Education Report: A Performance Management System for Partnership Schools; Revised Report

Executive Summary

The Performance Management System for Partnership Schools focuses on outcomes that will support and improve the educational progress of priority learners. It allows both the schools and the government to track progress against key indicators for these outcomes and to move swiftly to remedy any problems to ensure improved outcomes for these students.

This revised report asks you to approve the indicators and performance standards for Partnership Schools | Kura Hourua (Partnership Schools) so that these can be included in contract negotiations with the preferred schools.

We have worked through further comments from the Authorisation Board on our previous performance management report. This has resulted in performance measures regarding enrolment of priority students and enrolment variance being proposed for addition to the original Performance Management System. The Board's views are reflected in the recommendations in this paper.

We recognise the importance of ensuring that Partnership Schools focus on the enrolment of priority learners. However, because Partnership Schools are required to enrol students on a first come, first served basis, and through a ballot when there is excess demand, there is a risk that actual enrolment outcomes may not align with the schools' intended targets. Nonetheless, priority learner enrolment targets are important to achieve the objectives of the Partnership Schools model. We consider that a target of 75% for priority learner enrolment is credible and achievable.

We also propose that the minimum legal requirements, set out in the contract, are included in the contract's provision for public reporting.

The Performance Management System will set indicators and performance standards for a few, vital outcomes for which sponsors will be held to account. These are in the areas of student achievement; student engagement; school finances; and targeting priority learners.

Partnership Schools should be required to report on student achievement against the four priority groups:
- Māori
- Pasifika
- students with special education needs, defined as students in the Ongoing Resourcing Scheme; the Intensive Wrap-around Service; and the High Needs Learning Service provided through Resource Teachers Learning and Behaviour
- students from low socio-economic backgrounds.

Performance standards for secondary students are geared towards achieving the Better Public Service (BPS) target for NCEA level 2. The performance standards for 2014 NCEA level 1 and 2 have been based on the recently-released 2012 decile 3 system-level figures. Partnership Schools' 2017 performance standards will be the
BPS targets and will be non-negotiable. Schools should be able to negotiate targets for 2015 and 2016 to map their trajectory to reach the 2017 BPS target.

National Standards targets for 2014 have been set based on the 2012 decile 3 state system-level results. Partnership Schools can negotiate performance standards for 2015 and 2016 to map the trajectory to reach the non-negotiable 2017 targets.

All schools will have student progress performance standards but 2014 will be a year to gather baseline information. The schools will need to negotiate what tools they will be using to measure student progress.

The student engagement performance standards for unjustified absences, stand-downs, suspensions, exclusions, and expulsions have all been benchmarked against state school data at the median percentile.

School culture can be measured by using the survey wellbeing@school. 2014 would be a year to collect baseline data.

The financial indicators are: operating surplus; working capital ratio; debt/equity ratio; and cash flows. Financial performance standards are based on best practice benchmarks for state schools.

We propose that the threshold test for interventions in Partnership Schools be the same as those for state schools – if there are reasonable grounds to believe that there is a risk to the operation of the school, or to the welfare or educational performance of its students.

Interventions can be considered where there are any problems in Partnership Schools that meet this test, not just those identified through the Performance Management System. However, any rating in the Performance Management System below "meets the standard " will automatically involve an intervention of some sort, with termination of the contract being the ultimate intervention.

Proposed interventions are:

- a performance notice
- a requirement that the school produces a plan that addresses the issue(s)
- increased reporting
- a requirement that the school obtain a specialist audit
- an ERO investigation through early or special review.

