

Review of Funding Systems for New Zealand's Early Childhood and Schooling Sectors

This is a summary of an independent report prepared by Murray Jack as part of a range of exploratory work being undertaken to scope a review of education funding systems for 0-18 year olds. The views expressed are that of the author and not suggestive of Government policy direction or officials' advice to Ministers.

Mr Jack's work is principally desk-based. It draws on existing information to assess three broad funding models against eight criteria: alignment with policy objectives, equity, effectiveness, efficiency, flexibility, accountability and integrity, transparency and simplicity, and certainty and sustainability.

The funding models assessed are:

1. **Formula funding:** Uses a resource allocation (staffing model) to allocate base and per-student funding, with a weighting for disadvantage based on school/service characteristics. Resources can be delivered in cash, in kind or both.
2. **Individual student funding:** Allocates funding based on the efficient unit cost of service delivery to individual students, with weightings for disadvantage based on actual student characteristics. Resources are delivered in cash
3. **Funded costs:** Allocates funding based on an assessment of the costs of running each school/service. Resources can be delivered in cash, in kind or both.

Mr Jack notes that hybrid models are possible and that any of the funding models could have a funding for outcomes framework laid over them. To be effective this would require a clear definition of expected outcomes, effective measurement and attribution (which are not straightforward), and the financial incentive would need to be significant.

The individual funding model is preferred although the challenges in defining efficient unit cost of delivery are recognised. The formula funding model also rated well. The individual funding model assessed as particularly strong in terms of efficiency, transparency and simplicity, with the principal benefits described as:

- Ability to more precisely target resources to deal with educational disadvantage.
- Improved performance due to funding being based on efficient unit cost of delivery.
- Reduced administrative costs due to simplicity of model.
- Ability to support different provider structures (eg single schools/services or communities of schools).

There would be some variation in how the model would be implemented. For the ECE sector and private schools it would be a per-child subsidy based on efficient unit cost of delivery. For state and state integrated schools, it would be a per-student funding rate based on efficient unit cost of delivery, together with base funding that reduces as schools increase in size to recognise the fixed costs of operating a school.

Mr Jack notes that there are limits to what can be achieved through funding systems in terms of supporting teaching quality, ensuring resources are used effectively to raise achievement and helping to manage network capacity.