

**NOT GOVERNMENT POLICY**

# Review of Education Funding Systems: Advisory Group Report

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## Introduction

The Ministry of Education is undertaking a review of education funding systems (the funding review) for early childhood education, ngā kōhanga reo and schooling. The funding review is part of the Government's Education Work Programme for building a sustainable, fit for purpose education system that enables all young New Zealanders to achieve educational success.

The review is initially seeking to ensure that the existing resourcing is allocated according to a robust system which includes a line of sight between funding and educational outcomes. That system will then serve as a basis for additional funding to be sought and allocated where the model determines it is needed.

The Government has put forward seven high level proposals for how the funding system might be improved. The proposals were outlined in the Review of Education Funding Systems Cabinet Paper and agreed by Cabinet for testing with the sector. To test the high level proposals of the funding review, the Ministry formed the Review of Education Funding Systems Advisory Group (Advisory Group) made up of 18 members who met for six days in the period from May to the end of August 2016. The membership of the Advisory Group and the agencies we represent is attached as appendix one.

The group considers that the funding review would be more comprehensive if it also included the consideration of the adequacy of funding for the education system included the collection and interrogation of data about the adequacy and effectiveness of the ways schools and services currently use resourcing.

The Advisory Group members are unified in their desire for the funding review to help improve the educational outcomes and meet the needs of children and young people. The Group appreciates and thanks the Ministry and the Minister for the opportunity and degree of engagement at this early stage rather than waiting to engage on fully formed proposals. The Group acknowledged that engaging at an early stage was new for the sector and presented different challenges with respect to a lack of detailed information.

The Advisory Group understands that if the Government moves forward with any of these proposals then at least two years of detailed design and implementation work will be done. No changes would be made until 2019 at the earliest. The Group requests an opportunity for the sector and the Group to be further engaged prior to any future decisions points and before any changes are implemented.

The Advisory Group was presented a set of seven high level proposals. The first three proposals were designed by the Ministry to work together to determine the level of funding provided to individual schools and ECE services and ngā kōhanga reo (for teaching and learning). The three proposals are:

- a per-child funding amount, including child-based funding for early learning;
- an additional funding amount for children and young people most at risk of educational under-achievement; and
- supplementary funding to support a network of schools and services (targeted at small and isolated schools and services).

Other proposals related to potential changes in the way:

- funding for teaching and learning is delivered to schools (a global budget);
- funding for property maintenance and property related services is delivered and accounted for;
- clear expectations and a better connection between funding and educational outcomes are demonstrated; and

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- the per-student subsidy for private schools is set.

This report outlines each proposal and summarises the Group's discussion and concerns.

The implications of these proposals for early childhood education services and ngā kōhanga reo (services) were also discussed with a separate group - the Sector Advisory Group on ECE Funding (SAGECEF) and its feedback is incorporated into relevant sections of this report.

### Scope of the Funding Review

The Advisory Group acknowledged that the funding review:

- is taking a 'whole of system' approach for educating children and young people aged 0 – 18; from early childhood education and ngā kōhanga reo through to the end of secondary school;
- covers both services and schooling funding: in early childhood education and ngā kōhanga reo it covers the ECE subsidies (including equity funding), and in schooling it covers operational grant funding (including property maintenance and property-related costs, but excluding capital<sup>1</sup>) and staffing entitlement; and
- is set within the context of the common direction provided by the National Curricula: Te Whāriki, the New Zealand Curriculum and Te Marautanga o Aotearoa.

The Advisory Group recognised that the early childhood education services and ngā kōhanga reo and schooling systems are distinct in terms of the regulatory and legislative frameworks within which they operate, and the relative role of state and private providers. Māori medium education is acknowledged as an important learning environment for Māori and needs to be present in the system for cultural equity. The Advisory Group acknowledged that greater alignment and improved coherence across the system could help improve educational achievement and progress for children along their education journey.

### Purpose of this report

This report provides the Advisory Group's assessment of the high level funding review proposals; makes recommendations for next steps and also outlines other issues that the Group considers to be important in taking forward the review.

### Principles

The Advisory Group thinks it is important to take a principle-based approach to the engagement. The Advisory Group considers that equity of access should be a key principle.

We also endorse the principles that have guided the funding review to date and that were agreed by Cabinet; namely:

- *Efficiency* – the extent to which the design of the funding system encourages the use of resources where they will have the greatest impact
- *Equity* – the extent to which the funding system supports good education outcomes for all children and young people and treats those in similar situations in an equitable way
- *Simplicity/Transparency* – the extent to which the funding systems are practically administrable and can be understood by those who administer them and those they serve
- *Certainty* – the extent to which the funding system reasonably provides confidence to services and schools to plan for the future (balanced against the need for responsiveness to changes in circumstance)

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<sup>1</sup> This means the review does not include 5 year agreement funding for state schools and Policy One and Policy Two funding for state integrated schools.

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- *Accountability/Integrity* – the extent to which services and schools are accountable for how funding is used and its impact on learning progress and achievement of all children and young people, while ensuring there is minimal incentive to manipulate the system.

### Advisory Group Principles

The Group developed additional principles to guide our discussions while testing the proposals.

The Group considered the extent to which the high level proposals enable all children and young people to access education in an equitable and inclusive way. The Group recognises that a key theme across the funding review is to tackle the equity/excellence gap, including through more effective targeting of those most at-risk of educational underachievement.

The Advisory Group recognises that age and curriculum level are important considerations in achieving the objectives of the funding review, to enable all children and young people to make expected progress at each stage of the curricula and to appropriately provide for their wellbeing.

