



Education Report: Te Kura: interim funding review

To:	Hon Chris Hipkins, Minister for Education		
Date:	16 December 2020	Priority:	Medium
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Messaging seen by Communications team:	N/A	Round robin:	No

Purpose of report

The purpose of this report is for you to:

- **note** the findings of an interim review of funding for Te Aho o Te Kura Pounamu (Te Kura)
- **agree** interim steps to address cost pressures and improve parity of funding between Te Kura and other state (and state integrated) schools, ahead of a wider review.

Summary

1. Te Kura has a unique funding model. Contrary to Cabinet's intent in 2006 when it was agreed, funding per student has declined compared to that of other schools.
2. This report presents the results of an interim review of Te Kura's funding that has sought to assess this gap and identify the cost pressures on the school. We propose several interim funding measures to address the cost pressures and avoid disadvantaging Te Kura's students compared to those at other schools.
3. As part of the reform of Tomorrow's Schools the Government has committed to considering the opportunities to promote a more cohesive national approach to supporting flexible learning. This will include reviewing Te Kura's role and funding. We do not recommend waiting for the review before taking steps to address Te Kura's cost pressures, as it could take two to four years to complete.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** that we have undertaken an interim review of Te Kura's funding to respond to immediate cost pressures while we consider longer term opportunities to promote a cohesive national approach to supporting flexible learning

Noted

- b. **note** that since Te Kura's funding model was implemented in 2007 the ratio of its funding per student to other secondary schools' has fallen, leading to a \$2.6 million 'funding gap' in 2019

Noted

- c. **note** that Te Kura faces cost pressures due to an increasing proportion of its ākonga being at risk of disengaging, or disengaged, from schooling

Noted

- d. **note** that although Te Kura has a high level of disadvantage it is excluded from the donations scheme as it does not have an assigned decile, costing Te Kura an expected \$787,000 in 2021

Noted

- e. **agree** to seek \$2.000m per annum in Budget 2021 as a step towards closing the funding gap and addressing the school's cost pressures

Agree Disagree

- f. **agree** to seek Cabinet approval to make Te Kura eligible for the donations scheme from 2021 (the cost to be met within existing funding)

Agree Disagree

- g. 9(2)(f)(iv) [REDACTED]

Noted


Proactive Release Recommendation

- h. **agree** that this Education Report will **not** be proactively released at this time because decisions on this work are Budget sensitive.

Agree Disagree


John Brooker
Group Manager
Education System Policy

16/12/2020


Hon Chris Hipkins
Minister of Education

24/12/20

Background

1. In September 2019 we reported on Te Kura's concerns that its funding had not kept pace with other schools' or with the changing profile of their student population (METIS 1205000 refers). A preliminary comparison supported the claim of a decline in relative funding.
2. You agreed the Ministry should review the school's funding to reflect ongoing work to redesign alternative education and consider the opportunities to make schooling more flexible through blended and distance learning. You also agreed that, as a first step, Te Kura be included in work to replace deciles.
3. In January 2020 you agreed that the review should consider better enabling and supporting Te Kura and the Virtual Learning Networks to provide distance education (METIS 1213239 refers).
4. Our COVID-19 response has delayed progress. Equitable digital access for students in the context of their family and whānau was prioritised, and we chose not to engage with schools regarding the long-term direction for distance and blended learning so they could focus on COVID-19 response and recovery.
5. Te Kura raised concerns in mid-2020 about the lack of progress. The likely timeframe for the wider review is two to four years, leaving it unclear when any resulting funding decisions will take effect. The Secretary of Education therefore agreed to an interim funding review focusing on the question of immediate cost pressures on Te Kura.

Principles

6. Te Kura provides a free education for many students who have few or no other options. Fairness to its students and the need for a well-educated population favour a similar quality of education for students with similar needs, likely requiring a somewhat similar investment per student. However, Te Kura's unique operating model and roles mean it should not necessarily receive the same per student funding as other schools.
7. Any comparison between Te Kura's funding and that of other schools will be 'imperfect'. There are both savings and challenges in delivering remotely. Te Kura has economies of scale and modest property costs but less direct contact with individual students. Funded students and early childhood learners enrol through approved 'gateways' (criteria sets) rather than just enrol at the nearest school. Many are adults. Funding is based on equivalent fulltime students (EFTS), not roll returns.
8. A comprehensive review would define the services Te Kura should provide and find a balance between their cost and quality. However, this would take some time and resources to complete. For this interim review we have compared the changes to Te Kura's funding with the changes to other schools' funding since the last major review. This practical approach is consistent with Cabinet's 2006 decision that changes in Te Kura's funding should be "benchmarked" to changes in other schools' funding.

Findings

Te Kura's funding per pupil grew less than other schools' funding from 2007 to 2019

9. Te Kura's funding per pupil has grown less than other schools' since 2007. To return it to the same proportion of other schools' per student funding in 2019 would have required over \$2.6 million. Some notable contributors to the gap were:

- a. the large initial “base” proportion of Te Kura’s funding (40%), diluted by the unexpected growth in EFTS in the late 2000s (if the base had been set at 25% as the Ministry had proposed, 2019 funding have been around \$435,000 higher)
 - b. Te Kura received less of the ICT funding introduced in 2009 than the average school
 - c. Te Kura did not receive a share of the 2013 increase in relief teacher funding (inflating the resulting 2013 gap to 2019 gives a figure of around \$715,000)
 - d. Heat, light and water funding for other schools grew significantly more than Te Kura’s base funding (if the increase had applied to Te Kura it would have received around \$134,000 more in 2019).
10. We suspect the 40% base cost used for the 2007 funding model was higher than Te Kura’s true fixed costs (the Ministry had proposed 25%).

