

AIDE MEMOIRE

To: Hon Nikki Kaye, Minister of Education
Cc: David Seymour MP, Parliamentary Under-Secretary to the Minister of Education
From: Pauline Cleaver, Acting Deputy Secretary, Early Learning and Student Achievement
Drafter : Julian Moore, Executive Director, Partnership Schools
Date: 15/09/2017
Subject: **Property Expansion Payment (PEP) offer to Round Three and Four Partnership Schools Kura Hourua (PSKH) and draft letter from the Ministry to all sponsors to update on the Contract Review**

Purpose

1. Attached to this note are letters and side agreements so you can offer the Property Expansion Payment (PEP) to the Round Three and Round Four schools.
2. Also attached is a letter that we propose to send to all sponsors to update them on the progress on the contract review.
3. We propose that attached to the letter on the contract review will be a draft revised contract. This draft version excludes any changes to provisions for compensation or student progress standards, as these are still under development and require Ministerial consideration.

Property Expansion Payment (PEP) offer to Round Three and Four PSKH

4. The PEP side letters provide an offer of PEP funding to Round Three and Four schools. The wording has been updated to reflect the contract terms that apply for those selection rounds.
5. PEP has already been offered to Round Five schools. It is therefore proposed to offer PEP to Round Three and Four schools to maintain equity between schools. It is not appropriate to extend this offer to Round One and Two schools currently because they receive property funding based on their maximum roll (so no PEP entitlement can be generated).
6. We have estimated the impact of providing PEP to Round Three and Round Four schools in table 1 below. This shows the total liability is about [REDACTED] Only Te Kopuku currently qualifies as it opened with 110 students and was funded for 90. Other schools

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will only start to qualify once their actual roll exceeds the roll they were funded for at establishment. Further financial implications are possible if schools apply to increase their maximum roll. That is unlikely to happen in the medium term. Round Four schools open in 2018. Available funding is sufficient for the total liability and the likely future liability for current schools [CAB-17-MIN-0431 refers].

Table 1

	Property funding on establishment	Establishment Roll Funded	Property funding entitlement at maximum roll	Maximum Roll	Property Expansion Payment entitlement (maximum)
Te Aratika					
Te Kopuku					
Te Rangihakahaka					
Blue Light					
Subtotal					

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7. We have prepared a brief letter to each sponsor for you to sign to accompany the offer of the PEP side agreement.

Draft letter from the Ministry to all sponsors to provide an update on the Contract Review

8. A draft letter is attached that we propose to send to all sponsors to provide an update on the progress with the contract review. This draft version excludes any changes to provisions for compensation or student progress standards, as these are still under development and require Ministerial consideration. The letter sets out the major changes as a result of the contract review. We have been careful to ensure that it is clear that the letter is not a formal offer.
9. The draft contract is attached for inclusion with our letter to sponsors. We expect sponsors to rely on the letter to assist them to understand the changes in the contract.

Action

- **Sign** the letters and Property Expansion Payment side agreements to Round Three and Four sponsors (Annex 1)
- **Indicate** if you have feedback on the draft letter from the Ministry to all sponsors to provide an update on the Contract Review (Annex 2)

Annex 1: Letters and Property Expansion Payment side agreements to Round Three and Four sponsors

Roana Bennett
Te Rangihakahaka Company Limited
2c Ranolf Street
ROTORUA 3010

Dear Roana

I would like to take this opportunity to inform you of an operational policy change regarding partnership school property expansion funding that Cabinet has recently agreed to.

Cabinet has agreed that I am able to offer partnership schools additional property funding as student numbers grow beyond the roll that they are funded for in their Establishment Payment, and I have decided to extend this offer to your school. This additional funding is intended to provide an incentive to you to grow your school towards its maximum roll.

As this is an addition to your contract terms, a formal letter is attached confirming the specifics of this change and how it will operate. Should you wish to take advantage of this offer, please sign the letter where indicated and return it to Julian Moore, Executive Director Partnership Schools, at the Ministry of Education.

If you have any questions about this please feel free to get in touch with Julian Moore by phone on [REDACTED] or by email at Julian.moore@education.govt.nz.

s 9(2)(a) OIA

Thank you for your contribution to the success of Partnership School Kura Hourua.