The idea of a dynamic funding model is supported. The Group acknowledges that in order for the model to be sustainable and fit-for-purpose it should evolve to respond to changing teaching and learning challenges, new information about attainment and progress and system improvements.

The Advisory Group recognises that the education funding system has key strengths that should be retained and built on for improved educational attainment and progress for all. A priority consideration for the Group has been the strength of impact and effectiveness of the proposals, to ensure that the benefits of change justify the potential distribution impacts for individual services and schools.

The Advisory Group wants to achieve a balance between the fundamentals of a self-governing, free to learner state school system and a subsidised, self-managing early childhood and ngā kōhanga reo sector; and wider system settings that would support the overarching objective of improved achievement outcomes. This includes the desirability of improved collaborative practices across the system, and particularly within Communities of Learning.

### Overall response to the proposals

The Advisory Group conditionally agrees that five out of the seven proposals presented by the Government should proceed to the next step of policy design and testing. The majority of the group supported or conditionally supported the further development of the private school funding proposal. The global budget was opposed. A summary of responses is provided in table one below.

At this stage in the process, the Group considers it is premature to make specific recommendations about whether it is desirable to adopt any new funding approach and caveats to our support are noted against the specific proposals. Our experience is that the detailed design of funding policies matters and we need to see more detail before we can get widespread agreement. The Group considers it unlikely that a “one-size-fits-all” approach would work for the whole education sector. A summary response table follows this section.

The proposals need to be developed further and modelling of their impacts needs to be completed. This would enable the interactions between the various components of the proposed funding model to be understood. Only then can the risks and implications for teaching and learning for children and young people and for individual services and schools be fully assessed. In particular, the Group considers further examination and modelling is required to better understand the impacts of moving more funding than is currently set as base funding into a per-child amount and the impact that this would have on particular school types.

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The Group considered that any further development of the per-child funding amount proposal must guarantee staffing entitlement teacher child ratios through Staffing Orders (where relevant). The Group is concerned that a per-child calculation on the basis of cash and an unknown proportion of a Full Time Teacher Equivalent (FTTE) could compromise quality teaching and a broad curriculum. Future funding for ECE services and ngā kōhanga reo must take into account the staffing ratios determined by regulation.

The Group all agreed with the potential to change the decile-related (equity) portion of funding and increasing funding overall. However, the Group has concerns around whether the individual targeting approach proposed would “miss” many learners at risk of under achievement and fail to deal with the intensification caused by the socioeconomic environment of the individual. The Group wants these questions, including whether both individual and cohort data can be used together to effectively deliver additional funding, explored further as a specific option separate from the other proposals. This should include detailed modelling to ensure the full implications for teaching and learning of children and young people and for individual services and schools can be fully assessed.

Representatives from the schooling sector opposed the further development of the global budget mechanism. Key concerns with the concept included the removal of the “ring fence” around teacher resourcing, given the critical role of quality teaching in improving student outcomes. Representatives from Ngā Kura-ā-Iwi and early childhood education and ngā kōhanga reo could see benefits of the model for them, if it were agreed and implemented for schools. Potential impacts of the global budget on schools and teachers were raised and are covered in the global budget section of this report.

The majority of the Group supports or conditionally supports the proposal relating to the funding of private schools. Conditional support was subject to private school funding not being at the expense of state and state-integrated schools’ education. However, New Zealand Educational Institute (NZEI), Area Schools and Post Primary Teachers’ Association (PPTA) oppose this proposal moving forward.

The Group requests an ongoing role to advise the Ministry in the next phases of the detailed policy development process, should any of the proposals move forward to the next stage. This may also require some working groups to assist in particular details for specific parts of the sector and SAGECEF in particular considers that an early-learning-specific technical advisory group should also be involved.

We consider that to achieve the goal of improved progress and achievement for children and young people from our more disadvantaged communities, the additional funding provided to support the learning and achievement of these children and young people must increase above the current two percent to three percent share of current government funding to schools and services.

The Group remains curious about how Communities of Learning will develop and how their role will emerge over time, and whether the envisaged collaboration will occur. Communities of Learning may want to share spaces and resources and want funding delivered at this level. Any changes to the funding system need to consider the practicalities of sharing resources and ensure that the solutions fit at the Communities of Learning level.

The Group also wants to acknowledge the place that Māori education has come from (for example with regard to loss of identity and culture), and how ngā kōhanga reo and kura have worked to reclaim this cultural heritage and contribute to nationhood for all of New Zealand. Ngā Kura ā Iwi and te kōhanga reo representatives consider that the funding review must take more opportunity to address cultural equity within the education system.

The Group agrees that New Zealand’s education system should be celebrated. The Ministry must maintain the diversity of schools and the system, ensure the system remains inclusive for all students and that it

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continues to provide wraparound support for student that need it. The Group supports inclusion, and notes the increasing number of children requiring specialist support and the consequent demand being placed on specialist services. We support an intensified focus on early intervention for these children but regard an increase in funding as essential to ensure no other older students miss out on the support they need.

