

Budget Sensitive

Office of the Minister of Education

Cabinet Social Policy Committee

Partnership Schools | Kura Hourua: Monitoring and evaluation, proposed new funding model, operational review, and further application round

Proposal

1. This paper reports back on the results of monitoring and evaluation of Partnership Schools | Kura Hourua (Partnership Schools). It asks Cabinet to:
 - approve a new Partnership Schools funding model
 - note proposed improvements to the operational framework for Partnership Schools
 - approve the commencement of Round Three of the Partnership Schools applications process, with successful applicants, if any, being able to open a Partnership School in 2017.
2. The proposals in this paper have been developed in conjunction with the Parliamentary Under-Secretary to the Minister of Education, David Seymour MP (the Under-Secretary).

Executive summary

Monitoring and evaluation

3. Early indications suggest that overall the schools are showing good progress, and have made a promising start on making a difference for students who have struggled in the state system. NCEA results for Partnerships Schools appear reasonably good, in comparison to results for low decile schools, but with only one year of data it is too early to definitively assess the impact. One school (Te Pumanawa o te Wairua) has experienced ongoing challenges, despite additional support.
4. An independent report from Martin Jenkins has provided early evidence that the flexibility of the model is enabling the Partnership Schools to develop innovative approaches including appointing boards with access to specific skills, and splitting management functions into business and academic leadership.

Proposed Partnership Schools funding model

5. In 2013 Cabinet agreed that Partnership Schools would be fully-funded schools, with funding amounts based on actual funding in the state system, cashed up to give sponsors flexibility to manage their resources.

6. The current funding model, while being equivalent to state schools, can result in high average per-student funding, particularly when secondary schools are small in the initial years. The current level of establishment funding provided to each school limits the number of schools that can be established within the allocated budget envelope, and has not encouraged sponsors to partner with private or non-government partners in the way which the model originally envisaged.
7. I initiated a review to explore whether the funding formula could be refined, delegating responsibility for developing options for a revised funding model to the Under-Secretary.
8. The Under-Secretary has recommended a new funding model that will provide Partnership Schools with additional incentives to grow, and will ensure that the schools are efficient while they are small. It will also share a greater proportion of the risks with the sponsors of Partnership Schools, and incentivise sponsors to partner with external parties for resourcing, thus enriching the linkages between school and community, and allowing more Partnership Schools to be opened for a given budget.
9. To achieve this, the new funding model will be less reliant on 'per-school' funding and more reliant on 'per-student' funding. This will mean that the amount of money a school receives will be more closely tied to the number of students attending the school, leading to lower average costs per-student for small schools.
10. Under the proposed new funding model Partnership Schools funding will at times be less than that of a comparable state school as the schools build up towards their maximum rolls. Once the schools have reached their maximum roll, the schools will receive funding broadly equivalent to that of a similar state school.
11. The new funding model reduces the amount of establishment funding sponsors receive. This will provide incentives for sponsors of Partnership Schools to seek partnerships with business and other third-parties as the model originally envisaged.
12. Partnership Schools can use the flexibility provided by a cashed up model to deliver education in innovative and efficient ways.
13. The new funding model will apply to any new Partnership Schools but not to the existing schools, until such time as the contracts of existing schools are renegotiated.

Review of Partnership Schools operational framework

14. I propose to make a number of changes to improve the operational framework for Partnership Schools. These include measures to strengthen the contract's reporting, accountability and risk management provisions.

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15. The revised contract will apply to any new Partnership Schools, but some changes may also be able to be included in contracts with existing schools by negotiation.

Round Three Partnership Schools applications process

16. In 2013 Cabinet noted that Round Three would commence, subject to Cabinet approval, with Partnership Schools opening in 2017 [SOC Min (13) 24/4 refers].

17. I am seeking Cabinet agreement to commence Round Three of the Request for Applications process for Partnership Schools in August 2015, with any new Partnership Schools to be able to open in 2017.

Background

18. Partnership Schools are a new type of school in the New Zealand education system, focused on improving educational outcomes for those groups of students whom the system has not served well. This includes Māori, Pasifika, students with special education needs and students from low socio-economic backgrounds. The most significant difference between Partnership Schools and state schools is that they have greater freedom and flexibility to innovate and engage with their students in return for stronger accountability for improving educational outcomes.
19. In 2013 Cabinet agreed to the components of a funding model for Partnership Schools that gave them broadly the same amount of funding as an equivalent state school, fully cashed-up to maximise flexibility. [CAB Min (13) 5/9 refers]
20. In 2013 Cabinet:
- invited the Minister of Education to report to Cabinet Social Policy Committee on available monitoring information, including the initial results of the evaluation, early in 2015 before confirming Round Three in Budget 2015
 - noted that Round Three would commence, subject to Cabinet approval, with Partnership Schools opening in 2017. [SOC Min (13) 24/4 refers]
21. Five Partnership Schools opened in 2014, and a further four schools opened in 2015. An overview of the nine schools can be found in Appendix 1.
22. Budget 2015 included contingency funding for a third Partnership School application round and for the purchase of services to support potential and existing sponsors of Partnership Schools.
23. Prior to commencing a further round however, I deemed it prudent to address issues identified through the implementation of the first two rounds of Partnership Schools.
24. I therefore initiated a review to address funding issues, delegating responsibility for developing options for a revised funding model to the Under-Secretary. The Under-Secretary has explored a range of potential options and, working closely with the Ministry of Education, has proposed a new funding model which is presented below.
25. I also asked for an operational review to be undertaken. As a result of this I am proposing an improved operational framework including changes to the Partnership Schools contract.
26. I am seeking to commence Round Three of applications for Partnership Schools in August 2015, using the proposed funding model and revised contracts.
27. Prior to commencing Round Three Cabinet approval is needed:
- for proposed changes to the Partnership Schools funding model
 - to commence Round Three with a view to successful applicants, if any, being able to open a Partnership School in 2017.