Yours sincerely

Hon Nikki Kaye
Minister of Education

Te Rangihakahaka Company Limited

2C Ranolf Street

Rotorua 3010

Attention: Roana Bennett

Partnership Schools / Kura Hourua – Additional Property Related Payment

- 1 We refer to the Agreement relating to Partnership Schools / Kura Hourua between the Minister of Education (*Minister*) and Te Rangihakahaka Company Limited (*Sponsor*) dated on or about 10 July 2017 (*Agreement*).
- 2 This letter sets out the basis on which the Sponsor will be entitled to receive property related payments that are in addition to those provided for in the Agreement. This arrangement is intended to be supplemental to the Agreement and is not excluded by anything in clause 34.13 of the Agreement.
- 3 This letter and arrangement shall be read and construed as if it formed a part of the Agreement. Defined terms used in this letter have the same meaning as is given to them in the Agreement.

First Property Expansion Payment

- 4 When the Sponsor first achieves a School roll of more than 80 enrolled Students (as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), the Sponsor will be entitled to an additional payment (determined as provided for below, the *Property Expansion Payment* or *PEP*) for the additional Students over and above 80.

Subsequent Property Expansion Payments

- 5 In any subsequent quarter in which the School roll exceeds the previous highest number of Students ever enrolled at the School (again, as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), a further PEP will become payable, provided that, no PEP will be payable in respect of any increase above the Maximum Roll set out in Schedule 1 of the Agreement.

Property Expansion Payment Calculation

The PEP will be calculated as follows:

PEP = PGCAR – PGCHER *provided that* the PEP will equal \$nil for any quarter where (PGCAR – PGCHER) is a negative number

where:

PGCAR (or **Property Guide Calculator result for Actual Roll**) means the amount determined by the Ministry for the number of Students enrolled at the School at the time of payment calculation by using the School Property Guide Calculator provided that the roll for this purpose can never exceed the Maximum Roll; and

PGCHER (or **Property Guide Calculator result for Highest Ever Roll**) means:

- (a) in the case of the first PEP, \$95,584.86 (being the amount of 'P' in paragraph (b) of clause 1.2 of Schedule 7 of the Agreement); and
- (b) in the case of subsequent PEP calculations, the amount determined by the Ministry by using the School Property Guide Calculator by reference to the highest ever number of enrolled Students at the School provided that the roll for this purpose can never exceed the Maximum Roll.

For the purposes of this letter, including the above calculations:

- (i) the **School Property Guide Calculator** means the calculator referred to in clause 1.3(a)(1) of Schedule 7 of the Agreement (being the property funding calculation methodology used by the Ministry for the purpose of determining the property and insurance related funding component of the Sponsor's Quarterly Operational Payments), including as that methodology/calculator may be adjusted by the Ministry from time to time after the date of this letter; and
 - (ii) the number and make-up of enrolled Students that will be used by the Ministry to calculate PGCAR and PGCHER will be derived from the quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement.
- 6 If a PEP becomes due under the arrangement set out in this letter that payment amount (plus GST, if any) will be deemed to be a supplementary Quarterly Operational Payment for the purposes of (and which is payable by the Minister to the Sponsor in accordance with) Schedule 7 of the Agreement, and the mechanisms in Schedule 7 relating to the Sponsor's bank account, payment notices and invoicing will apply to the payment of any such PEP.
- 7 As an illustration of how the arrangement described above is intended to operate in practice (and by way of example only):
- 7.1 if the Sponsor achieves a School roll of 90 enrolled Students on 1 March 2018 (being the first time the School roll is greater than 80 Students), the Sponsor will be entitled to receive a PEP as a result of the additional ten (10) Students; and
 - 7.2 if the Sponsor achieves a roll of 95 enrolled Students on 1 June 2018 (having achieved a roll of, and been paid a PEP based on, 90 on 1 March 2018), then the Sponsor will be entitled to receive a further PEP as a result of the addition of a further five (5) Students.
- 8 For the avoidance of doubt, the PEP can only be paid when there are additional enrolments. For example, if the roll increases to 90 and a PEP is paid, but the roll subsequently drops to 85 and then increases back to 90, that subsequent increase will not give rise to an entitlement to be paid a further PEP because only increases above the previous highest roll are eligible for the purposes of determining the PEP. In addition, because the School Property Guide Calculator will calculate by reference to the actual composition of all Students enrolled (both by reference to the number of Students and Class Levels), the actual level of PEP will reflect the overall roll composition and not be a fixed per-Student amount.