**Table one: Advisory Group Summary of Responses on Funding Review Proposals.**

Funding Review Proposal	Advisory Group Summary Responses
1. Overall funding review proposals	<p><b>Agrees</b> that five of seven funding review proposals presented should proceed to the next step of policy design and testing while acknowledging the restoration of the Māori language, culture and identity.</p> <p><b>Opposes</b> global budget moving forward. The majority of the group <b>supports</b> or <b>conditionally supports</b> the private school funding proposal moving forward.</p> <p><b>Caveats and conditions</b></p> <ul style="list-style-type: none"> <li>• Detailed design of funding policies matters.</li> <li>• More detail and modelling needed to understand impacts.</li> <li>• One-size-fits-all approach unlikely to work for whole education sector.</li> </ul>
2. Per-child funding amount	<p><b>Conditionally supports</b> proposal proceeding to next stage. ECE services and kōhanga reo also support (except NZEI).</p> <p><b>Caveats and conditions</b></p> <ul style="list-style-type: none"> <li>• Funding amount should take form of staffing and cash.</li> </ul>
3. An additional payment for children and young people most at risk of educational under-achievement	<p><b>Conditionally supports</b> proposal proceeding to next stage.</p> <p><b>Caveats and conditions</b></p> <ul style="list-style-type: none"> <li>• Subject to sufficient additional funding being provided to support the learning and achievement of this group of children and young people and a concentration factor for this funding to be included in the proposal.</li> </ul>
4. Supplementary funding to maintain a network of schools and services	<p><b>Conditionally supports</b> proposal proceeding to next stage.</p> <p><b>Caveats and conditions</b></p> <ul style="list-style-type: none"> <li>• Need information about the level of the supplementary resourcing and the eligibility criteria for schools and services to receive it</li> </ul>
5. Global budget	<p><b>Oppose</b> proposal proceeding to next stage.</p> <p>If the global budget concept had been supported by the wider Advisory Group, representatives from Ngā Kura-ā-Iwi and early childhood education and ngā kōhanga reo could see potential benefits for their sector.</p>
6. Funding for private schools	<p>The majority of the group <b>supports</b> or <b>conditionally supports</b> this proposal moving forward. NZEI, Area Schools and PPTA <b>oppose</b> this proposal.</p> <p><b>Caveats and conditions</b></p> <ul style="list-style-type: none"> <li>• Conditional agreement is subject to any increase in private schools' funding not being at the expense of state and state integrated schools.</li> </ul>
7. Property and property related services	<p><b>Supports</b> proposal proceeding to the next stage of policy development</p>
8. Accountability	<p><b>Conditionally supports</b> proposal proceeding to the next stage of policy</p>

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	development <b>Caveats and conditions</b> <ul style="list-style-type: none"><li>• More discussion is needed to work through the proposal and discussions should be broader than the funding review</li></ul>
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### A per-child funding amount

#### What is the proposal?

The proposal presented to the Advisory Group was that a service or school would receive a per-child funding amount for every child. This amount would vary across stages of learning, reflecting the teaching and learning challenge in the curricula.

The per-child funding amount is intended to provide sufficient funding for an effective service or school of reasonable size to enable most children and young people to make expected progress at each stage of the curricula, and to appropriately provide for student wellbeing.

For ECE services and kōhanga reo, this would mean basing funding on the individual child rather than the current mix of child place funding and per-child funding.

In schooling, the per-child funding amount may differ for children and young people studying in, and through, te reo Māori or learning te reo Māori as a subject. It would also change depending on the stage of the schooling journey to reflect differences in the resourcing required to enable students to make expected progress. The Ministry asked us for advice as to whether the current distribution of funding across the stages of schooling is appropriate.

#### Advisory Group's considerations and feedback

The Advisory Group supports the concept of a per-child funding amount being the major part of funding for most services and schools being developed to the next stage of policy development. Schooling representatives considered this should take the form of a proportion of a Full Time Teacher Equivalent (qualified staffing) and a cash funding amount per child to provide clarity for principals and teachers. Having a staffing component guaranteed by Staffing Orders must be a part of the schooling funding model and helps promote workforce planning. The ECE and kōhanga reo members of the group supported the per-child funding proposal in principle noting that further support was dependent on establishing the impact on the viability of services through thorough and collaborative modelling.

The Advisory Group considers that the implications of this proposal cannot be understood in isolation from the other two core components of the proposed funding model – the additional funding amount and supplementary funding. The Group acknowledges the early policy stage of the per-child funding amount and we consider that before we can fully endorse the proposal, modelling is required on the impacts on services and schools, and children and young people.

Any per-child funding amount would need to be sufficient to cover the costs of teaching and learning across the broad curriculum for most children and young people, given that this would be the only funding that many children and young people generate for their school or service.

Māori -medium education representatives of the Group raised the higher costs of this educational medium and considered a higher per-child funding amount is need to recognise these additional costs. The Group acknowledges the more intensive resourcing needing in Māori-medium education and also believes increased resourcing for bi-lingual Pasifika settings should be a priority.



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### Specific considerations in relation to schooling

The Advisory Group considers that details are needed regarding how staffing might reflect the “teaching and learning challenge” in different levels of the curricula and whether it might differ from current staffing ratios. The Group also requires more information about how schools currently use their funding, in order to assess whether changes in the way funding is distributed across the schooling journey would promote better outcomes for children. It is noted that the higher levels of funding provided at year 1 and senior secondary respectively reflect the need for children to get the right start at school and the need to provide curriculum breadth at senior secondary level. The Group welcomes the research by Deloitte that has been commissioned to gain a better understanding about how schools use their funding.

