

Review of funding systems

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There is a need to shift the funding system

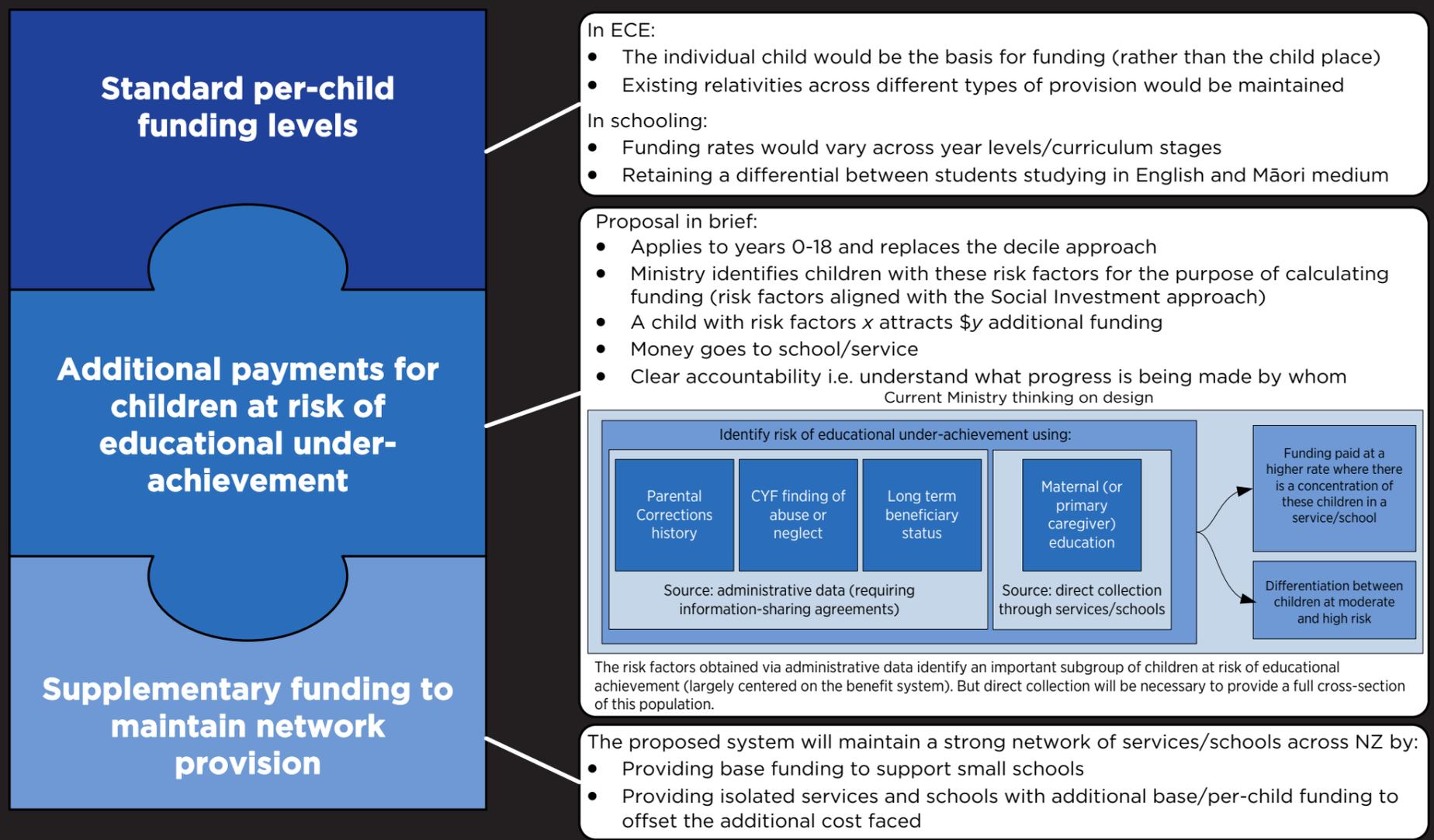
Why change?

- Government has a clear vision for the education system that is **more integrated, more focused on achievement, and more relevant for children**.
- **We are making measureable gains in achievement and participation.** For example, implementing Investing in Educational Success, National Standards, and changes in secondary education with Trades Academies and Vocational Pathways are all contributing to this.
- To accelerate change, **we need to ensure major policy settings are fit for purpose and continuous improvement drives the system forward.** We need to ensure the sustainability of the education system by looking at how we distribute resourcing and ensure it gets to where it is needed most.
- The **current funding systems** have strengths, but have evolved incrementally over time. Some of the changes may have made the systems fairer, by explicitly recognising particular needs; but they have also made the systems more complex and difficult to discern as a coherent whole. Decile funding in particular could be targeted more directly to the actual child at risk of under-achievement.
- Current funding systems could do more to support **educational achievement for all children**.