9 The terms of this letter will take effect from the date it is signed by both parties.

**SIGNED by the Minister of Education,
acting in the name and on behalf
of the Crown**

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Date

SIGNED by Te Rangihakahaka Company Limited

Authorised Signatory / Director

Authorised Signatory / Director

Print Name

Print Name

Date

Date

Mike Jackson
Blue light Ventures Incorporated
10 Maire Street
Wairakei
TAUPO 3332

Dear Mike

I would like to take this opportunity to inform you of an operational policy change regarding partnership school property expansion funding that Cabinet has recently agreed to.

Cabinet has agreed that I am able to offer partnership schools additional property funding as student numbers grow beyond the roll that they are funded for in their Establishment Payment, and I have decided to extend this offer to your school. This additional funding is intended to provide an incentive to you to grow your school towards its maximum roll.

As this is an addition to your contract terms, a formal letter is attached confirming the specifics of this change and how it will operate. Should you wish to take advantage of this offer, please sign the letter where indicated and return it to Julian Moore, Executive Director Partnership Schools, at the Ministry of Education.

If you have any questions about this please feel free to get in touch with Julian Moore by phone on [REDACTED] or by email at julian.moore@education.govt.nz.

s 9(2)(a) OIA

Thank you for your contribution to the success of Partnership School Kura Hourua.

Yours sincerely

Hon Nikki Kaye
Minister of Education

Blue Light Ventures Incorporated

10 Maire Street

Wairakei

TAUPO 3332

Attention: Mike Johnson

Partnership Schools / Kura Hourua – Additional Property Related Payment

- 1 We refer to the Agreement relating to Partnership Schools / Kura Hourua between the Minister of Education (*Minister*) and Blue Light Ventures Incorporated (*Sponsor*) dated on or about 10 July 2017 (*Agreement*).
- 2 This letter sets out the basis on which the Sponsor will be entitled to receive property related payments that are in addition to those provided for in the Agreement. This arrangement is intended to be supplemental to the Agreement and is not excluded by anything in clause 34.13 of the Agreement.
- 3 This letter and arrangement shall be read and construed as if it formed a part of the Agreement. Defined terms used in this letter have the same meaning as is given to them in the Agreement.

First Property Expansion Payment

- 4 When the Sponsor first achieves a School roll of more than 30 enrolled Students (as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), the Sponsor will be entitled to an additional payment (determined as provided for below, the *Property Expansion Payment* or *PEP*) for the additional Students over and above 30.

Subsequent Property Expansion Payments

- 5 In any subsequent quarter in which the School roll exceeds the previous highest number of Students ever enrolled at the School (again, as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), a further PEP will become payable, provided that, no PEP will be payable in respect of any increase above the Maximum Roll set out in Schedule 1 of the Agreement.

Property Expansion Payment Calculation

The PEP will be calculated as follows:

PEP = PGCAR – PGCHER *provided that* the PEP will equal \$nil for any quarter where (PGCAR – PGCHER) is a negative number

where:

PGCAR (or **Property Guide Calculator result for Actual Roll**) means the amount determined by the Ministry for the number of Students enrolled at the School at the time of payment calculation by using the School Property Guide Calculator provided that the roll for this purpose can never exceed the Maximum Roll; and

PGCHER (or Property Guide Calculator result for Highest Ever Roll) means:

- (a) in the case of the first PEP, \$71,283 (being the amount of 'P' in paragraph (b) of clause 1.2 of Schedule 7 of the Agreement); and
- (b) in the case of subsequent PEP calculations, the amount determined by the Ministry by using the School Property Guide Calculator by reference to the highest ever number of enrolled Students at the School provided that the roll for this purpose can never exceed the Maximum Roll.