Additional concerns the Group considers important are:

- Ensuring the level of funding for all year levels is sufficient to ensure every child and young person learns optimally. This may be a particular issue for years 4-7 as these levels currently have the lowest level of achievement and funding. NZEI notes that this must not be at the expense of other levels.
- A possible unintended consequence of delivering a greater share of school funding through per-child funding amounts is increased competition between schools, since each child is more “valuable”.
- Schools would need more guarantees about the security of funding within a year (for example the surplus staffing requirements), while at the same time maintaining responsiveness to roll changes. The current quarterly recalculation of schools’ operational funding at the secondary level can leave a school vulnerable, particularly in relation to funding support staff wages if it loses students during the year.
- How special education (learning support) provisions are embedded into per-child funding.
- PPTA and NZEI oppose any form of per child funding or funding mechanism that incentivises trade offs between teacher staffing and other resources and/or increases competition for enrolments between schools and services.

### Specific considerations in relation to early childhood education and ngā kōhanga reo

The members of SAGECEF and most ECE and ngā kōhanga reo representatives from the Advisory Group cautiously agree with using the child as the basis for funding. However, NZEI Te Riu Roa does not agree with this position.

Conditions would need to be met in order for this proposal to be acceptable. The amount should continue to vary across different years to respond to the differing staffing ratios and children’s needs. The Group also advises that government needs to be clear and careful about the evidence-base used to set and adjust the funding rates. In addition, if implemented SAGECEF recommends it should be done with least possible disruption for services and parents, and avoiding undue compliance implications. In particular, SAGECEF has reservations about the use of a parental hours attestation mechanism, while noting that we wish to avoid claw-backs of funding. We question whether services should be penalised if parents don’t inform them about multiple enrolments.

The ECE model is based on services receiving differential levels of funding depending on requirements about how the funding is spent (e.g. requirements for qualified staff), supported by monitoring and reporting requirements. SAGECEF members consider the proposal must recognise and take into account various cost drivers and cost differences between services. The Advisory Group encourages the government to set rules around the expenditure of government money provided to ECE that moves in the direction of the Education Council’s call for an increase in qualified staff.

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NZEI believes that in principle, early childhood education funding, like the compulsory sector, should be based on guaranteed minimum staffing ratios of 100% qualified teachers and the operating expenses required to deliver the curriculum to early learners. Simply adopting a per-child funding approach is not likely to address the funding or quality issues currently faced by the sector.

### An additional payment for children and young people most at risk of educational under-achievement

#### What is the proposal?

The proposal presented to the Advisory Group was that services and schools would receive an additional funding amount for those children and young people who meet criteria associated with being most at risk of educational under-achievement. This could be weighted to provide additional funding to services and schools that have greater concentrations of children and young people at risk as this is also known to influence achievement.

This funding would replace Targeted Funding for Educational Achievement (TFEA) and the Careers Information Grant in schooling and ECE Equity Funding Component A (the main decile-linked funding streams for each sector).<sup>2</sup> The Ministry has asked for advice on whether this would strengthen the link between funding and the size of the education challenge.

A range of indicators for defining risk of educational under-achievement were raised for discussion. This included in particular four indicators used in research to inform the Government's Social Investment approach: parental benefit dependence; Child Youth and Family finding of abuse or neglect; parental Corrections history; and parental education. Indicators are not intended to identify risks associated with learning support needs such as illness and disabilities.

The Group also considered limiting the scope of the funding review to changing funding arrangements for the decile related portion of funding provided to schools and services. This would affect two to three percent of the total education funding for state and state integrated schools and ECE services and ngā kōhanga reo.

#### Advisory Group's considerations and feedback

The Advisory Group conditionally supports the ongoing development of this proposal, subject to sufficient additional funding being provided to support the learning and achievement of this group of children and young people. The Group discussed a number of ways that additional funding could be spent to lift the wellbeing and learning outcomes of disadvantaged children. NZEI and PPTA believe that the use of additional funding delivered as staffing entitlement for schools of high need is worth further exploration. Services and schools should also be supported in giving these children and young people experiences and intensive support – e.g. more quality teachers, learning support and camp experiences. The Group also considers more work is required to determine the amount needed to make a real difference for these children and young people.

The Advisory Group considers that the current decile funding approach needs to change as a priority. The Group agrees that this proposal should be developed further in isolation to the other funding review proposals, but again with the caveat that there must be an increase to the level of additional funding

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<sup>2</sup> Decile is also used as a proxy for the incidence of low-to-moderate special education needs. This is used for Equity Funding Component B for services and the Special Education Grant for schools. As the Ministry has noted, if this proposal is developed further, the flow-on implications for these mechanisms will be considered.

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provided to support the learning and achievement of these children and young people. The Group is concerned about the unintended consequences in regard to how decile has been interpreted as a measure of quality of education, especially in the school sector. The communication of any future targeted funding needs serious consideration to avoid being misinterpreted as an indicator of school quality.

The Group considers that a less negative term than 'at risk' should be used to describe this component of funding, and proposes the term, 'Equity Funding'. This term is already used in early learning and it recognises the role that socio economic status plays in educational achievement. The Group are concerned the term 'at risk of educational under-achievement' could stigmatise children and young people. Ethnicity can be an 'at risk' factor but equally cultural identity and language are a positive protective factor. There is also some risk of confusion with other government work programmes that use 'at risk' and/or 'vulnerable' in a somewhat different context.

The Group considered this proposal could have a broader scope that also addresses other barriers to achievement faced by individuals, such as English language proficiency (for speakers of Māori and English for Speakers of Other Languages funding) and additional learning support needs (special education). NZEI and PPTA note that the special education/learning support needs of cohorts within a school or service also need to be addressed in future proposals.

