



Education Report: Further advice on funding for schools in lieu of requests for parental donations

To:	Hon Chris Hipkins, Minister of Education		
Date:	4 April 2019	Priority:	High
Security Level:	Budget sensitive	METIS No:	1181588
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Messaging seen by Communications team:	No		

Purpose of report

The purpose of this paper is for you to:

- **note** that targeting eligibility for the donations scheme by deciles may require consideration of transitional arrangements given the plans to phase out school deciles in future
- **agree** to an approach for legislative change to enable enforcement of the donations scheme conditions.

This report follows on from the advice we provided in November 2018 on the Government's commitment to providing schools with additional funding if they agree not to ask for parental donations [METIS 1163756 refers].

Summary

1. You have identified the commitment to provide schools with additional funding if they agree not to ask for parental donations as a priority for Budget 2019.
2. We understand that you have decided to target eligibility for the donations scheme to decile 1-7 schools only. This means there is a need to consider the impact of plans to phase out school deciles on the design of the donations scheme.
3. Legislative changes are necessary to enable the recovery of funds from schools found not to be complying with the rules of the donations scheme. A simple amendment to enable recovery of funds can be included in the Education and Training Bill.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** that targeting eligibility for the donations scheme to decile 1-7 schools only may require consideration of transitional arrangements given plans to phase out school deciles in future

Noted

- b. **note** that we will provide advice later in 2019 on options for managing the impact of the planned transition away from deciles on the donations scheme

Noted

- c. **agree** to include a provision in the Education and Training Bill in 2019 to enable recovery of funds from schools that opt in to the donations scheme but are found to be in breach of the conditions of the scheme

But as a stand-alone Bill.

Agree / Disagree

- d. **agree** that where boards of trustees are found to be in breach of the scheme guidelines, they will be ineligible for the scheme for one full school year in addition to the remainder of the school year in which the breach occurred

Agree / Disagree

Proactive Release Recommendation

- e. **agree** that this Education report is not proactively released at this time because it is Budget sensitive.

Agree / Disagree



Dr Andrea Schöllmann
Deputy Secretary
Education System Policy

1/1/



Hon Chris Hipkins
Minister of Education

2/5/19

Background

1. This report follows on from the advice we provided in November 2018 on the Government's commitment to providing schools with additional funding if they agree not to ask parents for donations [METIS 1163756 refers].

Targeting eligibility for the donations scheme by decile

2. We understand that you have decided to target eligibility for the donations scheme to decile 1-7 schools only. The costs of this approach are set out below:

Cost of targeting eligibility for donations scheme to decile 1-7 schools only (\$ millions)

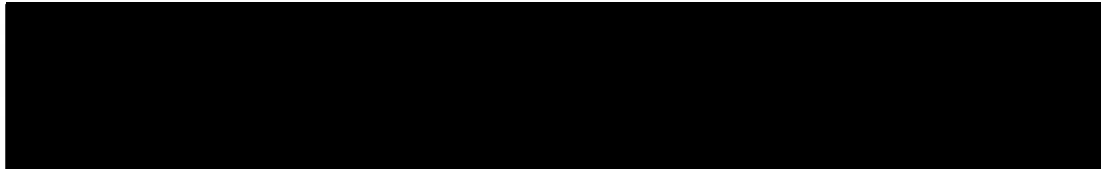
	2019-2020	2020-2021	2021-2022	2022-2023	4 yr total
Cost of all decile 1-7 schools opting in to the donations policy	37.068	74.411	74.837	75.177	261.493
Departmental costs of enforcement	1.020	1.020	1.020	1.020	4.080
TOTAL COST (\$m)	38.088	75.431	75.857	76.197	265.573

The key assumption made for these estimates is that the proportion of students enrolled in schools in each decile group remains constant. We have applied these proportions (taken from 2018 enrolments) to roll projections for future years.

3. School deciles are already well known as a targeting mechanism to schools and the general public. One disadvantage of using school deciles is that it draws attention to them at the same time as we are planning to replace deciles with the Equity index as a mechanism for targeting a broad range of supports to schools [METIS 1172683 refers]. Targeting the scheme on the basis of decile may be difficult to justify as the imminent shift to the Equity index makes it necessary to soon communicate to schools that their decile is not necessarily an accurate indicator of the socio-economic background of the families whose children attend the school.