For the purposes of this letter, including the above calculations:

- (i) the **School Property Guide Calculator** means the calculator referred to in clause 1.3(a)(1) of Schedule 7 of the Agreement (being the property funding calculation methodology used by the Ministry for the purpose of determining the property and insurance related funding component of the Sponsor's Quarterly Operational Payments), including as that methodology/calculator may be adjusted by the Ministry from time to time after the date of this letter; and
 - (ii) the number and make-up of enrolled Students that will be used by the Ministry to calculate PGCAR and PGCHER will be derived from the quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement.
- 6 If a PEP becomes due under the arrangement set out in this letter that payment amount (plus GST, if any) will be deemed to be a supplementary Quarterly Operational Payment for the purposes of (and which is payable by the Minister to the Sponsor in accordance with) Schedule 7 of the Agreement, and the mechanisms in Schedule 7 relating to the Sponsor's bank account, payment notices and invoicing will apply to the payment of any such PEP.
- 7 As an illustration of how the arrangement described above is intended to operate in practice (and by way of example only):
- 7.1 if the Sponsor achieves a School roll of 40 enrolled Students on 1 March 2018 (being the first time the School roll is greater than 30 Students), the Sponsor will be entitled to receive a PEP as a result of the additional ten (10) Students; and
 - 7.2 if the Sponsor achieves a roll of 45 enrolled Students on 1 June 2018 (having achieved a roll of, and been paid a PEP based on, 40 on 1 March 2018), then the Sponsor will be entitled to receive a further PEP as a result of the addition of a further five (5) Students.
- 8 For the avoidance of doubt, the PEP can only be paid when there are additional enrolments. For example, if the roll increases to 40 and a PEP is paid, but the roll subsequently drops to 35 and then increases back to 40, that subsequent increase will not give rise to an entitlement to be paid a further PEP because only increases above the previous highest roll are eligible for the purposes of determining the PEP. In addition, because the School Property Guide Calculator will calculate by reference to the actual composition of all Students enrolled (both by reference to the number of Students and Class Levels), the actual level of PEP will reflect the overall roll composition and not be a fixed per-Student amount.

9 The terms of this letter will take effect from the date it is signed by both parties.

**SIGNED by the Minister of Education,
acting in the name and on behalf
of the Crown**

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Date

SIGNED by Blue Light Ventures Incorporated

Authorised Signatory

Authorised Signatory

Print Name

Print Name

Title/Position

Title/Position

Date

Date

Hemi Rau
Kia Ata Mai Educational Trust
PO Box 166
NGARAUWAHIA 3742

Dear Hemi

I would like to take this opportunity to inform you of an operational policy change regarding partnership school property expansion funding that Cabinet has recently agreed to.

Cabinet has agreed that I am able to offer partnership schools additional property funding as student numbers grow beyond the roll that they are funded for in their Establishment Payment, and I have decided to extend this offer to your school. This additional funding is intended to provide an incentive to you to grow your school towards its maximum roll.

As this is an addition to your contract terms, a formal letter is attached confirming the specifics of this change and how it will operate. Should you wish to take advantage of this offer, please sign the letter where indicated and return it to Julian Moore, Executive Director Partnership Schools, at the Ministry of Education.

If you have any questions about this please feel free to get in touch with Julian Moore by phone on [REDACTED] or by email at julian.moore@education.govt.nz.

s 9(2)(a) OIA

Thank you for your ongoing contribution to the success of Partnership School Kura Hourua.

Yours sincerely

Hon Nikki Kaye
Minister of Education

Kia Ata Mai Educational Trust

Kia Ata Mai Educational Trust

PO Box 166

NGARAUWAHIA 3742

Attention: Hemi Rau

Partnership Schools / Kura Hourua – Additional Property Related Payment

- 10 We refer to the Agreement relating to Partnership Schools / Kura Hourua between the Minister of Education (*Minister*) and Kia Ata Mai Educational Trust (*Sponsor*) dated on or about 24 August 2016 (*Agreement*).
- 11 This letter sets out the basis on which the Sponsor will be entitled to receive property related payments that are in addition to those provided for in the Agreement. This arrangement is intended to be supplemental to the Agreement and is not excluded by anything in clause 34.11 of the Agreement.
- 12 This letter and arrangement shall be read and construed as if it formed a part of the Agreement. Defined terms used in this letter have the same meaning as is given to them in the Agreement.

