



## Education Report: Budget 2020– implementing the Equity Index in schooling and early learning, and other initiatives to support learners facing additional barriers

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	4 June 2020	<b>Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1223257
<b>Drafter:</b>	Jordan Naama	<b>DDI:</b>	04 463 1597
<b>Key Contact:</b>	Alanna Sullivan-Vaughan	<b>DDI:</b>	b(2)(a) [REDACTED]
<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

This paper seeks your feedback on the proposed funding system initiatives for possible submission as part of Budget 2020 Wave 3. These initiatives aim to improve equitable resourcing for schools Out of Scope [REDACTED]

### Summary

1. Some schools and early learning services already face significant barriers to education, such as socio-economic barriers, geographic isolation as well as providing the necessary resource to support learners, particularly those who require additional support. COVID-19 will likely exacerbate some of these challenges for schools and early learning services over the medium and long term. Strengthening the level of support for schools and early learning services helps to lift student achievement and support learners to reach their full potential.
  
2. We understand you intend to submit a bid for Budget 2020 Wave 3 to provide further support to schools and early learning services facing additional barriers, particularly in response to the impact of COVID-19. The Ministry has been working on a range of initiatives aimed at mitigating the impact of these challenges which can be used to inform a Budget bid for Wave 3. These initiatives include:
  - a. implementing the Equity Index for schools (from 2021);  
Out of Scope [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]
  
3. This report discusses each of these initiatives in detail for you to consider. Any one initiative or combination of initiatives can be included in Budget 2020 Wave 3. We will develop the bid based on your preferred initiative option(s).

## Recommended Actions

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The Ministry of Education recommends you:

- a. **agree** to include funding to implement the Equity Index for schools from the 2021 school year in a bid for Budget 2020 Wave 3

Agree / Disagree

b.

s 9(2)(f)(iv)

c.

Out of Scope

d.

Out of Scope

e.

s 9(2)(f)(iv)

f.

Out of Scope

g.

Out of Scope

- h. **not release** the report at this time as decisions are yet to be finalised and this report contains Budget sensitive information

**Release / Not release**



Andrea Schöllmann  
**Deputy Secretary**  
**Education System Policy**

05/06/2020

Hon Chris Hipkins  
**Minister of Education**

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Released under the Official Information Act 1982

## The impact of COVID-19 on learners and communities facing additional barriers

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1. Many schools and early learning services face significant barriers to education, particularly those facing greater socio-economic barriers and geographic isolation. In addition to these barriers, COVID-19 now presents new and complex challenges. COVID-19 has had a significant impact on the education system and on learners' participation in early learning and schooling.
2. We know schools are facing a range of challenges and pressures including:
  - financial uncertainty, for early learning services who are unsure about long-term impact on attendance, and for schools who may no longer be able to generate additional income from locally-raised funds
  - meeting public health guidelines to protect learner and staff health and wellbeing
  - responding to the educational disruption caused by COVID-19 and continuing to engage with learners via distance learning, and
  - re-engaging learners post-lockdown, as well as providing broader pastoral care services to learners and their whānau.
3. These are only some of the new challenges learners, early learning services and schools are facing due to COVID-19. The complexity of these challenges are compounded by the broader economic impact of COVID-19 on whānau and communities.

### *COVID-19 is increasing the financial stress on communities particularly low socio-economic communities*

4. COVID-19 is increasing the financial stress experienced by communities. A recent report by the Commission for Financial Capability on the impact of COVID-19 on financial wellbeing<sup>1</sup>, found that prior to the COVID-19 pandemic approximately 34 percent of households were in financial difficulty. This group was the most affected by job and income losses: 51 percent of these households reported a drop in income or loss of income; for 23 percent this drop was substantial (more than one third). 24 percent had applied to Work and Income for support since the crisis started, and a further 23 percent planned to apply in the near future.
5. This is compounded for low socio-economic communities. A recent OECD report<sup>2</sup>, found that poorer families are less financially resilient and are more exposed to job and earnings losses.