A shift from lower cost to higher cost delivery

11. As well as the increased difference between Te Kura’s funding and the funding for other secondary schools, Te Kura faces a number of cost pressures in the form of changes to the distribution of its students, with a move from lower-cost to higher-cost delivery, and recognition of the need to improve Te Kura’s educational outcomes. These include:
- a. A shift from early childhood and primary schooling to secondary schooling delivery, especially senior secondary schooling. This partly reflects the national increase in students staying at secondary school to complete NCEA, but other schools have higher staffing entitlements in senior secondary schooling while Te Kura’s funding ignores the Year of each student.
 - b. Significant growth in delivery to students who enter through gateways associated with weaker engagement and higher risk – especially young adults (students aged 16 to 19 not enrolled at another school), who made up less than 10% of EFTS before 2009 and 26% in 2019.
12. Te Kura is currently seeing an increase in students referred by the Ministry, often due to challenges with engagement. Those who do not engage sufficiently do not generate funding for the school – a matter that warrants further consideration in the wider review.

Donations scheme

13. A further funding gap was created in 2020 with the introduction of the donations scheme, worth \$150 per student on the school roll. To be eligible for the scheme a school must be in deciles 1 to 7, but Te Kura does not have an assigned decile. Based on its equity index value, Te Kura would be a decile 3 school. Te Kura decided in 2015 that (like many low decile schools that have opted into the scheme) it would stop asking parents for donations as many families could not afford them.
14. Like some other schools, Te Kura will become eligible for the donations scheme if and when eligibility shifts from deciles to the equity index. However, this will not occur before 2022 at the earliest. We recommend taking this opportunity to begin addressing Te Kura’s cost pressures in 2021.
15. Any funding for Te Kura from the donations scheme should be determined by the number of its school-aged students (measured in EFTS) who are not dual enrolled. In

2021 this would amount to around \$787,000, which can be comfortably met within the scheme's current funding.

Next steps: an interim funding response

16. Our proposed interim funding response has three elements: a Budget bid focused on reducing the funding gap that emerged between 2007 and 2019; opening the donations scheme to Te Kura to address the additional funding gap resulting from its exclusion from the scheme; 9(2)(f)(iv)

Te Kura Budget bid

17. We are preparing a 2021 Budget bid for \$7.000m (\$2.000m per calendar year) over four years from 2022 as an interim step towards closing Te Kura's 'funding gap' and addressing its cost pressures. We recommend you support this bid to improve Te Kura's ability to deliver effective schooling to all of its ākonga. This is less than the \$2.6m gap identified in the interim review and we consider it to be a minimum viable bid.
18. This funding would commence in the 2022 school year. If the bid is approved we propose further engagement with Te Kura before we seek your decision on how it should be allocated (possibly a 25/75 split between base and per EFTS funding).

Donations scheme

19. You are due to report back to Cabinet on the scheme by March 2021. We propose taking this opportunity to recommend amending the eligibility criteria for the donations scheme to include Te Kura. The 2021 funding (adjusted for the number of months remaining in the year) could be provided as a lump sum within a few weeks of Cabinet's approval and Te Kura's formal confirmation that it has opted into the scheme.

9(2)(f)(iv)

Wider review of distance education and flexible learning

21. Insights from the interim review will inform the wider review of distance education and flexible learning.

Appendices

Appendix 1: How the interim review was conducted

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Identifying the funding gap

1. We worked with Te Kura to identify a suitable approach to comparing the school's funding with that of other schools, and to identify the key cost pressures the school is facing. We agreed to focus on changes to relative funding since 2007, when the school's funding model was first implemented.
2. The last year of complete funding data is 2019, so this was the end-point of our comparisons of per student funding. Since over 80% of Te Kura's delivery is at secondary level, we compared it with a published time-series of staffing and operational funding for state and state integrated secondary schools. Capital funding for property is excluded from this time series, which we considered appropriate since property is a much smaller proportion of Te Kura's costs.
3. With Te Kura's assistance we constructed a time-series of Te Kura's funding that was broadly comparable with this published data. This required excluding some of Te Kura's minor, special purpose funding streams. We looked at funding for each year after adjustments for collective agreements and final, audited EFTS. Having calculated the overall funding gap we sought to identify how it came about and the extent to which it fairly reflected the unique characteristics of the school.
4. We also considered the newest major component of the operating grant, the donations scheme, implemented this year.

Identifying cost pressures

5. All schools are expected to offer an equitable and excellent education, and if a school is under-funded relative to others this becomes more financially challenging. In addition, we analysed the changing profile of Te Kura's students to identify other likely cost pressures.

Developing the proposed interim funding response

6. We asked Te Kura for its views on the appropriate funding response to the identified cost pressures, while noting the pressures that the government is under generally.