First Property Expansion Payment

- 13 When the Sponsor first achieves a School roll of more than 90 enrolled Students (as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), the Sponsor will be entitled to an additional payment (determined as provided for below, the *Property Expansion Payment* or *PEP*) for the additional Students over and above 90. Because the School roll already exceeds 90 the first PEP will be made as soon as practicable after this letter comes into effect, potentially as a separate payment. If that is not practicable the first PEP will be included with the Quarterly Operational Payment for Quarter 1 of 2018.

Subsequent Property Expansion Payments

- 14 In any subsequent quarter in which the School roll exceeds the previous highest number of Students ever enrolled at the School (again, as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), a further PEP will become payable, provided that, no PEP will be payable in respect of any increase above the Maximum Roll set out in Schedule 1 of the Agreement (and, for the purposes of this letter, the Maximum Roll will be deemed to be increased by the number of students that the Secretary directs the Sponsor to take pursuant to clause 7.2(a)(iii) of the Agreement).

Property Expansion Payment Calculation

- 15 The PEP will be calculated as follows:

PEP = PGCAR – PGCHER *provided that* the PEP will equal \$nil for any quarter where (PGCAR – PGCHER) is a negative number

where:

PGCAR (or **Property Guide Calculator result for Actual Roll**) means the amount determined by the Ministry for the number of Students enrolled at the School at the time of payment calculation by using the School Property Guide Calculator provided that the roll for this purpose can never exceed the Maximum Roll; and

PGCHER (or **Property Guide Calculator result for Highest Ever Roll**) means:

- (a) in the case of the first PEP, \$106, 982.10 (being the amount of 'P' in paragraph (b) of clause 1.2 of Schedule 7 of the Agreement); and
- (b) in the case of subsequent PEP calculations, the amount determined by the Ministry by using the School Property Guide Calculator by reference to the highest ever number of enrolled Students at the School provided that the roll for this purpose can never exceed the Maximum Roll.

For the purposes of this letter, including the above calculations:

- (i) the **School Property Guide Calculator** means the property funding calculation methodology used by the Ministry for the purpose of determining the property and insurance related funding component of the Sponsor's Quarterly Operational Payments (including as that methodology/calculator may be adjusted by the Ministry from time to time after the date of this letter); and
- (ii) the number and make-up of enrolled Students that will be used by the Ministry to calculate PGCAR and PGCHER will be derived from the quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement.

- 16 If a PEP becomes due under the arrangement set out in this letter that payment amount (plus GST, if any) will be deemed to be a supplementary Quarterly Operational Payment for the purposes of (and which is payable by the Minister to the Sponsor in accordance with) Schedule 7 of the Agreement, and the mechanisms in Schedule 7 relating to the Sponsor's bank account, payment notices and invoicing will apply to the payment of any such PEP.

- 17 As an illustration of how the arrangement described above is intended to operate in practice after the first PEP has been made and the roll at that time was 67 Students (and by way of example only):

- 17.1 if the Sponsor achieves a School roll of 110 enrolled Students on 1 March 2018 (being the first time the School roll is greater than 100 Students, the prior highest number), the Sponsor will be entitled to receive a PEP as a result of the addition of ten (10) Students; and
- 17.2 if the Sponsor achieves a roll of 115 enrolled Students on 1 June 2018 (having achieved a roll of, and been paid a PEP based on, 110 on 1 March 2018), then the Sponsor will be entitled to receive a further PEP as a result of the addition of a further five (5) Students.

18 For the avoidance of doubt, the PEP can only be paid when there are additional enrolments. For example, if the roll increases to 110 and a PEP is paid, but the roll subsequently drops to 105 and then any increases back to 110 that subsequent increase will not give rise to an entitlement to be paid a further PEP because only increases above the previous highest roll are eligible for the purposes of determining the PEP. In addition, because the School Property Guide Calculator will calculate by reference to the actual composition of all Students enrolled (both by reference to the number of Students and Class Levels), the actual level of PEP will reflect the overall roll composition and not be a fixed per-Student amount.