Recommendations

We recommend that you:

a. **note** that the contract with Partnership Schools will contain a Performance Management System against which the performance of the schools will be assessed
b. **note** that the comments from the Authorisation Board are reflected in the recommendations of this paper

c. **agree** with the Ministry and the Authorisation Board that the following items should be included in the contract but outside the Performance Management System:
   - if a school is servicing a debt, it should be required to report on the debt service coverage ratio quarterly
   - debt default should be reported on as soon as it occurs or can reasonably be anticipated to occur
   - a high level description of the respective roles of the Ministry, the Education Review Office and the Authorisation Board in relation to monitoring

   ![Signature: Agree / Disagree]

   **AGREE / DISAGREE**

d. **note** that, because Partnership Schools cannot turn away non-priority learners, there is a risk that schools may not be able to meet enrolment targets for priority learners in the Performance Management System

e. **note** that, despite this risk, priority learner enrolment targets are important to achieve the objectives of the Partnership Schools model

f. **agree** that Partnership Schools should have performance standards for the enrolment of the target population of students

   ![Signature: Agree / Disagree]

   **AGREE / DISAGREE**

g. **agree** to set the standard for the enrolment of priority learners at 75% of enrolments

   ![Signature: Agree / Disagree]

   **AGREE / DISAGREE**

h. **agree** that mission-specific goals should be optional and outside the Performance Management System

   ![Signature: Agree / Disagree]

   **AGREE/DISAGREE**

i. **agree** that Partnership Schools should be able to set optional performance standards for mission-specific goals that are not subject to performance consequences

   ![Signature: Agree / Disagree]

   **AGREE / DISAGREE**

j. **agree** that Partnership Schools be required to publicly report against the minimum legal requirements clause in the contract using a standard format

   ![Signature: Agree / Disagree]

   **AGREE / DISAGREE**

**Revised Previous Recommendations**
k. note that, in relation to student achievement, Partnership Schools should be required to report against Māori and Pasifika students, students with special education needs and students from low socioeconomic backgrounds.

l. note that students with special education needs will be defined for the purposes of this reporting as students in the Ongoing Resourcing Scheme; the Intensive Wrap-around Service; and the High Needs Learning Service provided through Resource Teachers Learning and Behaviour.

m. agree that as specified in the contract, in reporting on performance standards and setting future performance standards, the Minister will need to take into account the specific circumstances of the individual schools and the characteristics of the students enrolled.

AGREE / DISAGREE

n. agree that performance standards for 2014 NCEA level 1 and 2 should be based on 2012 system-level results for decile 3 state schools.

AGREE / DISAGREE

o. agree that Partnership Schools should be able to negotiate targets for 2015 and 2016 to map their trajectory to reach the 2017 BPS target.

AGREE / DISAGREE

p. agree that National Standards targets for 2014 be set based on the 2012 decile 3 state system-level results.

AGREE / DISAGREE

q. agree that Partnership Schools should be able to negotiate targets for 2015 and 2016 to map their trajectory to reach the 2017 target.

AGREE / DISAGREE

r. agree that 2014 will be a year to gather baseline information for student progress targets, and that contract negotiations should determine what tools will be used to measure student progress.

AGREE / DISAGREE

s. agree that student engagement performance standards for unjustified absences, stand-downs, suspensions, exclusions, and expulsions will be set against state school data at the median percentile.

AGREE / DISAGREE

t. agree that school culture should be measured by using the survey wellbeing@school and that 2014 will be a year to collect base-line data.

AGREE / DISAGREE
u. **agree** that the financial indicators be operating surplus; working capital ratio; debt/equity ratio; and cash flows with performance standards based on best practice benchmarks for state schools, as set out in the attached documents “Proposed Secondary Performance Standards 2014” and “Proposed Primary Performance Standards 2014”

[Signature]

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

w. **agree** that the threshold test for interventions in Partnership Schools will be the same as those for state schools – if there are reasonable grounds to believe that there is a risk to the operation of the school, or to the welfare or educational performance of its students

[Signature]

x. **agree** that the interventions will be:

- a performance notice
- a requirement that the school produces a plan that addresses the issue(s)
- increased reporting
- a requirement that the school obtain a specialist audit
- ERO investigation through early or special review

[Signature]

y. **forward** this report to Associate Minister, Hon John Banks, and the Authorisation Board for their information.

[Signature]
Ben O'Meara
Group Manager
Schooling Policy

NOTED / APPROVED

Hon Hekia Parata
Minister of Education
12.9.13
Education Report: A Performance Management System for Partnership Schools; Revised Report

Purpose of report

1. This report asks you to approve the indicators and performance standards for Partnership Schools (Kura Hourua) (“Partnership Schools”) so that these can be included in contract negotiations with the preferred schools. Some performance standards will be non-negotiable and some will need to be negotiated.