The method used to determine which children and young people generate the additional funding has to be evidence based and respectful of the rights and privacy of these children and their families to avoid the stigmatisation of individuals. The Advisory Group acknowledges the research underpinning the Government's social investment work and the potential to use data sets and matching technologies that were not accessible when the Census-based decile mechanism was developed. However, the Group considers that more analysis is required of the value of more traditional indicators of socio-economic status, given approaches internationally. The Group is concerned that the indicator set may tend to overlook the 'working poor' and could disadvantage Pasifika students in schooling, compared to the current decile/equity funding.

The Group also considers that there is a case for considering different sets of indicators at different stages of a child's educational journey, given that the levels of independence and needs of children and young people change as they get older.

The Advisory Group identified a number of other possible indicators, and request that further investigative work of their predictive power be completed. This will enable a more informed assessment of the likely effectiveness in targeting need of the set of indicators identified through the Government's social investment work compared to possible alternative options. NZEI questions the validity and efficacy of narrow targeting based on data from the government integrated data infrastructure initiative. Alternative options and their relative predictive power were presented to the Group, but the Group has not yet had the opportunity for considered debate.

The Advisory Group agrees that a concentration factor is needed for this funding as learning environments with high proportions of disadvantaged children and young people are generally more complex and "expensive to teach" including teaching in the Māori medium.

One of the biggest influences on children and young people's achievement is quality teachers. The Group considers that services and schools with high concentrations of at risk children and young people should therefore be supported to be able to recruit and retain quality teachers and address the underlying learning needs of these children.

Some other considerations for the future development of this policy include:

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- The funding could be assessed more frequently, such as every year rather than the five year timeline of decile funding. However, the assessment timeframes should avoid funding uncertainty for services and schools as this can lead to staff turnover and increased casualisation.
- Investigating the potential for consistent learning achievement measures at key transition points, for example at entry to primary school and year nine to help schools determine risk of underachievement and allocate resources. However, NZEI regards existing information as sufficient and raised concerns that higher stakes assessment of children at key transition points would add to the stress and challenge for children, particularly those most at risk, and negatively colour their experience of entering the new institution and their view of themselves as confident learners.
- There may be transitional impacts of funding changes where services and schools gain or lose more funding than expected and these would need to be identified and addressed.
- The money generated by students being 'at risk' should not be absorbed into school funds, but used to support the needs of this group of children and young people. There needs to be increased visibility over the use of this funding, as is already the case for ECE services and ngā kōhanga reo.
- Currently, equity funding for ECE services and ngā kōhanga reo can be pooled at the umbrella association level, which can help improve the efficiency of the funding particularly for sharing staffing across services.

It would be useful to test whether services and schools that have been the hub for wraparound services (for example social services) are the ones that have successfully improved the achievement of at risk students. The Group agreed there is a role for social service agencies to provide services additional to teaching and learning, and that there may be a role for the new children's agency to assist here.

### Specific considerations in relation to early childhood education and ngā kōhanga reo

ECE services and ngā kōhanga reo have some concerns about the direct collection of indicators, which could include a potential deterrent to participation and additional administrative burden or responsibility for identifying the children most at risk. If so, they would need training and funding to do this successfully. In addition, services need to be resourced to help with the transition of children and whānau to schools.

If the proportion of funding for services delivered through Equity Funding were to increase, this would need to be done via overall funding increases to the equity component. Group representatives consider that it would not be feasible to fund equity funding by 'top-slicing' the general subsidy rates. On the other hand, the current Equity Funding only goes to decile 1-4 equivalent in early childhood and ngā kōhanga reo, so if the existing funding were reallocated through the new model, this would mean reduced funding for low-decile services, with a disproportionate impact on ngā kōhanga reo.

The SAGECEF group recognise that there is a particular equity gap for ngā kōhanga reo because children and services do not all start from the same place. An additional concentration loading (with additional funding) would be a crucial element in the proposal's design. Alternatively or in addition, there could be a threshold of the proportion of disadvantaged children below which a service would not receive any equity funding.

SAGECEF also wants to avoid children being stigmatised, but some members think that there may be a case for the at risk children to be identified to the service, although this would have to be approached carefully.

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### Supplementary funding to maintain a network of schools and services (small and isolated)

#### What is the proposal?

The proposal presented to the Advisory Group was that supplementary funding would be provided to maintain the educational viability of particular schools and services consistent with ensuring a network of provision. This funding would be in addition to the funding these schools and services receive through the per-child funding amount and the additional amount for children at risk of educational under-achievement. Two aspects of supplementary funding were proposed for:

- **small schools** to enable these schools to have sufficient funding to meet fixed costs of operating and staffing the school to deliver the curriculum.
- **isolated schools and services** to compensate them for the additional costs they face in accessing goods and services required to operate the service or school and in delivering the curricula because of their isolated location. For ECE services and kōhanga reo, supplementary funding would also support participation. The proposal involves reassessing the criteria used to determine isolation, including a higher threshold for eligibility for this funding.

#### Advisory Group's considerations and feedback

Conditional on more information about the level of the supplementary funds and the eligibility criteria for schools and services to receive it, the Advisory Group supports the ongoing development of this proposal.

The Group supports the need to maintain a network of education provision across New Zealand, to meet the needs of children and young people from smaller and rural communities and to provide opportunities to learn in and through te reo Māori. The Group considers that there is a need for the Ministry to manage the schooling network, including the potential for closing very small, unviable schools. There is an inter-relationship between sound management of the school network and the overall effectiveness of government funding to support learning and achievement.

Iwi isolation and restoring cultural equity should be included when considering the eligibility criteria for the supplementary funding.

The Area Schools representative considered it easier to consider the per-child funding proposal together with this proposal as together they would influence the level of funding they would receive.