19 The terms of this letter will take effect from the date it is signed by both parties.

**SIGNED by the Minister of Education,
acting in the name and on behalf
of the Crown**

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Date

SIGNED by Kia Ata Mai Educational Trust

Authorised Signatory / Trustee

Authorised Signatory / Trustee

Print Name

Print Name

Date

Date

Ronnie Rochel
Trustees of Te Aratika Charitable Trust
PO Box 12-183
Ahuriri
NAPIER 4144

Dear Ronnie

I would like to take this opportunity to inform you of an operational policy change regarding property expansion funding that Cabinet has recently agreed to.

Cabinet has agreed that I am able to offer additional property funding as student numbers grow beyond the roll that partnership schools are funded for in your Establishment Payment, and I have decided to extend this offer to your school. This additional funding is intended to provide an incentive to you to grow your school towards its maximum roll.

As this is an addition to your contract terms, a formal letter is attached confirming the specifics of this change and how it will operate. Should you wish to take advantage of this offer, please sign the letter where indicated and return it to Julian Moore, Executive Director Partnership Schools, at the Ministry of Education. If you have any questions about this please feel free to get in touch with Julian Moore by phone on [REDACTED] or by email at julian.moore@education.govt.nz.

s 9(2)(j) OIA

Thank you for your ongoing contribution to the success of Partnership School Kura Hourua.

Yours sincerely

Hon Nikki Kaye
Minister of Education

Trustees of the Te Aratika Charitable Trust

PO Box 12-183

Ahuriri

NAPIER 4144

Attention: Ronnie Rochel

Partnership Schools / Kura Hourua – Additional Property Related Payment

- 1 We refer to the Agreement relating to Partnership Schools / Kura Hourua between the Minister of Education (*Minister*) and Trustees of the Te Aratika Charitable Trust (*Sponsor*) dated on or about 29 November 2016 (*Agreement*).
- 2 This letter sets out the basis on which the Sponsor will be entitled to receive property related payments that are in addition to those provided for in the Agreement. This arrangement is intended to be supplemental to the Agreement and is not excluded by anything in clause 34.11 of the Agreement.
- 3 This letter and arrangement shall be read and construed as if it formed a part of the Agreement. Defined terms used in this letter have the same meaning as is given to them in the Agreement.

First Property Expansion Payment

- 4 When the Sponsor first achieves a School roll of more than 67 enrolled Students (as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), the Sponsor will be entitled to an additional payment (determined as provided for below, the *Property Expansion Payment* or *PEP*) for the additional Students over and above 67. If, as at the date of this letter, the School roll already exceeds 67 then the first PEP calculation will be done at the same time as the next scheduled Quarterly Operational Payment calculation to occur after the date this letter comes into effect.

Subsequent Property Expansion Payments

- 5 In any subsequent quarter in which the School roll exceeds the previous highest number of Students ever enrolled at the School (again, as evidenced by a quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement), a further PEP will become payable, provided that, no PEP will be payable in respect of any increase above the Maximum Roll set out in Schedule 1 of the Agreement (and, for the purposes of this letter, the Maximum Roll will be deemed to be increased by the number of students that the Secretary directs the Sponsor to take pursuant to clause 7.2(a)(iii) of the Agreement).

Property Expansion Payment Calculation

The PEP will be calculated as follows:

PEP = PGCAR – PGCHER *provided that* the PEP will equal \$nil for any quarter where (PGCAR – PGCHER) is a negative number

where:

PGCAR (or **Property Guide Calculator result for Actual Roll**) means the amount determined by the Ministry for the number of Students enrolled at the School at the time of payment calculation by using the School Property Guide Calculator provided that the roll for this purpose can never exceed the Maximum Roll; and

PGCHER (or **Property Guide Calculator result for Highest Ever Roll**) means:

- (a) in the case of the first PEP, \$88,338.21 (being the amount of 'P' in paragraph (b) of clause 1.2 of Schedule 7 of the Agreement); and
- (b) in the case of subsequent PEP calculations, the amount determined by the Ministry by using the School Property Guide Calculator by reference to the highest ever number of enrolled Students at the School provided that the roll for this purpose can never exceed the Maximum Roll.