Rationale for the investment in Partnership Schools

28. The Partnership Schools' initiative is closely aligned to the Government's social investment goals. The social investment approach is an extension of the way this Government has operated in the social sector for some time. We are looking to move from measuring success in respect of the social needs of our population by how much money is spent, to what results are achieved.
29. We need to:
 - provide services in a different way
 - adopt different approaches to investment for outcomes
 - break with the traditional way of public services
 - be open minded to alternatives and different possibilities.
30. Partnership Schools are a new way of providing services, through an outcomes-based approach that is different from the traditional way of providing schooling. They fit well with the social investment approach.
31. Partnership Schools are directly related to our Better Public Services programme because that is all about achieving meaningful results. We have set a challenging target that 85 percent of 18-year-olds will have achieved NCEA Level 2 or an equivalent qualification in 2017. A Level 2 qualification gives people opportunities in terms of further education, employment, health outcomes and a better quality of life.
32. An analysis by the Ministry of Social Development and Corrections shows that for a cohort of people aged 16 in 2006, welfare and corrections costs between the ages of 16 and 23 were:
 - a person with no qualifications cost the Crown approximately \$26,700
 - a person with a minimal school qualification, such as NCEA Level 1, cost the Crown approximately \$19,100
 - a person with a Level 2 qualification, such as NCEA Level 2, cost the Crown approximately \$13,700
 - a person with a Level 3 qualification, such as NCEA Level 3, cost the Crown approximately \$5,700.
33. Partnership Schools are required to have 75 percent of their enrolments from students whom the education system has not traditionally served well. They work with some of our most vulnerable students. The data above show that expenditure on Partnership Schools can make long-term savings if the schools set their students on the path to achieving worthwhile educational qualifications.

Results of Partnership Schools monitoring and evaluation

34. Cabinet agreed that a strong evaluation programme be put in place that thoroughly examines the impact and effectiveness of the first Partnership Schools, to enable government to make informed decisions about whether or not to open further Partnership Schools. [CAB Min (12) 26/6 refers]
35. Early indications suggest that overall the schools are making good progress. The findings of monitoring and evaluation activities are set out below.

ERO Reviews

36. Most of the Partnership Schools had good or satisfactory ERO Readiness Reviews, and evidenced progress in addressing identified issues over time.
37. Four of the five schools that opened in 2014 had favourable Readiness Reviews and subsequent New School Assurance Reviews. The fifth school, Te Pumanawa o te Wairua, has been provided with significant guidance and additional support but has continued to experience serious ongoing challenges.

Quarterly and annual reports

38. The Ministry and the Authorisation Board monitor performance against contractual targets through the school's quarterly and annual reports. In these reports Partnership Schools have demonstrated steady progress in getting established and bedding in systems, and a picture of positive student achievement is emerging.
39. As the schools become fully established it will be increasingly important to have reliable, consistent and comprehensive information on each Partnership School's performance, and work is underway to strengthen the performance management system.

NCEA results

40. Early indications suggest that overall the schools are making good progress. NCEA results for Partnerships Schools appear reasonably good, in comparison to results for low decile schools, but with only one year of data and very small sample sizes, it is too early to definitively assess the impact.
41. The New Zealand Qualifications Authority advises that a year-level based analysis indicates encouraging results for Partnership Schools overall. In an age-based comparison students in Partnership Schools perform better than students in Alternative Education, and similarly to students in deciles 1-3 schools. (This is based on those who participated in NCEA but not roll-based data.)
42. Given the requirement that Partnership Schools must enrol 75 percent of priority learners, results indicate that Partnership Schools are making a promising start on making a difference for students who have struggled in the state system.

Independent evaluation

43. The Ministry has contracted Martin Jenkins and Associates to carry out a formative independent evaluation of the Partnership Schools model. This is designed to provide a cumulative overview of how the model is developing and whether the desired outcomes are being achieved. The evaluation runs from 2014 to 2017, with a final report due to the Ministry in late 2017, and annual interim reports.
44. The first annual report of phase one shows early evidence of schools developing innovative educational provision for students who have been under-served by the education system by:
 - using funding flexibly
 - appointing governance board members to access specific skills
 - splitting their management functions into business and academic leadership.

45. This has flowed through into emergent innovation and good practice in:
- staffing
 - student engagement and support
 - teaching and learning strategies.
46. The schools' curricula and engagement with community, parents, family, and whānau demonstrate good practice.
47. The Under-Secretary wishes to see an evaluation with a stronger focus on quantitative analysis. There are a number of tools available currently that provide quantitative analysis of student achievement and school performance. I will continue to work with the Under-Secretary to develop the application of these tools to Partnership Schools.

