



## Briefing Note: Meeting with Independent Schools New Zealand

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	13 May 2022	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1287398
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### Purpose of Report

The purpose of this paper is to support your meeting with the Executive Director and Board Chair of Independent Schools New Zealand (ISNZ).

### Proactive Release


- a **agree** that the Ministry of Education release this briefing in full once it has been considered by you.

☒ **Agree** / ☐ **Disagree**



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13/05/2022



Hon Chris Hipkins  
Minister of Education

18/5/2022

## Background

1. You regularly meet with ISNZ as they represent the interests of independent schools throughout New Zealand. You are meeting with ISNZ on May 18, 2022. There are currently 89 fully or provisionally registered independent/private schools in New Zealand.
2. Deborah James was first appointed to the position of Executive Director of ISNZ in February 2008 and was in the role until July 2015. She took up the position again in early 2017.
3. Richard Francis is the Board Chair of ISNZ. He is also the Chair of the Board of Trustees of Chilton Saint James School in Lower Hutt.
4. In 2021 you met with ISNZ and discussed a range of issues including the impacts of COVID-19 on the independent school sector, and ISNZ's desire to revisit the current Government subsidy for independent schools. You have also been invited to speak at the ISNZ conference in August 2022.

## ISNZ consider the Government subsidy for independent schools is inequitable

5. ISNZ, in their letter proposing an agenda for your meeting, advise that they consider the current subsidy is
  - inadequate, unfair, and not transparent, due to limited increases over time
  - contributing to concerns about financial viability of the independent school sector
  - beneficial to Government due to the potential cost of integrating independent schools that might otherwise close, or enrolling former independent school students at state schools.

### *Adequacy of the current Government subsidy for independent schools*

6. The Government subsidy for independent schools is a fixed funding pool of \$41.6m (GST exclusive) per year. It has not been adjusted since 2010, and real value has decreased over time due to inflation.
7. ISNZ has raised this concern over several years. In 2020 the former Associate Minister of Education, Minister Salesa, wrote to ISNZ to advise that the Government was not considering changes to the fixed funding pool for independent schools. The rates for 2022 are shown below:

*Table one: independent school per-student subsidy rates*

YEAR LEVEL	2022 FUNDING RATE GST EXCLUSIVE	2022 FUNDING RATE GST INCLUSIVE
Year 1 - 6	\$912.21	\$1,049.04
Year 7 - 8	\$998.92	\$1,148.76

YEAR LEVEL	2022 FUNDING RATE GST EXCLUSIVE	2022 FUNDING RATE GST INCLUSIVE
Year 9 - 10	\$1,278.39	\$1,470.15
Year 11 - 15	\$1,941.57	\$2,232.80

8. The subsidy is recalculated each year based on the total demand estimated for the independent school sector and reflects the differing cost of delivering the curriculum in each cluster of year levels.
9. While the overall funding pool has not changed in several years, independent schools have greater flexibility in how they respond to both changes in enrolment patterns, as well as cost pressures than state schools. For example, independent schools are able to alter their cost structures and/or increase fees they charge parents and whānau. In this context, adequacy is challenging to assess. The Ministry is not aware of widespread reductions in the breadth of curriculum or services and supports that independent schools offer to their students.
10. The Government subsidy for independent schools provides some certainty of income based on roll projections, and is issued alongside funding notices for state and state-integrated schools, generally in September prior to the next school year.

*ISNZ has concerns about the viability of the independent school sector*

11. You may wish to discuss with ISNZ the enrolment patterns they are seeing in their member schools. Recent data suggests that enrolments are stable and slightly growing in the overall independent school sector, though individual schools may be experiencing different trends.

*Table Two: Independent School enrolments, 2019 – 2022*

Year (March Roll Return)	Independent School enrolments
2019	30,648
2020	31,270
2021	31,598
2022	31,948

12. As noted above, independent schools have greater flexibility than state and state-integrated schools in responding to changes in enrolment or cost pressures. While we do not observe trends of decreases overall in the independent school sector, if decreases are occurring at individual schools it may be that parents and whānau are accessing alternative independent schools, state-integrated schools, state schools, home schooling or, if eligible, distance education via Te Kura.
13. As there does not appear to be widespread evidence of decreasing student enrolments in independent schools, we do not consider that overall independent school viability is a greater concern currently than in recent years.