*"Fluctuations in Area School rolls are common (Gypsy day, shearers and seasonal workers), and guaranteed staffing orders are critical to manage the school. Further, most Area Schools are hard to staff (especially the secondary specialists and it would be untenable to manage staff fluctuations through fluctuations in funding due per-pupil funding as a mechanism alone."*

**Alex MacCreadie - President, New Zealand Area Schools Association**

#### Small Schools

Small schools are a valuable and common part of the New Zealand education system, and many schools and kura value their small size. The challenge of the funding approach is to balance adequate and stable funding for a small school, with responsiveness to roll size. It is important to note that Area schools and NZEI with regard to primary schools currently feel cautious about this proposal, due to not yet understanding how small would be defined.

## NOT GOVERNMENT POLICY

For small primary and intermediate schools, the Group considers the maximum average class size (MACS)<sup>3</sup> resourcing is important and needs to be maintained.

At the secondary level, the Advisory Group considers that an underlying understanding of the sufficiency of curriculum provision is needed in assessing the roll level at which schools would receive sufficient funding using all three proposals. Currently it is not clear how curriculum provisions are embedded into the funding model. Due to the breadth of the curriculum and the requirement to provide a range of learning experiences to support the retention, engagement and achievement of students at the senior secondary level, there is a need for specialist teachers and spaces (such as science and technology facilities, and gymnasiums). While some schools can offer a full range of NCEA subjects, others are constrained. While the Group recognises that communications technologies, new collaboration methods and COLs can enable schools to increase the range of learning experiences for their students, children do leave communities because of lack of curriculum provision, particularly at small secondary schools.

### Isolated Services and Schools

The Advisory Group considers that further work is required to understand the relationship between isolation and achievement.

The Advisory Group considers that the review of criteria for assessing whether a service or school is isolated needs to consider the impact on children and young people including their travel, access to trades and services and the implications for professional access to colleagues. The latter is important in terms of professional learning and the sharing of expertise, including the consistent moderation of teacher judgements about student progress and achievement, including in relation to NCEA. Parents and caregivers transport their young children to services which places significant pressures on some communities.

The Group considers that there are grounds for reassessing the population centre sizes used to determine isolation, particularly the role of centres with populations in excess of 100,000. However, caution is required, including consideration of proximity to university centres and associated professional development opportunities. The Group recognised the ability of new technologies and Communities of Learning to help with professional development. With regard to isolation and distance, considerations such as topography and road and weather conditions are also needed.

The Group and SAGECEF recognised that while the amount of money provided to isolated services is small, it is none the less important and should continue to be provided. Isolation funding eligibility for home-based service is determined differently to other service types (it is based on physical location of the head office, rather than where the children are attending) and there should be a fairer approach than this.

Staffing isolated schools also needs to be considered as part of the criteria, particularly for secondary school specialist subjects. Some towns, despite their isolation are desirable places to live and easy to staff compared to others where incentives could be provided. The Group recognises that isolation presents unique challenges for children and young people with special education needs and any changes to isolation funding must recognise them.

Another aspect of isolation was raised by Ngā Kura ā Iwi, which reflects cultural isolation of Māori children and young people from their tribal homes. Fundamental to success and achievement for all Māori learners is their “identity language and culture” connections. Evidence shows that Māori medium education learners fare better than Māori learners in English medium education due to the correlation between “identity language and culture” and achievement. The funding review provides an opportunity to improve the cultural equity of the education system for all Māori learners.

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<sup>3</sup>The maximum average class size (MACS) resourcing only applies to schools with fewer than 176 students.

## NOT GOVERNMENT POLICY

There is potential for the supplementary funding to include a Cultural and Restoration Equity Allowance to support and enhance the current equity funding for ECE services and kōhanga reo and the existing Māori language resourcing and the Māori immersion teaching allowance, as a recruitment and retention measure given the high attrition rate of Māori speaking teachers whom we cannot afford to lose.

### Funding mechanism - global budget

#### What is the proposal?

The proposal the Ministry presented to the Advisory Group was to change the mechanism by which funding is delivered to state and state integrated schools, moving away from delivering funding through a combination of cash and staffing entitlement.

The global budget proposed delivering a single dollar-based funding amount to each school and providing school leaders with greater flexibility in balancing expenditure on teachers, support staff and other expertise, and school resources. It proposed using a notional rate for calculating teaching costs and charging teachers' salaries in the budget, while the salaries of other staff would be charged at actual cost. The global budget would be split into a cash component, and a credit component equivalent to expected salary costs which would be held by the Ministry. Principals would have a role in determining the split between cash and credit, reflecting the planned profile of expenditure.

#### Advisory Group's considerations and feedback

The schooling sector representatives of the Advisory Group do not support the introduction of a global budget for state and state-integrated schools and consider that any potential benefits are outweighed by the costs and risks of implementation. The Advisory Group notes that implementation of other components of the funding review do not require a change to the funding delivery mechanism.

If the global budget concept had been supported by the wider Advisory Group, representatives from Ngā Kura-ā-Iwi and early childhood education and ngā kōhanga reo could see potential benefits for their sector. The Independent Schools' representative did not comment on the matter as the global budget concept would not apply to their sector but noted that the concept is quite standard in its school and operates successfully.

Some members of the Group noted that if the risks around loss of clarity around staffing entitlement could be addressed in the global budget, there may be merit in exploring an alternative to this approach. The group queried how a workforce strategy could be developed without guaranteed staffing levels. The Group advises that many schools, particularly those with discretionary amounts of cash funding either from the Crown through Targeted Funding or Educational Achievement or locally raised funds (including revenue from international students) already have the flexibility envisaged by the global budget. The Group suggested investigating how to improve spending flexibility for smaller, cash poor or vulnerable schools.