Proposed changes to Partnership Schools funding model

48. The funding model agreed to by Cabinet in 2013 (the current funding model) established Partnership Schools as fully-funded schools. It is based on actual costs in the state system, with funding cashed up to give sponsors flexibility to manage their resources.
49. The current funding model includes set-up funding; property funding; base and per-student funding to cover operating costs; and a cashed-up amount for services that are centrally provided for state schools. For set-up and property funding, the current funding model uses maximum rolls, as occurs in the state system.
50. The current funding model was intended to give Partnership Schools the best chance of success, and certainty in the early years when the schools are building up their rolls. This replicates the start-up and operational funding principles of new state schools.
51. However, the level of current establishment funding, while equivalent to the state system, has not encouraged sponsors to partner with private or non-government partners in the way which the model originally envisaged, and limits the number of schools that can be set up within the allocated budget envelope.
52. Moreover, the fixed amount provided to each school in base funding has not incentivised roll growth and has resulted in a high average cost per student, when compared to an established school, when schools are small. Reducing this amount, while still ensuring sufficient funding, will allow more schools to be opened.
53. The proposed funding model moves away from per-school funding, and funding based on maximum rolls, to per-student funding more closely aligned with a school's actual roll. This will share a greater proportion of the risk with sponsors, incentivise them to seek third-party funding, and ensure schools operate efficiently while they are small.

54. The proposed funding model has the following components:

- establishment rate
- property rate (per student)
- teaching and operating rate (per student)
- professional development and resources rate (per student).

55. These are described in more detail below.

Establishment rate

56. Before they open, new state schools are provided with:

- school buildings
- set-up grants to purchase those services and items necessary before the school can open¹
- the salary of a principal for at least 12 months to ensure the school is operational and staff and students are recruited.

57. The current funding model for Partnership Schools provides set-up grants based on equivalent costs for new schools in the state system plus six months of property funding (based on a school's maximum roll) and six months' salary to employ a principal to set up the school.

58. As with state schools, Partnership Schools are not restricted in how they use their set-up grants. In practice, the cost to set up a Partnership School will vary considerably depending on the nature, size and type of the school and how it chooses to operate. The schools can determine which items are essential for the school to be able to function from the day it opens, and others that can be added to over time. They can also make choices about buying varying numbers of items, or at higher or lower costs.

59. The proposed funding model:

- replaces the state school system set-up grants with a fixed contribution to set-up costs of \$250,000 for primary schools and \$400,000 for secondary schools
- provides six months of property funding, calculated on the new property per-student rate (see paragraphs 68-69 below) for the number of students agreed in the contract to be the minimum number of students to be enrolled in the school's first year of operation (rather than the maximum roll, which is used in the current model). This will be sufficient time for buildings to be leased and any modifications made
- six months of principal's salary (no change from the current funding model).

60. The proposed establishment rate would reduce the amount of establishment funding for new schools; and increase sponsors' incentives to secure third-party funding if they want to spend more than the establishment rate. The fixed contribution provides

¹ The kinds of costs that arise during establishment include rental of interim office space and administrative assistance; cost of utilities prior to opening; software for accounting and student management systems; textbooks and library resources; computers and teaching supplies.

schools with certainty over the level of establishment funding they will receive from government.

61. Establishment funding for schools of different sizes and types is set out in Table 1 below.

Table 1: Establishment funding under proposed funding model				
School rolls	6 months property and insurance	6 months principal's salary	Fixed contribution	Total
Primary with roll of 100 ² (opening roll of 50)	26,292	65,597	250,000	341,889
Primary with roll of 175 (opening roll of 75)	36,321	65,597	250,000	351,918
Secondary with roll of 200 (opening roll of 75)	110,661	65,597	400,000	576,258
Secondary with roll of 300 (opening roll of 100)	124,185	65,597	400,000	589,783

62. Table 2 below compares establishment costs under the current and proposed funding models.

Table 2: Establishment funding under current and proposed funding models			
Rolls	Current	Proposed	Difference
Primary with roll of 100 (opening roll of 50)	343,573	341,889	- 1,684
Primary with roll of 175 (opening roll of 75)	466,339	351,918	- 114,421
Secondary with roll of 200 (opening roll of 75)	1,018,326	576,258	- 442,068
Secondary with roll of 300 (opening roll of 100)	1,267,557	589,782	- 667,775

Property rate

63. Under the current funding model property funding is calculated using Cash for Buildings, a methodology for cashed-up property funding that is equivalent to comparable state school property entitlements. The current funding model provides a Cash for Buildings amount based on the school's maximum roll, rather than its actual roll.

² The maximum roll numbers are provided for each of the schools because these figures are used to calculate the per-student property rate.

64. Cash for Buildings has three components which are converted into an annualised rate over 40 years, which is estimated to be the life of a school building:
- capital costs such as site works and the cost of constructing the buildings
 - maintenance costs
 - modernisation costs which are not applicable in the first 10 years of the building's life.
65. Partnership Schools also get a contribution towards insurance costs because the Crown pays insurance for state schools.
66. The possibility of using another model such as regional indexing against lease costs for commercial property was explored. This would create additional complexity. Cash for Buildings funding appears reasonable in comparison to commercial market rates throughout New Zealand.
67. The Under-Secretary has therefore concluded that Cash for Buildings continues to be the best option for determining property funding for Partnership Schools.
68. However the proposed funding model converts Cash for Buildings to a per-student rate and applies it to actual student numbers. When the school reaches its maximum roll, it will receive the same amount of Cash for Buildings funding as an equivalent state school but below that roll, every student will bring new property funding with them. This will incentivise roll growth.
69. Table 3 below shows the indicative savings achieved in the first year of operation by funding property costs at a per-student rate based on actual enrolments rather than maximum rolls.

Table 3: Indicative property savings for first year of operation			
School type and roll	Current	Proposed	Difference
Primary with roll of 100 ³ (opening roll of 50)	105,167	52,583	- 52,583
Primary with roll of 175 (opening roll of 75)	169,496	72,641	- 96,855
Secondary with roll of 200 (opening roll of 75)	590,193	221,322	- 368,871
Secondary with roll of 300 (opening roll of 100)	745,112	248,371	- 496,742

70. Per-student property funding may have the following effects:
- in the early years when the school is building up its roll, the school may have to move sites as the school grows or lease a larger space in anticipation of future growth
 - schools will need to have sufficient reserves to provide a financial buffer to cover the possibility of falling or fluctuating rolls.