Objectives:

- Invest in the achievement of children rather than institutions – focusing on children, their progression and needs at each stage of the education journey as set out in Te Whāriki, the New Zealand Curriculum and Te Marautanga o Aotearoa.
- Better support children at risk of educational under-achievement.
- Clarify property maintenance funding mechanisms and accountabilities to protect the Crown's investment in school infrastructure.

We propose a child-focused funding system that involves



Delivering through global budgets

Global budgets could replace funding through separate operational grants and staffing entitlements for schooling (excluding property maintenance, see below).

Each school would have a global budget from which they are required to meet all operational costs. The cost of teacher salaries would be charged against this budget at a notional (average) cost.

Maintaining school infrastructure to protect the Crown's/proprietor's investments

The proposed separate provision of funding to maintain school property is:

- related to the area to be maintained and location, and
- uses a refined formula to reflect the age/condition of buildings as a result of removing flexibility to shift funding between maintenance and teaching and learning

Applying the system to private schools

Private schools could receive a subsidy set at a fixed percentage of the standard per-child funding level for students in state and state-integrated schools.

Underpinned by clear accountabilities

The funding proposal will support greater accountability for the educational progress of all children and children at risk of educational under-achievement. It enables us to look in more detail at a school's overall performance, to understand how it raises the achievement of children at risk of under-achievement. The model also helps clarify a Board's separate accountability for school infrastructure. Some work is already underway to clarify accountabilities, e.g. the Update of the Education Act and the Learner Dashboard. We would strengthen existing accountability mechanisms through National Administration Guidelines and Charters.

In addition, we propose accountability changes:

- Making available dependable student level educational progress information for **all children** and **children at risk of under-achievement** for COLs/schools/services, and the community, ERO and Ministry
- ERO critically examining educational progress information for all children and children at risk of under-achievement
- Better information supporting our use of interventions, focused on improving educational progress and identifying and disseminating best practice.

Review of funding systems



Proposal for taking the review forward in 2016

The next key milestone for the Review is consideration of the proposal by SOC on 16 March. You asked for further advice on engagement options. We have considered a range of options, from a formal public consultation document with submissions (similar to the Update of the Education Act process) through to a co-construction design process. We have balanced a number of factors – the complexity of the topic, stakeholder interests, other education developments and the proposal as it stands. Taking these factors into consideration, we propose following two paths of action:

- A conversation about the high level proposal and principles, building consensus about the context and direction for change
- Progressing development of an additional payment for children at risk of educational under-achievement through a technical group.

We would report back to Cabinet in September 2016.

Further details on the proposal are mapped below.

Starting a broad conversation about high level design and principles

The funding systems are complex. We need to ensure we bring the sector along on the journey with us.

Purpose - To set the scene and build consensus around direction for change, introduce common area of concern and first focus of review (children at risk of educational under-achievement).

Audience - Sector-focused, and public awareness activity.

When - April – ongoing as the conversation builds around case for change in 2016.

How - Minister announces via mini launch event in early April to key stakeholders. Sector then engaged via Cross-Sector Forums held nationally and regionally, as well as other face-to-face meetings. Engagement must be consistent, purposeful and ongoing.

This could reflect a discussion toolkit including:

- *The funding story* - the case for change (current funding, why it needs to change - findings from research and other evidence)
- *Q&A plus case studies* - to help people consider the system's strengths and weaknesses.

Working with small technical groups on specific issues

Some parts of the funding system need extra work, such as funding for children at risk of under-achievement. We need to engage directly with expert groups to figure these out.

Purpose - To review and provide advice on design options.

Who - Experts from across the education sector, with terms of reference agreed and an independent chair.

When - For the first group April – July 2016. Other groups could be formed following this.

How - Group formed from expert stakeholders to work with the Ministry to further develop parts of the model. The group provides regular updates on progress (shared via Cross-Sector Fora and other public awareness channels).

We recommend starting with a technical group focused on the additional payment for children at risk of under-achievement, as there is broad consensus this area needs work.

The same format could be used for other parts of the model, establishing other technical groups as needed (e.g. property, ECE, child-based funding).

Overview of key stages