The Advisory Group does not consider that current mechanisms for transferring staffing entitlement represent an administrative barrier to the sharing of resources between schools. Schools and principals have also developed methods to manage their resourcing within the current mechanisms, and change would require them to invest in understanding the new arrangements. Overall, the majority of the Group considered that the proposal would not deliver real benefits to more schools or students. The majority of the schooling representatives on the Group considered that the key advantages appeared to be in enabling simplification of administration for the Crown.



## NOT GOVERNMENT POLICY

The majority of the Group consider that the Staffing Order, the Minimum Guaranteed Entitlement and surplus staffing provisions should be retained as a feature of the schooling funding system as it provides clarity to principals and services regarding the numbers of teachers for whom they have been funded. Without these mechanisms principals and services may be cautious about making permanent appointments.

The Group agrees with the comments from Treasury that this mechanism for resource delivery would not directly improve educational outcomes.

Informed by the experience of the bulk funding model, a range of concerns with the concept are raised, although not all were agreed by all members of the group. Concerns include:

- the potential to undermine the equity of provision and the idea of targeted equity funding by giving better resourced schools greater advantage in maintaining their staffing numbers;
- the removal of the “ring fence” around teacher resourcing, given the critical role of quality teaching in improving student outcomes;
- the potential for the global budget to either reduce the numbers of teachers in the system or lead to more casualisation of the school teacher workforce, given the lack of clarity around how mechanisms that provide some guarantee around funding for teachers could be duplicated in within the global budget concept;
- the risk that the global budget would lead to pressures on conditions of employment for teachers which may make teaching careers less attractive;
- the global budget would require greater financial and strategic planning capability (than now), with associated risks for schools;
- the risk of erosion of overall funding to schools and increasing uncertainty of resourcing over time with potential pressures for schools to supplement school resourcing;
- the costs of transition and supporting change to a new system and;
- the additional administrative costs to schools from the more complex decision making required by boards in a global budget model.

While these concerns were raised by some members of the Group, it is noted that there was little discussion on the potential benefits of the global budget for the sector. The Group also considered the value of an opt-in approach to the global budget. The Group as a whole are concerned that a dual system would add to complexity. We think a voluntary approach would risk dividing teachers, create issues between schools and potentially exacerbate equity issues. The voluntary approach to the bulk funding model in the 1990s created inequity in the system and was divisive.

## Funding for private schools

### What is the proposal?

The proposal presented to the Advisory Group was to establish a per-student subsidy for private schools at a fixed percentage of the per-student funding amount for state and state-integrated schools. The proposal did not specify a particular percentage.

This would change the current arrangement which provides a capped total value of government funding to private schools (a per-student subsidy equalling \$41.5m per year and the Aspire Scholarships scheme equalling \$4.1m per year).



## NOT GOVERNMENT POLICY

The proposal would mean that the value of the per-student subsidy for students attending private schools would be maintained relative to the level of government funding for students in state and state-integrated schools. It would therefore provide a more certain financial basis for private schools. The proposal also means that the total value of government funding to the private school sector would increase as sector enrolments increase, and would fall if total enrolments in private schools should decline. It would therefore provide a more certain financial basis for private schools.

### Advisory Group's considerations and feedback

The majority of the Group supports or conditionally supports the proposal relating to the funding of private schools.

This proposal is supported by the representative of Independent Schools of New Zealand. Other Advisory Group members conditionally support the proposal going forward to the next stage of development, subject to any increase in funding to private schools not being at the expense of current or future funding for state and state integrated schools. These members acknowledged the current level of government funding helps private schools retain their network, and that without private schools the cost to the Crown of providing school education would be higher. The proposal is opposed by PPTA, NZEI and New Zealand Area Schools as they do not support any government funding for private schools on principle. NZEI wishes to see the cap on funding private schools remain.

The members of the Advisory Group who supported or conditionally supported the proposal suggested that the percentage value used to determine the per-student subsidy should be set at the level that would distribute total funding to the private school sector equivalent to the existing funding pool (\$45 million). This includes government expenditure for the Aspire Scholarship. Some members of the Group consider that the Aspire Scholarship scheme is inconsistent with an equitable funding system and should discontinue.

## Property and property related services

### What is the proposal?

The Ministry presented a proposal to separate some of the funding for property-related activities that are currently funded through the Operations Grant, namely:

- Property maintenance grant
- Heat Light and Water grant
- Vandalism grant.

This funding would be linked to specific outcomes, leveraging existing mechanisms like the 10 Year Property Plan process. For example, with property maintenance funding, schools would be expected to undertake some activities annually (e.g. gutter cleaning), and others semi-annually, (e.g. external painting) to demonstrate appropriate building maintenance.

Funding for Heat Light and Water would be ring-fenced so that any savings between funding allocation and actual spend could be shared between the school and the Ministry, with the Ministry re-investing its share in energy efficiency measures across the schools portfolio to further reduce spend.

### Advisory Group's considerations and feedback

The Advisory Group supports this proposal proceeding to the next stage of policy development and considers it might be prudent to also include Crown-owned ECE properties.

## NOT GOVERNMENT POLICY

The Advisory Group recognises that cases of mismanagement of the Crown owned school property are irresponsible but is not convinced the whole system needs to be overhauled. However, some members of the Group consider that schools and boards spend too much time on property. A new model should help them spend less time on detailed decisions, but enable them to have oversight and control over the overall direction.