³ The maximum roll numbers are provided for each of the schools because these figures are used to calculate the per-student property rate.

Teaching and operating rate

71. The current formula provides for teaching and operating costs using a base grant and a per-student rate derived from the way state schools are funded. The base grant does not alter with the size of the school because it represents the amount necessary to teach the full range of the curriculum even with a small number of students.
72. The current formula was based on a relatively small sample size and on 2011 salaries data that could not be updated for the first round in 2013 because of payroll issues. Experience to date indicates that it probably slightly underfunds small primary schools and overfunds small secondary schools.
73. The Ministry has calculated a new teaching and operating rate based on average salary and operational costs for state schools. The model constructs a teacher salary rate that is applied to the staffing entitlement of a state school of a particular roll size. It then adds an average operational grant figure for a decile 3 school of the same roll size.
74. The proposed new funding model provides two teaching and operating per-student rates: a higher rate for the first 50 primary students and 100 secondary students, followed by lower marginal rates for each subsequent student.⁴ In effect the higher rate redistributes the base grant component on a per-student basis. This results in the figures set out in Table 4 below:

Table 4: Proposed per student teaching and operating rates	
School and Roll	Rate
Primary Roll 50 and below	8,579
Primary Roll 51 and above	5,247
Secondary Roll 100 and below	12,585
Secondary Roll 101 and above	7,046

75. This approach will incentivise growth and enable small schools to be viable, while not over-funding larger schools. Agreed roll growth targets in Partnership Schools' contracts will avoid any possible perverse incentives for the schools to choose to keep their rolls low to attract the higher per-student rate.

⁴ Different per-student rates for primary and secondary schools are needed because of the higher costs of providing secondary education (for example, the need for more specialist teachers across a wider range of subjects).

76. The impact of the new teaching and operating rates on primary and secondary schools of varying sizes is set out in Table 5 below.

Table 5: Comparison of current and proposed teaching and operating rates							
Primary schools				Secondary schools			
Roll	Current	Proposed	Difference	Roll	Current	Proposed	Difference
50	383,781	428,950	45,169	100	1,550,411	1,258,500	-291,911
75	501,906	560,125	58,219	150	1,821,361	1,610,800	-210,561
100	620,031	691,300	71,269	200	2,092,310	1,963,100	-129,210
125	738,156	822,475	84,319	250	2,363,261	2,315,400	-47,861
150	856,281	953,650	97,369	300	2,634,211	2,667,700	33,489
175	974,406	1,084,825	110,419	500	3,718,011	4,076,900	358,889

77. The formula has the desired effect of reducing the rates for small secondary schools and increasing the rates for small primary schools, correcting the experience to date referred to in paragraph 72.
78. Large secondary Partnership Schools (schools of more than 300) would be more expensive under the proposed funding model but the costs would be comparable to costs in the state system. If a new Partnership School proposes a maximum roll of more than 300, a third marginal rate will be set within the contract to manage this risk.
79. The marginal rates approach applied to the averages model provides a user-friendly funding formula with more accurate costs at the lower end of the scale. The proposed teaching and operating rate is relatively easy to update.

Professional development and resources rate

80. Centrally-funded support⁵ is provided to Partnership Schools on a cashed-up basis. This is already a per-student rate and is currently \$276 per student. It was derived by averaging the major appropriations for professional development and teaching resources for state schools. The professional development and resources rate will be reviewed three-yearly. No changes are proposed at this time.

⁵ Centrally-funded support covers areas such as special education assistance; professional learning and development; transport assistance; curriculum resources; and student engagement initiatives.

Overall costs of the proposed funding model

81. Table 6 below sets out total costs under the current and proposed funding models over four years for moderately sized primary and secondary Partnership Schools.

Table 6: Comparison of total costs over four years under current and proposed funding models						
Primary	Prior to opening	Year 1 roll 50	Year 2 roll 100	Year 3 roll 150	Year 4 roll 175	4 Year total
Current school with maximum roll 175	466,339	567,077	817,127	1,067,177	1,192,202	4,109,922
Proposed school with maximum roll 175	339,811	491,178	815,755	1,140,333	1,302,621	4,089,698
Secondary	Prior to opening	Year 1 roll 75	Year 2 roll 125	Year 3 roll 200	Year 4 roll 300	4 Year total
Current school with maximum roll 300	1,267,557	2,180,748	2,465,497	2,892,622	3,462,123	12,268,547
Proposed school with maximum roll 300	558,736	1,150,853	1,779,613	2,515,042	3,495,612	9,499,857

82. The Ministry and Authorisation Board will evaluate whether potential sponsors have sufficient resources to implement their plans through the applications assessment process. This will include seeking evidence that sponsors have contingency plans to cover potential roll fluctuations.
83. Under the proposed new funding model Partnership Schools funding will at times be less than that received by a comparable state school while they build toward their maximum rolls. Once the schools have reached their maximum roll, the schools will be receiving funding broadly equivalent to that of a similar state school. This will provide incentives for sponsors of Partnership Schools to seek partnerships with business and other third-parties as the model originally envisaged.
84. Partnership Schools can also use the flexibility provided by a cashed up model to deliver education in innovative and efficient ways.
85. The new funding model will apply to any new Partnership Schools but not to the existing schools, until such time as the contracts of existing schools are renegotiated.