### *The educational impact of COVID-19 on communities facing greater socio-economic barriers*

6. Learners that face greater socio-economic barriers are more vulnerable to experiencing learning losses due to educational disruptions, such as school and early learning closures. This can be attributed to disadvantaged families being more likely to lack the resources to support their children's learning while at home<sup>3</sup>.
7. The "digital divide" following the impact of COVID-19 also highlighted existing equity challenges for communities who require additional support in accessing resources for remote learning. We have heard from the sector that more work needs to be done to

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<sup>1</sup> Commission for Financial Capability. (2020). *Impact of COVID-19 on Financial Wellbeing*.

<sup>2</sup> Organisation for Economic Co-operation and Development. (2020). *Combatting COVID-19's effect on children*.

<sup>3</sup> Organisation for Economic Co-operation and Development. (2017). *Educational Opportunity for All: Overcoming Inequality throughout the Life Course*.

promote equity, in response to remote learning but also in the education system more broadly<sup>4</sup>.

8. Parents who have lower levels of educational attainment, limited capability with technology and/or no access to technology faced challenges facilitating learning during COVID-19. For disadvantaged children already at risk of disengagement, learning losses may be substantial and could extend beyond the period of learning at home<sup>5</sup>.

### Budget 2020 – Wave 3

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9. We understand you intend to submit a bid for Budget 2020 Wave 3 to provide further support to schools and learners facing additional barriers, particularly in response to the impact of COVID-19.
10. We are proposing four possible initiatives for your consideration. The package will have an impact for schools and early learning services by improving funding overall and better targeting this funding to support improved and more equitable outcomes for children and young people. These initiatives are:

- a. **Implementing the Equity Index for schools from 2021**

s 9(2)(f)(iv)

- b.

Out of Scope

- c.

- d.

11. The initiative options provided above seek to address both existing barriers to education, while also mitigating against the medium and long term impacts of COVID-19.
12. The following sections provide more detail on each initiative in the proposed package, including funding and implementation options, and timeframes.

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<sup>4</sup> Education Gazette. (2020). *Bridging the digital divide*. Retrieved from <https://gazette.education.govt.nz/articles/bridging-the-digital-divide/>

<sup>5</sup> Brown, N., Te Riele, K., Shelley, B. & Woodroffe, J. (2020). *Learning at home during COVID-19: Effects on vulnerable young Australians. Independent Rapid Response Report*. Hobart: University of Tasmania.

## Initiative 1: Implementing the Equity Index for schools

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### *Background*

13. The decile system is misdiagnosing disadvantage. We currently use the decile system to estimate a school community's socio-economic profile. While it provides helpful insight into learners' socio-economic background, it is a blunt tool with several limitations. For example, deciles do not reflect the circumstances of individual students attending the school; deciles can only be updated after each census; and deciles do not reflect the wide range of income levels within schools, and more.
14. In September 2019, Cabinet agreed in principle to replace the decile system with the Equity Index to better direct resources to schools facing greater socio-economic challenges than the existing decile-based system. The Equity Index looks at the full combination of a child's circumstances, providing more refined information about the distribution and impact of socio-economic disadvantage on school communities. The Equity Index presents an opportunity to:
  - better identify socio-economic disadvantage, ensuring resourcing is targeted more accurately to schools needing greater support, and
  - ensure there are sufficient resources available to schools to mitigate the impact of socio-economic disadvantage.
15. Work on this initiative has made significant progress. The Equity Index model is close to being finalised, with only minor technical refinements still to be made. This has allowed us to undertake detailed modelling regarding the financial implications for schools, as well as a range of costing scenarios.
16. The Index's development has also been informed by strong engagement with the Equity Index Sector Reference Group<sup>6</sup>. The Group has been integral in providing feedback and advice on policy options; identifying potential risks, issues, or alternatives for implementation; as well as supporting wider engagement with the sector.
17. We also undertook broader sector engagement in late 2019 which aimed to inform sector representatives of the proposed change, while also gathering feedback and insights on the practical application of the Index. We held 21 engagement sessions with school leaders and peak bodies across the country. We also held 12 additional sessions with Ministry regional offices.

### **Implementing the Equity Index in schools in 2021**

18. In response to existing equity challenges as well as the impact of COVID-19 for disadvantaged communities, your office has requested information regarding implementing the Equity Index in the 2021 school year to mitigate socio-economic barriers for schools and communities.
19. We are unable to fully replace school deciles with the Equity Index in 2021, as more time is required to make the necessary IT system changes. However, in order to provide a timely response to COVID-19 and ensure schools facing greater socio-economic barriers are supported, implementing the Equity Index in the 2021 school year will need to be done making a manual payment to schools that are eligible for additional funding according to the Equity Index. We also recommend providing additional funding to ensure no schools lose operational grant funding in the first year.