Quality school facilities can be a source of pride for children, and some principals and Boards want to have ownership of this and decide what is the most important for their students. Communities have also fundraised for many facilities and have made both financial and emotional investments to them.

The Group consider that this proposal might be usefully developed using either an opt-in or an opt-out process, as one approach will not suit all schools. A risk assessment process should be applied to an opt-out process since the risk of inappropriate property management, while primarily borne by the Crown, is shared by the rest of the sector. The group understand that creating a “line of sight to the money” is really important, particularly if it is an opt-out.

The Advisory Group sees value in greater clarity over outcomes sought with property-related funding, and more support from the Ministry, ranging from support for maintenance for small schools to bulk-purchasing of power or other commodities. The Group suggests the funding approach needs to be flexible.

The Group thinks that ring fencing all property expenditure would not work for all schools. A pragmatic approach that enables schools to do some things for themselves is needed. Schools want to keep the ability to make tradeoffs, for example where property services are donated from parents (e.g. farmers doing lawn mowing, working bees). Some schools value the flexibility in the model to save up maintenance funding for large cyclical maintenance costs such as exterior painting. Any funding approach would need to account for the variability of maintenance costs year on year.

The Advisory Group suggests the Ministry design an opt-in approach for schools that would like the Ministry to have a greater role in property maintenance activities, recognising that small schools are likely to benefit most. The approach could also include greater monitoring of maintenance standards, with where necessary Ministry property staff coming in to schools to prevent inappropriate property management.

The Group suggests adapting the SNUP model (School Network Upgrade Project) whereby the Ministry centrally managed and subsidised the upgrade of internal data and electrical cabling for state and state-integrated schools.

The Group considers the current flexibility in Heat, Light and Water funding provides an incentive to find savings – e.g. by being energy efficient. In order to retain the incentive to save, savings should be returned to the school in any revised approach. For heat, light and water contracts, the Group supports more bulk-buying approaches. We note All-of-Government contracts for electricity and gas are already available on an opt-in basis.

### Accountability

Rather than detailed proposals, the Group was asked to discuss the broader direction across the Ministry’s work programme for strengthening accountability for the educational progress of all children and young people and particularly for those children and young people who are most at risk of educational under-achievement.

By accountability, the Ministry is proposing that schools and services are supported to be more transparent about our impact, so that there is a high level of confidence that resources are being used effectively to deliver better outcomes for all children.

## NOT GOVERNMENT POLICY

Accountability directions also include the development of moderated information about children's learning progress to help inform teaching and learning and system management.

### Advisory Group's considerations and feedback

The Advisory Group understands that accountability is included in the funding review because of the Government's requirement for line of sight between funding and learner progress. The Group understands that the proposed direction for change is to focus on understanding all children's educational progress, not just achievement. However, more discussion is needed to work through how this should be done and we do not think it is specific to the funding review.

The Advisory Group wants to establish a general principle that where the funding is generated, it is spent. The Group agrees that where government funding is generated to support the teaching and learning of particular children or groups of children it should be spent to support the teaching and learning and needs of these children. The schools and services receiving this funding have an obligation and responsibility to ensure this is occurring appropriately.

The Group thinks that what is important is not 'accountability' in terms of reporting on teaching to government, but having an information base about children's learning that enables quality decision making within individual schools, Communities of Learning and at the system level.

The Group advises that further work on capturing and reporting on children's educational progress should:

- be done with the sector
- take into account the broad range of outcomes expected in the curricula
- be primarily focussed on supporting the response of teachers to children's learning
- value the progress of every child, including those with special needs
- maintain the overall teacher judgment approach of national standards, and build the professional capability to do this consistently
- avoid redirecting teachers' time towards assessment and administration – teachers are a scarce resource and need to be focussed on teaching
- recognise the contribution services and schools are making to children's learning, not stigmatise them for factors outside of their control
- avoid perverse incentives that could skew the system (for example, it would be a bad outcome if curricula delivery narrowed to what is measured and there are concerns this is already happening with National Standards).

## NOT GOVERNMENT POLICY

### Appendix one – Advisory Group membership

Allan Vester	Chair, New Zealand Secondary Principals' Council
Alex MacCreadie	President, New Zealand Area Schools Association
Angela Roberts	President, Post Primary Teachers' Association (PPTA)
Cathy Dewes	Tumuaki, Te Runanga Nui o Ngā Kura Kaupapa Māori o Aotearoa
Clare Wells	Chief Executive Officer, New Zealand Kindergartens Inc.
Doug McLean	President, New Zealand Association of Intermediate and Middle Schooling
Frances Nelson	Immediate past president, Auckland Primary Principals' Association
Iain Taylor	President, New Zealand Principals' Federation
James Thomas	President, Auckland Secondary Schools Principals' Association
Judith Nel	President, Special Education Principals' Association New Zealand
Kararaina Cribb	Chief Executive Officer, Te Kohanga Reo National Trust
Lorraine Kerr	President, New Zealand School Trustees Association
Louise Green	President, New Zealand Educational Institute Te Riu Roa (NZEI)
Paul Ferris	Chief Executive Officer, New Zealand Catholic Education Office and Association of Proprietors of Integrated Schools
Arihia Stirling	Chair, Ngā Kura-ā-Iwi o Aotearoa
Peter Reynolds	Chief Executive Officer, Early Childhood Council
Sally King	Executive Director, Independent Schools of New Zealand
Sandy Pasley	President, Secondary Principals' Association of New Zealand