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87. The Budget contingency was based on two secondary schools. These figures indicate that two schools can be established within the agreed funding envelope and that different sizes and types are possible, depending on the outcome of the application round.

Round Three Partnership Schools application process

Proposed timing of Round Three

88. A decision to commence Round Three requires Cabinet approval. In 2013 Cabinet noted that Round Three would commence, subject to Cabinet approval, with Partnership Schools opening in 2017 [SOC Min (13) 24/4 refers]. This was to enable the Partnership Schools model to be updated in light of monitoring and evaluation data thus ensuring that the establishment of future schools is as efficient and effective as possible.
89. In this paper I have recommended a range of changes that significantly strengthen the Partnership Schools model, which can be implemented immediately. I therefore propose that Round Three commence in August 2015.
90. As in the first two rounds, I will inform Cabinet of my intentions prior to approving further Partnership Schools.

Evaluation criteria and Government preferences

91. The evaluation criteria and Government preferences provide important signals to potential sponsors, and are critical for objective and transparent decision-making.

Evaluation Criteria

92. The evaluation criteria and weightings used for Round Two are set out in Appendix 3. I propose to use the same criteria and weightings for Round Three.

Government preferences

93. Government preferences were introduced for Round Two. They give strong direction to potential sponsors about where and what types of schools are being sought. While they enable Government to indicate which types of proposals are most likely to be successful, they do not rule out the success of an outstanding proposal that does not conform to the specified preferences.

94. I propose that the following Government preferences are set out in the Request for Applications (RFA) for Round Three, to favour proposals that demonstrate a strong case that the proposed school will:
- make effective use of the flexibilities offered by the model
 - offer innovative options for 0-8 year olds
 - be large enough to be comfortably viable
 - be located in an area or areas where there are students who are not being well served by the education system
 - bring together education, business and/or community sector partnership(s)
 - have a focus on science, technology, engineering and mathematics
 - not be an existing private school seeking to convert to a Partnership School.

Review of Partnership Schools operational framework

95. Review of best practice across the state sector and other jurisdictions suggests an establishment timeframe of 12-18 months is required to ensure the school is well positioned to start successfully to provide quality educational outcomes, and this is consistent with our experience from the first two rounds.
96. The Authorisation Board and Ministry have recommended that a more robust establishment framework be set out in the contract. This would require approved sponsors to demonstrate to the Ministry that they have met particular milestones (covering for example, property, recruitment of key personnel, gaining of NZQA Consent to Assess Against Standards, and enrolment of students) as they fall due, prior to gaining full approval to open. The sponsor will have freedom to determine how they meet these milestones.
97. This approach would allow the Minister to halt (or defer) the establishment of a Partnership School, if proceeding would result in suboptimal outcomes or unacceptable risk.

Reviewing the contract between the Crown and the sponsors

98. Now that the first five schools have been in operation for 18 months, it is timely to review the terms of the contract between the Crown and the sponsors of Partnership Schools to make any desirable enhancements. The views of the current sponsors and the Authorisation Board have been sought. I propose changes to the contract that will be used for future Partnership Schools, as outlined below.
99. Contract changes will apply to any new Partnership Schools, but some changes may also be able to be included in contracts with existing schools by negotiation.

Strengthening the introductory section

100. The introduction section to the contract needs to ensure that both parties are mindful of the purpose that Partnership Schools have been established to achieve. To that effect I propose:
- a clearer focus on student achievement
 - to reinforce the partnership concept
 - to be specific about having a high flexibility/high accountability model.

Measuring and reporting on student progress and achievement

101. Student achievement is at the heart of the Partnership Schools' policy and therefore drives the reporting framework.
102. The contract requires sponsors to report on student achievement and student progress. The Authorisation Board has been reviewing the performance management system and has advised the Ministry that it believes that the student achievement metrics could be enhanced. The issues around reporting that have arisen are typical of new schools and are not unique to Partnership Schools.
103. I therefore propose that the contract be more directive about what assessment tools should be used and the way that data is to be recorded and reported. As a general principle, the schools should report on the value they add to the achievement and progress of students.
104. The Authorisation Board has considered the tools available in New Zealand to measure and report student achievement and progress, and has recommended that e-asTTle be used by the schools to establish baselines and to measure progress at least three times a year. The measurements should be reported as part of the monitoring. It is important for the accountability for outcomes to be clear, meaningful and consistent across schools.

Modifying the guaranteed minimum roll

105. As with state schools, Partnership Schools have been funded on a guaranteed minimum roll for the first 2-3 years of their existence. This was designed to provide some stability in the early life of the schools. The short set-up time for the schools has meant that many of the schools have had rolls below the guaranteed minimum but because of it, little incentive to actively seek more enrolments.
106. I propose to amend the contract so that the guaranteed minimum roll is only provided for one term after opening. This will incentivise the schools to actively seek enrolments although it would need to be matched with a reasonable period for set-up so that schools have time to recruit students at the same time as other schools are accepting enrolments.

Options for identifying and responding to performance concerns

107. The current interventions available to me are disproportionate in the case of a school that has a minor breach of the contract. There is also concern that the contract limits the ability to formally signal or record minor breaches or failure to meet minimum requirements (such as failure to meet an administrative requirement).
108. I propose introducing an escalation process that provides for the options of a letter and a new formal notice process (not a performance notice) prior to intervention but without removing the ability to go directly to the intervention process. This would allow the government to raise concerns or to flag a minor breach to a sponsor in a way that allows for quick remedy, but also provides feedback and clarity on unacceptable behaviour. The Authorisation Board may recommend that such steps be taken based on the findings of its monitoring activities. I also propose to increase scope for asking Partnership Schools to provide evidence that they are meeting minimum requirements.
109. In a more serious situation, or when there is a trend of breaches, I propose that the contract should be amended to allow the Minister to have the ability to introduce random audits (or inspections). Currently only a specialist audit can be imposed on schools.