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<sup>6</sup>The Equity Index Sector Reference is made up of 30 principals representing a range of school types, regions and socio-economic profiles.

20. We expect the necessary IT changes will be in place to fully replace school deciles with the Equity Index by the 2022 school year. However, a manual payment option is still possible if these IT changes are not in place by the 2022 school year.
21. There are some risks associated with this manual payment approach. Most significantly, there would be a risk of manual payment errors as the calculation process would have to occur outside of existing payment systems. This would require stringent quality assurance and review in order to mitigate this risk. Note though that these manual payments would only increase funding into schools, so any error would not result in schools losing funding as current funding levels will be automatically maintained.
22. The Ministry is currently paying out multiple manual payments for various reasons (e.g. top up payments for support staff wage increases). Adding another manual payment for the Equity Index increases the risk of confusion for the sector regarding the range of payments being made manually. This also reinforces the need for stringent quality assurance of manual payments, to ensure no crossover occurs between payments.
23. While implementing in 2021 ensures schools that require additional equity funding support receive this as soon as possible, there are also some additional considerations with this timing.
- a. Shifting implementation forward to the 2021 school year increases transition costs in the first year.
  - b. While the shift could be announced immediately following Budget decisions, earlier implementation in 2021 also means we will not have significant time to continue engaging with schools regarding the shift to the Equity Index. This will require clear communications with schools to manage, particularly around distributional impacts which will become clear even with no schools losing funding in the first year.
  - c. Individual transition plans will be needed for other services and schemes currently allocated by deciles. While for many services this transition will be straightforward and has occurred previously with decile recalculations, there will likely be a period of time where the Equity Index is in use but some other services are still targeted by decile.

24.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

**s 9(2)(f)(iv)**

**s 9(2)(f)(iv)**

Engagement costs	0.000	0.191	0.000	0.000	0.000	0.191
Monitoring and evaluation - People and capabilities	0.000	0.513	0.513	0.513	0.513	2.052

**s 9(2)(f)(iv)**

29. **s 9(2)(f)(iv)**

*Transition funding*

30. Transition costs arise when schools have a lower level of disadvantage than their decile suggests. These schools may lose funding when we shift to the Equity Index. Transition funding ensures schools do not face radical decreases to their budgets following the shift to the Index.

31. Transition costs are dependent on the total quantum of funding and how funding is distributed to schools. **s 9(2)(f)(iv)**

**s 9(2)(f)(iv)**

**s 9(2)(f)(iv)**

**s 9(2)(f)(iv)**

s 9(2)(f)(iv)

*Additional departmental costs to support implementation*

35. Moving from deciles to the Equity Index is a huge organisational shift that requires a significant amount of departmental resourcing to achieve successfully. Deciles are embedded across numerous Ministry systems and reports. They are also used widely by the sector, the Ministry and the wider public, so will require a large cultural shift to move away from.

s 9(2)(f)(iv)

38. Costs for further sector engagement and monitoring and evaluation of equity funding is also included, as shown in *Table 1*.

# Out of Scope

## Next steps

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75. We recommend that all initiatives discussed in this paper be included in a bid for Budget 2020 Wave 3.
76. We will develop a Budget bid based on your preferences outlined in this report.

## Annexes

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Annex 1: Scaled options for equity funding.

Annex 2: Departmental cost breakdown for implementing the Equity Index for both schooling and ECE.

## Annex 1: Scaled options for equity funding

The tables below provide scaled options for implementation of the Equity Index for **Out of Scope** schools **Out of Scope**. As noted, scaling the ongoing increase to a lower amount increases transition costs.

**s 9(2)(f)(iv)**

Engagement costs	0.000	0.191	0.000	0.000	0.000	0.191
Monitoring and evaluation	0.000	0.513	0.513	0.513	0.513	2.052

**s 9(2)(f)(iv)**

**Out of Scope**

Information Act 1982

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**s 9(2)(f)(iv)**