2. We have worked through further comments from the Authorisation Board on our previous performance management report.

Background

3. Partnership Schools will have a contract with the Minister of Education that sets out the outcomes and conditions sponsors agree to meet in return for state funding. Within the contract, the Performance Management System will set indicators and performance standards for a few, vital outcomes for which sponsors will be held to account. The Performance Management System has:

   • the high level outcomes that the Government and the sponsor agree should be achieved
   • indicators that define the important aspects of the outcome that can be measured
   • metrics or tools that can be used to provide a measurement of the indicator
   • targets or performance standards\(^1\) against which the performance of the sponsor is measured.

4. You took a paper to Cabinet on 15 July 2013 that outlined your selection of the Partnership Schools to proceed to contract discussions [METIS 783979 refers].

5. The paper had a brief section on the Performance Management System identifying the following high-level outcome areas:

   • student achievement
   • student engagement
   • school finances

6. As a result of the inclusion of some of the Authorisation Board's suggestions, we have added a fourth outcome area – targeting priority learners.

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\(^1\) The team of lawyers drafting the contract for Partnership Schools has suggested that the use of the words 'performance standards' is preferable to 'targets' (which could imply something aspirational rather than fixed).
Purpose of Performance Management System

7. The Performance Management System focuses on factors that will support and improve the educational progress of priority learners. It allows both the schools and the government to track progress against key indicators of educational outcomes, and to move swiftly to remedy any problems to achieve improved outcomes for these students.

8. Because Partnership Schools will be working with priority learner groups that have traditionally been under-served by the education system, performance management targets should be challenging but realistic. The framework should expect the schools to achieve better than average outcomes for priority learners without an expectation that they will meet unrealistic targets.

Addressing the comments from the Authorisation Board

9. Following receipt of comments on our previous advice from the Authorisation Board, we have discussed the comments with Catherine Isaac.

10. The Ministry and the Board agree that some of the suggestions are already in the contract or can be incorporated in it but not included within the Performance Management System. These are:

   • if a school is servicing a debt, it should be required to report on the debt service ratio quarterly

   • debt default should be reported on as soon as it occurs or can reasonably be anticipated to occur.

11. The contract should also contain reference to the monitoring framework, setting out at a high level the roles of the Ministry, the Education Review Office and the Authorisation Board.

12. (Blank)

13. The Board agrees that the literacy and numeracy targets should be the same as those for the Better Public Service targets.

14. There are five further matters that the Board wanted to see included in the Performance Management System and reported against because they are high profile aspects of the Partnership Schools model. These are:
• the school's enrolment of the target population of students

• mission-specific goals

• enrolment variance

• evidence that at all times the school has the number of registered teachers identified in its contract

• evidence that the school has adhered to enrolment policy.

15. **Enrolment of the priority groups** is a key feature of the Partnership Schools' policy, and it is important that the schools report publicly on their success in achieving these enrolments.

16. The Education Act 1989 requires Partnership Schools to enrol anyone who applies and, once the maximum roll is reached, to run a ballot. The schools are therefore not totally in control of who is enrolled, and will have to rely on strategies such as marketing campaigns to achieve targets for the enrolment of priority students.

17. However, to achieve the objectives of the Partnership Schools initiative, the target will need to be set at a high level to be credible. We propose 75%. We believe that this target is achievable as an overall target for priority learners despite the schools' limited control over enrolments from individual priority groups.

18. The concept of targets for priority learners has been discussed with the applicants who do not have difficulty with reporting on the number of priority learners they have enrolled. They have reservations about this being included in the system that counts for interventions and sanctions, such as potentially not being awarded the final 1% of their funding.

