top-up ^[33]	-	5.000	5.000	5.000	5.000	20.000
New total for attendance initiative	-	34.952	34.896	35.000	35.000	139.848

4. At your bilateral meeting, the Associate Minister indicated that he wanted to increase funding for attendance to \$67 million per annum. Current funding for attendance services is \$31.832 million per annum. The funding provided above (that is, \$35 million per annum) through the attendance initiative will increase this to just under \$67 million per annum.
5. When this increased total for the attendance initiative is taken into account, the initiative table suggested by the Associate Minister carries a cost of ^[33] operating as follows:

¹ Note that the reprioritisation initiatives for the Regional Response Fund and Whānau Engagement Fund include funding in 2024/25 which has not been directed towards attendance.

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16673	Attendance package to improve attendance in schools	139.848	0.152
16540	ECE Cost Adjustment	51.081	-
16530	ECE Funding Review	3.856	0.154
16933	[33]	[33]	[33]
16527	Private Schools' Subsidy Increase	15.661	-
16625	Regional Response Fund	(45.000)	-
16932	Charter Schools Reprioritisation	(4.011)	-
Total funding through Budget 2025		[33]	[33]