For the purposes of this letter, including the above calculations:

- (i) the **School Property Guide Calculator** means the property funding calculation methodology used by the Ministry for the purpose of determining the property and insurance related funding component of the Sponsor's Quarterly Operational Payments (including as that methodology/calculator may be adjusted by the Ministry from time to time after the date of this letter); and
 - (ii) the number and make-up of enrolled Students that will be used by the Ministry to calculate PGCAR and PGCHER will be derived from the quarterly roll count or roll return submitted by the Sponsor to the Minister in accordance with Schedule 7 of the Agreement.
- 6 If a PEP becomes due under the arrangement set out in this letter that payment amount (plus GST, if any) will be deemed to be a supplementary Quarterly Operational Payment for the purposes of (and which is payable by the Minister to the Sponsor in accordance with) Schedule 7 of the Agreement, and the mechanisms in Schedule 7 relating to the Sponsor's bank account, payment notices and invoicing will apply to the payment of any such PEP.
- 7 As an illustration of how the arrangement described above is intended to operate in practice after the first PEP has been made and the roll at that time was 67 Students (and by way of example only):
- 7.1 if the Sponsor achieves a School roll of 77 enrolled Students on 1 March 2018 (being the first time the School roll is greater than 67 Students), the Sponsor will be entitled to receive a PEP as a result of the addition of ten (10) Students; and
 - 7.2 if the Sponsor achieves a roll of 82 enrolled Students on 1 June 2018 (having achieved a roll of, and been paid a PEP based on, 77 on 1 March 2018), then the Sponsor will be entitled to receive a further PEP as a result of the addition of a further five (5) Students.
- 8 For the avoidance of doubt, the PEP can only be paid when there are additional enrolments. For example, if the roll increases to 77 and a PEP is paid, but the roll subsequently drops to 72 and then any increases back to 77 that subsequent increase will not give rise to an entitlement to be paid a further PEP because only increases above the previous highest roll are eligible for the purposes of determining the PEP. In addition, because the School Property Guide Calculator will calculate by reference to the actual composition of all Students enrolled (both by reference to the number of Students and Class Levels), the actual level of PEP will reflect the overall roll composition and not be a fixed per-Student amount.

9 The terms of this letter will take effect from the date it is signed by both parties.

**SIGNED by the Minister of Education,
acting in the name and on behalf
of the Crown**

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Date

Authorised Signatory / Trustee

Authorised Signatory / Trustee

Print Name

Print Name

Date

Date

Annex 2: Draft letter from the Ministry to all sponsors to provide an update on the Contract Review

XX September 2017

All PSKH sponsors by email

Update on Contract Review for all Partnership Schools

Dear Sponsors

I am writing to update you on the Partnership School Kura Hourua (PSKH) contract review that is currently underway.

As I'm sure you will appreciate, further decisions on the contract review will rest with the incoming Government, however I wanted to get you what information I can so you can consider it over the election period.

The contract review has been a priority for the Parliamentary Under-Secretary to the Minister of Education, David Seymour MP. The aim of the contract review has been to make changes to the contract that would provide more certainty and flexibility for sponsors in pursuing the contracted outcomes. This can be achieved by making the contract terms clearer, simpler to follow and more effective.

It has been a complex project for us to undertake. There are five different selection rounds with different base contracts across each round, so multiple contract frameworks exist. An objective of the contract review has been to give all sponsors the opportunity to move onto a single contract framework.

Contract changes made for Rounds Four and Five

The base contract was updated ahead of signing contracts for Rounds Four and Round Five. Round Four applicants signed contracts in July 2017, and Round Five in September 2017.

In these contract updates the establishment process was more fully described and refined, and changes were made to the way property funding was calculated (so that PSKH of the same roll composition would receive the same property entitlement). The retention of 1% of operational funding, subject to performance, was removed. Student achievement performance standards were updated and, where appropriate, now include the National Standards Better Public Services' target of 80% in reading and maths by 2021. The focus on students achieving NCEA Level 2 has been maintained. PSKH for priority learners continue with an 85% at NCEA Level 2 or above target. STEM PSKH have higher expectations to meet.