19. **Mission-specific goals** could be included, although the National Association of Charter School Authorisers (NACSA) in the United States has advised that it is not usual for these to be mandatory. Setting the measures and targets are for the sponsor to bring to the negotiating table. The challenge for the schools will be to take inspirational statements and develop specific indicators and standards that are capable of objective measurement and thus able to be set out in the Performance Management System. For example, the mission statement of ATC is "To develop young men and women to become productive, responsible citizens of New Zealand. We will strive for excellence in all tasks, will unlock the potential of each individual and create a positive pathway for their future."

20. One of the purposes of the Performance Management System is to provide clear performance standards for you and the Secretary to determine when interventions and rewards should be applied. Subjective measures or proxies that are not directly related to the outcomes expressed in the mission statement will not assist with this. Our recommendation is for mission-specific goals to be included in the Performance Management System on a voluntary basis, and that they should not count towards interventions or rewards.
21. **Enrolment variance** can be included in the Performance Management System. In the first years when schools are building up their rolls and year-levels, the performance standard should be the establishment roll. This is the roll that the state agrees to fund, regardless of whether the school reaches that number of enrolments. Any enrolments above this establishment roll are funded [CAB Min (13) 5/9 refers]. Once the school no longer needs an establishment roll the performance standard should be its maximum roll.

22. **Minimum requirements** are set out in a clause in the contract. These are the minimum legal requirements that Partnership Schools must observe at all times and having the correct number of registered teachers and adhering to enrolment policy are two of these. Under the contract, the schools will be required to provide a declaration that they have met all the minimum requirements and this statement can be audited by the Ministry or the Education Review Office. We will require public reporting against the minimum requirements, using a template provided by the Secretary, so that there is comparability of reporting between Partnership Schools.

23. The sponsor will also have to develop with its school’s community a policy to demonstrate how it will engage with parents, family, whānau and iwi. This will be included in the contract.

24. The Board asked that more clarity be provided on student progression/value-add and how it will be measured for the term of the contract. In the current negotiations, the schools will be required to tell us what assessment instruments or methods they intend to use to measure student progression (e.g. e-aSSTLe plus Overall Teacher Judgments); what recording tools they intend to use (e.g. EdPotential); and when they propose to assess progress (e.g. February and November).

25. This will give baseline information to set targets for the next two years, until the mid-term review of the contract, when all targets will be reconsidered. We will set common targets for the student progress we expect to see across all Partnership Schools of a particular type (i.e. all schools with primary students may be required to achieve a five percent improvement in their student results against National Standards in reading at all year levels.)

**Indicators and performance standards**

26. Each outcome area will have indicators and performance standards.

**Student achievement**

**Secondary**

27. The proposed indicators and performance standards are set out in the attached documents entitled “Proposed Secondary Performance Standards 2014” and “Proposed Primary Performance Standards 2014”.

28. It is important to have reporting against student achievement for the four priority groups. Māori and Pasifika students are usually identified at the time of enrolment. It is not so easy to reliably determine who is a student with special education needs or a student from a low socio-economic background.
29. A definition of special education needs that is workable for the schools to administer is: students in the Ongoing Resourcing Scheme; the Intensive Wrap-around Service; and the High Needs Learning Service provided through Resource Teachers Learning and Behaviour.

30. For senior secondary students, the performance standards will be set against NCEA results, especially the Better Public Service target for NCEA level 2. The performance standards for 2014 level 1 have been based on recently-announced 2012 decile 3 system-level results. The 2017 performance standards will be non-negotiable. Schools should be able to negotiate targets for 2015 and 2016 to map their trajectory to reach the 2017 BPS target.

31. No performance standards have been set for NCEA level 3 in 2014 as we believe it is unlikely that any schools will be enrolling year 13 students in their first year.

Primary schools
32. National Standards targets for 2014 have been set based on the 2012 decile 3 system-level results. These are likely to be challenging for Partnership Schools, given the nature of the students they will be enrolling. Once again, there should be the ability for schools to negotiate performance standards for 2015 and 2016 to map the trajectory to reach the 2017 targets.

Student progress indicators
33. Student progress or value-added indicators can identify schools that are making a real difference for their students, even though they may be struggling to reach their performance standards. They are valuable in identifying whether interventions should be supportive or punitive in nature.