*Independent schools play an important role in the schooling system in New Zealand*

14. Independent schools play a valuable role in providing choice to whānau and ākonga, including in their ability to operate with a special character or ethos, alternative curriculum delivery methods, and flexibility in staffing settings.

15. ISNZ note in their letter that integrating independent schools at risk of closure would pose a significant cost to the Government. ISNZ cite the example of Whanganui Collegiate in recent years. Integrating an independent school is a decision at the discretion of the Minister of Education, as per Schedule 6 of the Education and Training Act 2020.
16. Were there to be widespread or significant localised closures of independent schools, the state and state-integrated system would need to absorb those students. This could be challenging in some parts of the network.
17. ISNZ consider that the role of independent schools in complementing the state and state-integrated schooling system provides a rationale for an increase to the Government subsidy. In particular, ISNZ propose an increase in the existing subsidy which is linked to, and automatically occurs based on, a measure of average per-student Government funding for state and state-integrated schools.
18. While such a measure would be technically possible, there are some challenges:
  - State and state-integrated school resourcing is regularly adjusted by a range of Government initiatives, including investment in property, new “in-kind” services (for example, the introduction of Learning Support Coordinators or Ka Ora Ka Ako | Free and Healthy School Lunches), and operational resourcing (e.g. the donations scheme). These are in addition to regular ‘cost adjustments’ that occur through the Budget process.
    - This means that an automatic or linked indexation of funding as proposed by ISNZ would still be subject to decisions about determining the benchmark of ‘per-student’ funding when any changes are made in resourcing for state schools. There could be room for different interpretations, which could negate the benefits of an ‘automatic’ process.
  - The Government has an ambitious Education Work Programme with a wide range of priorities. In general, these relate to investment in the state and state-integrated network, including prioritising barrier-free access to education, and quality teaching and leadership.
    - It is unclear how increasing investment in the Government subsidy for independent schools would contribute to these aims, particularly given the limited levers for Government to influence, monitor, or evaluate independent schools’ use of the Government subsidy.

*ISNZ have raised similar concerns in the past*

19. When you previously met with ISNZ in 2021, you agreed to consider whether increases to the Government subsidy could be achieved, potentially through the Equity Index Budget bid, which was then in the early stages of development.
20. When we explored this, it quickly became apparent that increasing the Government subsidy to independent schools would reduce the amount of equity funding available for those state and state-integrated schools with learners facing the greatest socio-economic barriers to achievement. In addition, to prioritise development of the model for state and state-integrated schools, the model does not include the ability to extract an Equity Index for independent schools.
21. Given the significant trade-offs and scaling required both across Government and within Vote Education in recent Budget decisions, increases to the Government

subsidy for independent schools was not a priority. This was discussed with your office early in the development of the Budget package.

22. Should you wish to seek additional funding through Budget 23 for independent schools, this would continue to require prioritisation against other investment decisions. ISNZ are unlikely to be satisfied by this explanation of trade-offs, as it could apply in any given year.
23. An alternative approach could be to work with ISNZ on the allocation method of the current fixed funding pool. For example, if ISNZ are concerned about viability of some schools, a revised formula could consider:
  - a base rate per school
  - higher per-student rates for smaller schools
  - a targeted subsidy towards isolated schools
  - adjusting the current year-level weightings
  - a combination of the above
24. It is unlikely ISNZ would consider that amendments within the current fixed funding pool could address their overall concerns. However, we are able to work with them on some options for your consideration, if you consider this a priority.
25. In addition, ISNZ do not represent all independent schools; we would need to undertake wider consultation across the independent school sector. There is a risk this could raise expectations of a funding increase, even in the context of a review of current allocation methods.