Time between a performance event and termination

110. The existing contract allows 90 days between a performance event as defined in the contract and termination. The 90 day interval is too short to carry out required processes, conduct an investigation, implement potential remedies and exhaust remedial options. I propose to increase the permissible interval between a performance event and termination.

Recovering funding in the event of closure

111. Experience to date has shown that the Crown could provide significant sums of establishment funding to a school that does not succeed and faces early closure.

Need for a header contract

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112. There is mounting evidence to suggest that over time some schools will expand to a number of separate sites, operating more than one Partnership School. In the interests of administrative efficiency I propose to develop a header contract to be used in these circumstances.

Requiring schools to enrol priority learners

113. The Partnership Schools contract requires 75 percent of a school's students to be priority learners. This creates some tension with the requirements of the Education Act 1989 that Partnership Schools must enrol anyone who applies. It is an issue of concern for sponsors, especially since there are difficulties in determining whether a student is from a low-socio-economic background.
114. I have considered the sponsors' concerns, including the suggestion that the 75 percent enrolment target is made a reporting requirement but not a performance standard. I believe the target sends an important signal to sponsors that Partnership Schools are intended to meet the needs of priority learners. I do not propose

changing the performance standard but have asked the Ministry of Education to work on providing more guidance around the definition of priority learners.

Other Partnerships Schools matters

Performance incentive - at risk payment

115. Cabinet agreed that a small percentage of Partnership Schools' contract price be at risk in the first years of the contract, rising in later years [CAB Min (13) 5/9 refers]. This was established at one percent, and is paid to schools that meet or exceed their contracted targets. I do not propose to make any changes to the at risk payment at this time.

Future funding adjustments

116. Annual funding adjustments are calculated by applying the Labour Market Index to 70% of the school's funding (estimated to be roughly equivalent to typical wage and salary costs) and the Consumer Price Index to 30% (roughly equivalent to typical operations costs). While this method may need to be revisited following any changes to state school funding arrangements as a result of the review of funding systems, no change is proposed at this time.

Eligibility for new funding initiatives

117. The funding formula is based on the resourcing for state schools at a particular point in time. This raises the question of what happens when the government introduces new initiatives. Decisions will need to be made for each new initiative to determine whether or not it will apply to Partnership Schools.
118. Partnership Schools are holding themselves out to offer excellent education for the priority students enrolled with the resourcing that they are provided. At the same time, I see no reason why students in Partnership Schools should not be eligible for support offered to other children and young people, including through initiatives provided by other agencies.
119. As a general rule, I propose that if an initiative is directly targeted to support for the priority learner group(s), Partnership Schools should be considered for inclusion. This is in line with the Government's social investment approach where investing money now to achieve agreed outcomes will reduce the need for future expenditure by the Crown.
120. It will be necessary to determine whether the Partnership Schools funding model already includes cashed-up amounts for an equivalent initiative to ensure that Partnership Schools are not funded twice for similar initiatives.


Consultation

121. The Authorisation Board and sponsors have been consulted on proposed changes to the Partnership Schools contract.
122. The Treasury has been consulted and supports the changes proposed in this paper. The Department of Prime Minister and Cabinet has been informed.
123. The Ministry of Pacific Island Affairs and the Office for Disability Issues have been consulted and have no comments.

124. Te Puni Kokiri has been consulted and considers that reducing the amount of funding available to Partnership Schools compared to those in mainstream education is likely to have a detrimental effect. TPK believes that additional resourcing may be required on a per-student basis from the outset, noting that learning, behavioural, mental health, whānau and social issues may require intensive support and wrap-around treatment, as a prerequisite to effective education.

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

Financial Implications



Partnership Schools support entity	0.500	-	-	-	0.500
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126. The contingency includes \$0.500 million to allow for the purchase of services to support potential and existing sponsors of Partnership Schools, either through a dedicated Partnership Schools support entity or a contract with another organisation. This is likely to include support for sponsors setting up new schools, ongoing management and governance advice, and support and assistance with implementing systems for robust student assessment and performance reporting. It will be useful to contract these services in time to support any sponsors approved through Round Three.

127. I want to spread this \$0.500 million funding over more than one year to give sponsors the support they need over a sustained period to build capability and implement robust systems.

128. I am seeking your agreement to:

- spread the funding for the support entity across the 2015/16 and 2016/17 financial years
- draw the \$0.500 funding down for the support of potential and existing Partnership School sponsors.

129. When I inform Cabinet later this year of the schools that I am proposing to approve, I will request approval to draw down the appropriate amount from this contingency for the new schools.

Human rights

130. The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

131. There are no legislative implications in this paper and therefore a regulatory impact statement is not required.

Gender implications

132. There are no gender implications arising from this paper.

Disability perspective

133. There are no disability implications arising from this paper. As children with special needs are identified as priority learners, the target group for Partnership Schools, the Office for Disability Issues has been consulted.

Publicity

134. Following Cabinet agreement, the implications of this paper will be announced as part of the communications related to the next round of Partnership Schools applications.
135. I intend to release this paper and the associated advice, subject to any deletions that would be justified if the information had been requested under the Official Information Act 1982.

