REVIEW OF FUNDING SYSTEMS
UPDATE FOR JOINT FINANCE MINISTERS

PROBLEM DEFINITION: Current funding systems do not fully support educational achievement for all children.

ACHIEVEMENT AND PARTICIPATION LEVELS REMAIN A CHALLENGE
The achievement challenge remains significant. New Zealand has consistently had a big gap between our top performing students and those who are not doing so well. We perform poorly relative to other countries in mitigating the effect of socio-economic disadvantage on educational achievement. Studies also show we have a worrying decline in some key areas when New Zealand students are compared with their overseas counterparts. Some children and young people have risk factors which impact their educational achievement. Where children and young people have multiple risk factors these have a compounding impact on achievement.

CURRENT ECE AND SCHOOLING FUNDING SYSTEMS REFLECT CHANGES MADE OVER THE LAST 30 YEARS

EARLY CHILDHOOD EDUCATION FUNDING SYSTEM
Key elements of the ECE funding system were put in place as part of the Tomorrow’s Schools reforms and were designed to support individual self-governing schools. Reforms envisaged a fully cashed up model rather than staffing entitlement. At the time there were significant concerns that this was intended to undermine national pay awards, would be used to drive down costs of schooling, would drive more intensive competition between schools, and would allow employment of unregistered teachers. Layers have been added over time to:
- more systematically address identified needs (eg. Targeted Funding for Educational Achievement (TFEA) and Targeted Funding for Isolation)
- respond to changing expectations of schooling (eg. Māori language provision; Secondary Tertiary Alignment Resourcing; Secondary Tertiary Partnership funding arrangements)
- provide additional teaching resourcing.

SCHOOLING FUNDING SYSTEM
Key elements of the school funding system were put in place as part of the Tomorrow’s Schools reforms and were designed to support individual self-governing schools. Reforms envisaged a fully cashed up model rather than staffing entitlement. At the time there were significant concerns that this was intended to undermine national pay awards, would be used to drive down costs of schooling, would drive more intensive competition between schools, and would allow employment of unregistered teachers. Layers have been added over time to:
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A FUNDING MODEL ALIGNED TO LEARNING AND DEVELOPMENT PROGRESS
The objective is that each child or young person is supported to achieve a year’s worth of learning each year, in line with Te Whāriki, the NZ Curriculum, and Te Marautanga o Aotearoa. The funding models need to more strongly align delivery of resources to the differential needs of children and young people, and their different stages of learning.

WEAKNESSES AND STRENGTHS OF CURRENT FUNDING SYSTEMS

SCHOOLING FUNDING SYSTEM
The funding system for state and state integrated schools seeks to provide each school with sufficient resources to meet education expectations for its students and maintain property given the circumstances of the school community, while allowing resources to shift between schools as circumstances change.

WEAKNESSES
- A view that improving achievement automatically requires additional resources – cost plus approach.
- Insufficiently weights / directs resources to students at risk of educational disadvantage, and does not support effective use of resources to raise their achievement.
- Funding mechanisms aimed at addressing disadvantage have influenced parents’ perceptions of the quality of individual schools in a misleading way (deciles).
- The distribution of resources across year levels is not optimally aligned to the goal of raising achievement.
- ‘Shoe-horning in’ or ‘bolting on’ new arrangements into the funding system have potentially led to anomalies in funding levels across schools.
- Capability, incentives and weak accountability have exposed the Crown to unintended risk (eg. poor property maintenance) and may have reduced the effectiveness of some funding.
- Delivery of significant resourcing through staffing entitlement reduces flexibility to create new learning pathways and provide support to students.
- Staffing entitlement makes sharing of resources administratively more complex.
- Special education resources and expertise are compartmentalised, fragmented and inflexible.
- Poor transparency about the impact of increased resourcing on student achievement.

STRENGTHS
- Supports the educational viability of a ‘comprehensive’ free state network of schools, and supports choice and diversity.
- Significant portion of resources follows students so that resources shift to where they are needed to support educational achievement.
- Schools have flexibility over how they can use operational funding and staffing entitlement to most effectively meet student needs.
- Consistent resourcing for students and schools in the same situation.
- Transparency of how resourcing is calculated.
- Resourcing is generally predictable over time.

EARLY CHILDHOOD EDUCATION FUNDING SYSTEM
The ECE funding system seeks to cover a reasonable share of the cost of education and care for children (a subsidy), allowing resources to move in response to parental demand.

WEAKNESSES
- Does not incentivise behaviours which encourage early and sustained participation of children at risk of educational disadvantage.
- In some cases capability and weak accountability may have reduced the effectiveness of some funding (eg. Equity Funding).
- Funding rules to support ‘quality of provision’ have effectively ‘tied staff to the floor’, hampering change and collaboration.
- System is administratively burdensome.
- As currently configured is a source of ongoing fiscal pressure.
- Special education resources and expertise are compartmentalised, fragmented and inflexible.

STRENGTHS
- Enables providers to respond to parental demand in terms of the availability and nature of provision.
- By international standards enables high rates of participation, including by at-risk children.
- Has delivered on main goals:
  - enabling labour market participation
  - a higher qualified workforce.
REVIEW OF FUNDING SYSTEMS: A FUTURE MODEL

A shift in focus from funding institutions to funding the learning progression a student needs to make each year to achieve a meaningful NCEA Level 2.
A per-child funding level that aligns with the quantum of teaching and education leadership required at each year level, given the expectations of the curriculum and the particular circumstances of the student.
Supported by greater transparency about student learning progress.

Critical factors for achievement:
» Quality teaching and educational leadership
» Engagement by parents, family, whānau and communities

Identification and pricing of the quantum of resources, in terms of both amount and quality, required for an effective teaching and learning programme and engagement of parents, family, whānau and communities, for students who do not have identified risk factors.

Realising this sort of model would mean:
• Agreeing and measuring the progression required for each learning area at each level of the curriculum. Moderating assessment of progress at each stage of the curriculum. At present we have measures for reading, writing and maths (i.e. national standards) and are working on moderation.
• Combining the measures of progress into a single index of progression.
• Improving understanding of how different programmes of teaching and learning and prior attainment impact on student progression.
• Setting a price for a good kiwi education that accurately aligns with the size of the teaching and learning challenge at each level.
• Developing a risk premium that reflects additional costs of supporting children at risk of educational disadvantage.
• Developing systems to source data needed to identify individual students at risk.
• Technical work to operationalise concepts.

The Education Council develops standards for teachers and educational leaders that differentiate expertise. Funding levels to reflect judgements about the expertise required at each stage of learning and to support each student.

Separately, we will need to consider:
• Sustainability / viability of the network of provision
• School property

Size of learning progression / Quantum of teaching and learning challenge

Standard per-child/student funding level

Plus variable risk premium, for example:
» Primary caregivers’ educational qualifications
» Long-term benefit receipt
» CYF notification and/or care
» Caregiver with Corrections history

Magnitude of premium reflects the circumstances of each child

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