These changes have been carried forward into the revised draft contract, noting that the establishment related changes will be of no relevance for Round One to Three schools because those PSKH are already established.

The Under-Secretary has led the development of the following further potential changes to the contract. He has asked me to inform you of the potential changes ahead of seeking feedback once a Government has been formed after the election. Here is a summary of the potential changes:

Performance regime

1. For Rounds One, Two and Three sponsors - set student achievement performance standards and indicators that apply for the full duration of the six year contract, to provide more certainty to sponsors.
2. Change the performance regime so that financial performance continues to be monitored by reference to a set of indicators and regular financial reporting (with scope for the Minister to require additional monitoring) but no longer on the basis that a failure will give rise to breach of a performance standard or non-performance that entitles the Minister to terminate the contract.
3. Clarify the requirements for financial statements to include both the sponsor and the school to allow for circumstances where the sponsor is engaged in separate activities in addition to the school. Where a sponsor is reliant on related parties for ongoing financial and/or material support for the operation of the school, the audited financial statements (if available) or an unaudited pro-forma statement for the related party will be required.
4. Change the performance regime so that student engagement continues to be monitored but no longer on the basis that the results could give rise to the breach of a performance standard (other than for attendance). The Ministry will still require reporting on the engagement measures, and the continued use of wellbeing@school surveys.
5. Extend the coverage of students relevant to the 75% enrolment performance standard for priority learner schools, so that additional groups of students are included. The standard would become "priority learners and students who have experienced educational disadvantage". The wider definition would include whether the student has been stood-down, suspended, excluded or expelled previously.
6. Change the performance regime so that sponsors are required to subscribe to the Secondary Tertiary Transitions Application tool hosted by the Tertiary Education Commission, which will record all tertiary leaver destinations, including to private training establishments.

Funding

7. Offer a new funding policy, Property Expansion Payment (PEP), to provide additional property funding as an incentive to expand up to a school's maximum roll. This is not available to Round One and Two schools at this time because they currently receive property funding based on their maximum roll. For the other rounds, a letter formally offering this as part of your PSKH contract is attached and requires your agreement before it will come into effect.
8. Align the review dates for the property and centrally funded support components of quarterly operational funding so that all schools are in the same three year review cycle (commencing in 2019, with existing arrangements remaining in place until 2019).
9. Modify the timing of the Consumer Price Index and Labour Cost Index adjustment mechanism for the teaching and operating component of quarterly operational funding so that adjustments can be made closer to the period to which they relate. Currently, the annual operational funding adjustment is based on indices at the end of quarter two in a given year, with the resulting adjustment to funding being made at the end of quarter four of that year for application from quarter one of the subsequent year. This will change so that the funding adjustment is based on indices at the end of quarter three (instead of quarter two).
10. If sponsors of larger PSKH schools that provide secondary year levels apply to increase their maximum roll and their roll increases beyond 550 students, then a third marginal rate of \$4,632 per student will apply for enrolments over that threshold. This change ensures the total level of PSKH funding will be maintained at a consistent level to the level that large State secondary schools receive.

Intervention framework

11. The intervention framework has been updated to reflect the changes to the performance regime described above.

Contract term – right of renewal

12. Offer sponsors two six year rights of renewal of the PSKH contract (within the maximum total term of 18 years). The right will be available provided sponsors met their contractual obligations, and is subject to the Minister's determination of the performance standards that will apply for the renewed period. Currently, the right to extend the contract term rests solely with the Minister.

Other changes

13. Provide further flexibility to sponsors to set school hours and term dates. The intention is to specify a minimum total number of hours per year that a school must be open and teaching that is comparable to the minimum number of hours that a State school would be open and teaching.

A copy of the draft revised contract is enclosed for your information. Please note that this is a draft only at this point and does not constitute an offer on behalf of the Crown. It remains subject to ongoing review and refinement and additional changes may be included in subsequent updates.

I will let you know once further updates on the contract review are available.

Yours sincerely

Julian Moore
Executive Director, PSKH Team
Early Learning and Student Achievement Group
Ministry of Education

cc David Seymour MP, Parliamentary Under-Secretary to the Minister of Education

Annex Three: Draft Revised Partnership School Kura Hourua Contract



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