Recommendations

The Minister of Education recommends that the Committee:

1. **note** that Partnership Schools are focused on improving educational outcomes for those groups of students whom the system has not served well and have contributed to the Government's social investment framework

Partnership Schools monitoring and evaluation

2. **note** that early indications suggest that overall the schools are making good progress in terms of student progress and achievement, and innovative operation
3. **note** that the Ministry and Authorisation Board are seeking a stronger emphasis and a more prescriptive requirement for schools to establish robust baseline data and to measure student achievement progress
4. **note** that the Parliamentary Under-Secretary to the Minister of Education (the Under-Secretary) has indicated that he would like the independent evaluation of Partnership Schools to have a stronger focus on quantitative analysis of student achievement and school performance, and that I will continue to work with the Under-Secretary to develop the application to Partnership Schools of existing tools that do this

Partnership Schools funding model

5. **note** that Cabinet agreed to the components of a funding model for Partnership Schools that gave them broadly the same amount of funding as an equivalent state school, fully cashed-up to maximise flexibility [CAB Min (13) 5/9 refers]

6. **note** that the current funding model has not incentivised roll growth or encouraged sponsors to partner with private or non-government partners in the way which the model originally envisaged
7. **note** that the Under-Secretary has recommended a new funding model that will share a greater proportion of the risks with the sponsors of Partnership Schools, and incentivise them to seek third-party funding

Establishment rate

8. **note** that the current funding model provides set-up grants based on estimated actual establishment costs for new schools in the state system, plus six months of property funding (based on a school's maximum roll) and six months' salary to employ a principal to set up the school
9. **agree** that a new funding model include an establishment rate comprising:
 - a fixed contribution to set-up costs of \$250,000 for primary schools and \$400,000 for secondary schools
 - six months of property funding, calculated on the new property per-student rate for the number of students expected to be enrolled in the school's first year of operation
 - six months of principal's salary
10. **note** that the proposed establishment rate would reduce the start-up costs of new schools, and increase sponsors' incentives to secure external funding

Property rate

11. **note** that the current funding model calculates property funding using Cash for Buildings, a methodology for cashed-up property funding that is equivalent to comparable state school property entitlements provided through an annual rate over 40 years
12. **agree** that the funding model continues to use Cash for Buildings to determine property funding for Partnership Schools, but that the amounts be converted to per-student rates to make property funding sensitive to actual student numbers
13. **note** that as a result of moving to per-student property funding:
 - in the early years when a school is building up its roll, it may have to move sites as the school grows or lease a larger space in anticipation of future growth
 - schools will need to have sufficient reserves to provide a financial buffer to cover the possibility of falling or fluctuating rolls

Teaching and operating rate

14. **note** that the current funding model provides for teaching and operating costs using a base grant and a per-student rate derived from the way state schools are funded
15. **agree** that the new funding model include two teaching and operating per-student rates: a higher rate for the first 50 primary and 100 secondary students, followed by lower marginal rates for each subsequent student (where each subsequent student over the threshold of 50 primary and 100 secondary attracts the lower rate)

16. **note** that the new rates will incentivise roll growth, and enable small schools to be viable while not over-funding larger schools

Professional development and resources rate

17. **note** that centrally-funded support is provided to Partnership Schools on a cashed-up basis and no changes to this approach are proposed at this time

Overall costs of the proposed funding model

18. **note** that under the proposed new funding model Partnership Schools funding will at times be less than that of a comparable state school as the schools build up towards their maximum rolls, but once the schools have reached their maximum roll, the schools will be receiving funding broadly equivalent to that of a similar state school
19. **note** that, under the proposed new funding model, it will be possible to fund two new Partnership Schools from within the agreed Budget contingency

Round three Partnership Schools applications process

20. **note** that in 2013 Cabinet noted that Round Three would commence, subject to Cabinet approval, with Partnership Schools opening in 2017 [SOC Min (13) 24/4 refers]
21. **agree** that I commence Round Three of the Request for Applications process for Partnership Schools in August 2015
22. **agree** that any sponsors approved in Round Three would open new Partnership Schools in 2017

Partnership Schools contracts

23. **note** that I propose to make a number of changes to the Partnership Schools contract to strengthen reporting, accountability and risk management

24.

Eligibility for new funding initiatives s 9(2)(h) OIA

25. **note** that decisions on whether a Partnership School is eligible to benefit from a new education initiative need to be made on a case by case basis
26. **agree** that, as a general rule, if an initiative is directly targeted to support priority learner group(s), I will consider Partnership Schools for inclusion while making sure that there is no double funding

Financial implications

27. **note** that Budget 2015 established a tagged contingency for third round of Partnership Schools applications

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

[REDACTED]					
Partnership Schools support entity	0.500	-	-	-	0.500
[REDACTED]					

29. **note** that it is advantageous to spread the funding for the support entity over more than one year to give sponsors the support they need over a sustained period to build capability and implement robust systems

s 9(2)(f)(iv) OIA					
Partnership Schools support entity	0.250	0.250	-	-	0.500
[REDACTED]					

31. **agree** that, once drawn down, the expenses incurred under recommendation 30 above, will be charged against the Partnership Schools Further Funding tagged contingency, established as part of Budget 2015
32. **note** that the tagged contingency for Partnership Schools support entity will be used to contract services in time to support any sponsors approved through Round Three and therefore needs to be drawn down now
33. **agree** to the drawdown of re-profiled funding from the Partnership Schools Further Funding tagged contingency, for the following change to appropriations and baselines, with a corresponding impact on the operating balance:

	\$ million – increase/(decrease)				
Vote Education Minister of Education	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears
Non-Departmental Output Expense:					
Provision of Information and Advisory Services	0.250	0.250	-	-	-

34. **agree** that the proposed changes to appropriations for 2015/16 above be included in the 2015/16 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply
35. **note** that, when I inform Cabinet later this year of the schools that I am proposing to approve under Round Three of the Partnership Schools applications, I will also appropriate their operating costs from this contingency

Publicity

36. **note** that following Cabinet agreement, the implications of this paper will be announced as part of the communications related to the next round of Partnership Schools applications
37. **note** that I intend to release this paper and the associated advice online, subject to any deletions that would be justified if the information had been requested under the Official Information Act 1982.