34. For student progress performance standards at all year levels, 2014 will be a year to gather baseline information.

Student engagement
35. Performance standards for unjustified absences, stand-downs, suspensions, exclusions, and expulsions are based on 2011 state school figures. The 2014 target has been set at the median percentile for state schools.

36. We are proposing the use of the survey wellbeing@school to measure school culture. wellbeing@school is owned by the Ministry and is developed and administered by the New Zealand Council for Educational Research. It has two on-line surveys: one for students in years 5-8 and one for students in years 7-13. The survey covers five aspects:

- school-wide climate and practices
- teaching and learning
- community partnerships
- pro-social student culture and strategies
- aggressive student culture

37. wellbeing@school has the advantage of being an existing survey designed for New Zealand students. It covers both primary and secondary age levels. It has good coverage of areas of student engagement. The survey uses a four point scale ("Strongly agree/agree/ disagree/ strongly disagree") that will be suitable
for targets requiring Partnership Schools to achieve a certain percentage of responses at “Strongly agree or agree”. There is a cost of $300 per school plus $1 per survey form. This would be a cost to the Partnership School.

38. We recommend that Partnership Schools be required to use the student survey in well-being@school. 2014 would be a year to collect base-line data. Over 400 state schools have now used the tool and this will allow us to test the baseline data against the performance of other schools.

**Financial health**

39. The financial indicators are: operating surplus; working capital ratio; debt/equity ratio; cash flows; and enrolment variance. Financial targets are based on best practice benchmarks for state schools.

**Recording the results**

40. The Performance Management System will need to be supported by a Student Management System (SMS) that interfaces with the Ministry’s system. A number of SMS suppliers are approved for this purpose. Further tools such as PaCT or EdPotential may assist with recording and reporting against standards such as student progress measures.

41. The contract allows the Minister to specify templates that the schools must use. Following feedback from the Board, the Ministry will develop a reporting format to cover the school's performance against all key criteria in a way that is clear and can be used in the public reporting process. This could include elements not included in the core Performance Management System.

**Interventions**

42. Partnership schools will be subject to stricter accountability requirements than state schools. Interventions can be considered where there are any problems in Partnership Schools, not just those identified through the Performance Management System. However, any rating in the Performance Management System below "meets the standard" will automatically involve an intervention of some sort, with termination of the contract being the ultimate intervention.

43. We propose that the threshold test for interventions in Partnership Schools be the same as those for state schools. The Minister or the Secretary can intervene if he or she "has reasonable grounds to believe that there is a risk to the operation of the school, or to the welfare or educational performance of its students".

44. Proposed interventions are set out below:
   
   - **a performance notice.** This would be suitable for straightforward compliance breaches. The Partnership School would have a period of time to rectify a breach or the interventions would escalate
• a requirement that the school produces a plan that addresses the issue(s). The implementation of this plan would be monitored by the Ministry. This could be used for more complex compliance breaches or underperformance that is capable of remedy in the outcome areas of the Performance Management System. It could, for instance, be a plan to purchase professional development for teachers in areas of weakness or to bring financial indicators to a more healthy position.

• increased reporting. This could be appropriate in situations where a closer watch needs to be kept on a particular problem.

• a requirement that the school obtains a specialist audit. This could be used in a range of circumstances from poor performance in an area of the curriculum to fraud or inappropriate uses of IT. It could help identify the extent or cause of an issue.

• an ERO investigation through early or special review. If agreed by ERO, there could be an early review of the school, or of a particular area of the school.

45. The Education Amendment Act 2013 gives the Secretary step-in rights in the case of an emergency that the sponsor cannot or is unwilling to deal with.

Review of Performance Management System

46. We have had a draft paper setting out the Performance Management System reviewed by NACSA. NACSA frequently works with charter school authorisers to develop and implement performance management systems for schools. The review comments "Overall, the Ministry has developed the framework for a strong accountability system for Partnership Schools. The system appropriately strives to focus on school outcomes and allows schools the authority that partnership schools are intended to have."

47. We have incorporated most of the detailed NACSA suggestions into the revised version of the Performance Management System. In some cases, the New Zealand context has meant that suggested changes would not be appropriate.