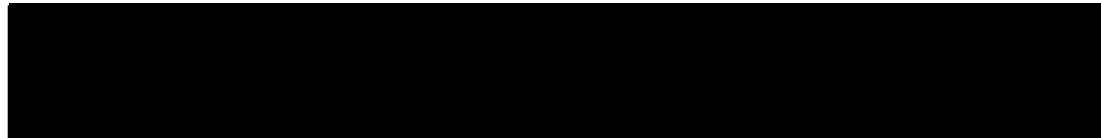
If the scheme is to remain targeted, there will need to be a transition away from deciles

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would be difficult to manage as we know that many schools have a significantly different level of disadvantage than what their decile would suggest.

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6. If you prefer to phase in the donations scheme, one option is to target eligibility using deciles in the initial years of the scheme and then consider moving to universal eligibility in later years. This may avoid the need for potentially complicated transitional arrangements if the scheme were to shift from deciles to targeting [REDACTED]. Changing the eligibility rules in the early years of the scheme so that it remains targeted is also likely to be disruptive for some schools and families. This means that any transition to a different targeting mechanism may require grandparenting arrangements.

7. If you prefer that the scheme remain targeted, we will be able to estimate potential costs of transition later in 2019, as we can determine transitional arrangements that take into account the timing of [REDACTED]

Legislative change to support the donations scheme

8. You indicated that your preferred option for the donations scheme policy design is to recover funds from schools that do not comply with the conditions of the scheme [METIS 1163756 refers]. Legislative changes are recommended to authorise recovery of funds as a consequence of breaching the conditions of the donations policy.
9. The Education Act 1989 does not explicitly authorise recovery of funds that are paid to schools subject to particular conditions. Section 79(3) allows 'supplementary grants' to be paid to boards subject to the condition that this funding is used for the purposes set out in the grant. However, this requirement that the funding be used for the purpose of replacing parental donations is far less explicit compared to setting a *condition* that schools who opt in are banned from seeking parental donations.
10. We have outlined below the proposed change that would give the Ministry of Education the power to enable recovery of funds from schools where necessary.
11. We do not think it is worth amending the primary legislation to incorporate the conditions of opting in to the donations scheme as this limits flexibility to make future adjustments.

Overview of legislative change necessary to enable the recovery of funds from schools that breach the rules of the donations scheme

12. The Education and Training Bill is planned to repeal and replace the 1964 and 1989 Education Acts and the Industry Training and Apprenticeships Act 1992, with a new Education and Training Act. This new Act will consolidate and update the existing legislation and introduce changes to address the issues identified through the Education Work Programme and the various sector reviews.
13. Including a provision in this Bill is the quickest way to make the changes necessary to make recovery of funds possible in the 2020 school year (the first year of operation of the donations scheme). At this stage the proposed change will proceed to Cabinet in late June/early July.
14. This provision would make it clear that the funding paid to a school under the donations scheme could be recovered from that school if it was found to be acting in breach of the rules of the donations scheme. The risk of funding being recovered is a strong incentive for schools to ensure they understand and comply with the rules once they opt in.
15. The Ministry will develop the rules of the donations scheme, as well as detailed guidelines to ensure schools clearly understand the effect of opting in to the scheme on what payments they can and cannot ask parents to contribute.

Specifying the period of ineligibility for the scheme after a school breaches the scheme rules

16. You also agreed that any schools found to be in breach of the scheme rules will be ineligible to join the scheme in future years [METIS 1163756 refers].
17. Specifying the exact period of time that schools will be ineligible to re-join the scheme will make the consequences of breaching the scheme rules clear. We recommend that the time period is one full school year in addition to the remainder of the year in which a

breach of the scheme rules is discovered. This means that, for example, a school discovered to be in breach of the scheme rules in April 2020 would be removed from the scheme for the remainder of the 2020 school year and would remain ineligible for all of the 2021 school year. They would become eligible again to opt in for payments made in the 2022 school year.

18. One full year of ineligibility for the scheme as well as the recovery of any funds paid under the scheme should together be sufficient to deter breaches of the scheme rules.

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Annexes

Annex 1: Profiles of the decile 1-7 schools eligible to join the donations scheme

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	All decile 1-7 schools:
Number of eligible schools in total	1703
<i>Eligible schools by region</i>	
Auckland:	350
Bay of Plenty/Waiariki:	157
Canterbury/Chathams:	134
Hawke's Bay/Tarawhiti:	147
Nelson/Marlborough/West Coast:	93
Otago/Southland:	119
Tai Tokerau:	138
Taranaki/Whanganui/Manawatu:	179
Waikato:	220
Wellington:	166
<i>Eligible schools by type</i>	
Primary:	1311
Composite:	116
Secondary:	243
Special Schools:	33

Note these profiles are based on the number of schools in each category as of the 2018 school year.