Hon Hekia Parata
Minister of Education

3 / 8 / 15

Appendix 1: Overview of current Partnership Schools

Name	Sponsor	Location	Type	Year Level	Focus	Max. Roll
The Rise UP Academy	The Rise UP Trust	Mangere East, South Auckland	Contributing Primary	1-6	Māori and Pasifika, Christian values	100
South Auckland Middle School	Villa Education Trust	Wattle Downs, South Auckland	Restricted Composite	7-10	Christian values	120
Vanguard Military School	Advance Training Centres Limited	Albany, Rosedale, Auckland	Senior Secondary	11-13	Military ethos and methodology	192
Te Kura Hourua O Whangārei Terenga Paraoa	He Puna Marama Charitable Trust	Whangārei	Secondary	7-13	Kaupapa Māori	300
Te Pumanawa o te Wairua	Ngā Parirau Mātauranga Charitable Trust	Whangaruru, Northland	Secondary	9-14	Kaupapa Māori	128
Pacific Advance Senior School	The Pacific Peoples Advancement Trust	Otahuhu, South Auckland	Senior Secondary	11-13	Pasifika	250
Te Kāpehu Whetū (Teina)	He Puna Marama Charitable Trust	Whangārei	Contributing Primary	1-6	Kaupapa Māori	150
Te Kura Māori o Waatea	Manukau Urban Māori Authority	Māngere, South Auckland	Full Primary	1-8	Kaupapa Māori/Steiner approach	200
Middle School West Auckland	Villa Education Trust	West Auckland	Restricted Composite	7-10	Christian values	240

Appendix 2: Detailed comparison of current and proposed funding model over four years

**Table 9: Costs over four years under the current model
for a primary school with a maximum roll of 175 students**

Funding component	Prior to opening	Year 1 roll 50	Year 2 roll 100	Year 3 roll 150	Year 4 roll 175	4 Year total
Establishment funding	466,339	-	-	-	-	-
Property	-	169,496	169,496	169,496	169,496	-
Base grant	-	147,531	147,531	147,531	147,531	-
Per student	-	236,250	472,500	708,750	826,875	-
Prof. dev. & resources	-	13,800	27,600	41,400	48,300	-
Totals	466,339	567,077	817,127	1,067,177	1,192,202	4,109,921

**Table 10: Costs over four years under the proposed model
for a primary school with a maximum roll of 175 students**

Funding component	Prior to opening	Year 1 roll 50	Year 2 roll 100	Year 3 roll 150	Year 4 roll 175	4 Year total
Establishment funding	339,811	-	-	-	-	-
Property	-	48,427	96,855	145,282	169,496	-
Teaching & operating rate	-	428,950	691,300	953,650	1,084,825	-
Prof. dev. & resources	-	13,800	27,600	41,400	48,300	-
Totals	339,811	491,177	815,755	1,140,332	1,302,621	4,089,696

**Table 11: Costs over four years under the current model
for a secondary school with a maximum roll of 300 students**

Funding component	Prior to opening	Year 1 roll 75	Year 2 roll 150	Year 3 roll 250	Year 4 roll 300	4 Year total
Establishment funding	1,267,557	-	-	-	-	-
Property	0	745,112	745,112	745,112	745,112	-
Base funding	0	1,008,511	1,008,511	1,008,511	1,008,511	-
Per student rate	0	406,425	812,850	1,354,750	1,625,700	-
Prof. dev. & resources	0	20,700	41,400	69,000	82,800	-
Totals	1,267,557	2,180,748	2,607,873	3,177,373	3,462,123	12,695,674

**Table 12: Costs over four years under the proposed model
for a secondary school with a maximum roll of 300 students**

Funding component	Prior to opening	Year 1 roll 75	Year 2 roll 150	Year 3 roll 250	Year 4 roll 300	4 Year total
Establishment funding	651,875	-	-	-	-	-
Property	0	186,278	372,556	620,927	745,112	-
Teaching & operating rate	0	943,875	1,610,800	2,315,400	2,667,700	-
Prof. dev. & resources	0	20,700	41,400	69,000	82,800	-
Totals	651,875	1,150,853	2,024,756	3,005,327	3,495,612	10,328,423

Appendix 3: Evaluation criteria and weightings

Evaluation Criteria for Partnership Schools applications		
Category	Information	Weight
Applicant Profile	General information about the applicant and its partners, describing the nature of business, commitments, and established quality and related systems.	Risk Assessment
Purpose and Goals	Describes the applicant's reasons for wanting to operate a school, and provides the distinctive purpose and the performance goals it plans to achieve.	15%
Education Plan	Details around how the school will be structured, the learning experience students will have there; and how the sponsor intends to evaluate the performance of both individual students and the school as a whole.	35%
Business Plan	Details of how the school will be managed, and how students will be recruited, accommodated, and funded.	17.5%
Operational Plan	Details covering the applicant's proposed student policies and procedures, personnel, and quality health and safety systems.	17.5%
Financial	Details of proposed 3-year budget and associated financial considerations.	15%
Agreement	Feedback from applicant in relation to the draft agreement provided with or soon after release of the Request for Application.	Nil