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**Review of Funding Systems**

**Background paper for Advisory Group**

**Funding for isolation across schooling and**

**early learning**

24 June 2016

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**Funding for isolation across schooling and early** **learning**

Introduction

The Review of Education Funding Systems for early learning services and schooling is seeking, as part of the broader Education Work Programme, to ensure funding is directed to the size of the education challenge early learning services, schools and Communities of Learning face, and towards growing the learning and achievement of all children and young people.

The funding model being explored through the Review comprises a standard per-child funding amount together with additional funding for children and young people most at risk of educational under-achievement. The model envisages providing supplementary funding where necessary to maintain the educational viability of particular early learning services and schools, consistent with ensuring a network of provision. Particular services and schools would receive supplementary funding as a result of their isolation.

In this paper we outline current funding arrangements that provide specific support for isolated services and schools, explore the nature of the costs that are affected by isolation and the materiality of the cost differential, consider arrangements in other jurisdictions and suggest directions for change.

Funding for isolation and its purpose

The current funding model for state and state-integrated schools provides specific additional funding for schools that are deemed to be isolated. This is primarily provided through the Targeted Funding for Isolation component of the operational grant. There is also an isolation component within the Property Maintenance Grant which is another element of operational grant funding.

The purpose of this funding is to compensate schools for the additional costs they face in accessing goods and services required to operate the school and in delivering the curricula because of their isolated location. These costs can be broadly grouped under two categories: costs related to teaching and learning and costs related to accessing trades and services.

The funding model for early learning also provides specific funding for isolated services. This is provided through Equity Funding Component D and the Annual Top Up for Isolated Services (ATIS).

In the case of early learning, funding for isolation has a somewhat broader purpose. Like schools, it compensates services for additional costs they face as a result of isolation. It also supports participation in early learning where small populations, and the fact that early learning is not compulsory, have a significant impact on the viability of provision.

In the schooling sector, specific funding is provided to address costs associated with small size.

How funding for isolation is calculated

Schools and early learning services receive funding for isolation if their isolation index rating is 1.65 or greater. The isolation index is calculated by a weighted formula developed in 1999, which is calculated by reference to distance from population centres of 5,000, 20,000 and 100,000.

The isolation index has been used to allocate travel grants across Communities of Learning and for Resource Teachers Learning and Behaviour (RTLBs). Other policies also refer to isolation, with different methodologies for determining early learning services and schools that are isolated[[1]](#footnote-1).

The significance of funding for isolation

Funding for isolation is more significant in the school sector, compared with early learning.

In the school sector, Targeted Funding for Isolation accounted for 0.6% of schools’ operational grant funding and approximately 0.16% of total funding in 2015[[2]](#footnote-2). In the early learning sector, funding for isolation comprises only 0.07% of total government expenditure on early learning.

**Table 1: Funding for isolation across schooling and** **early learning**

|  |  |  |
| --- | --- | --- |
| Funding component | Number of schools/services | Cost (GST exclusive) |
| Targeted Funding for Isolation (schooling) | 478 schools | $8.43 million (2015 school year) |
| Equity Funding Component D (early learning) | 544 services | $1.07 million (2014/15 financial year) |
| Annual Top Up for Isolated Services (early learning) | 37 services | $0.16 million (2014/15 financial year) |

Some 79% of schools that receive Targeted Funding for Isolation are primary schools. Some 64% of primary schools that receive Targeted Funding for Isolation are small schools, with rolls of less than 100.

Targeted Funding for Isolation currently accounts for between two percent and up to 20% of an individual school’s operational grant funding. Of the 89 schools where Targeted Funding for Isolation accounts for more than 10% of operational grant funding, all are primary schools and only 8 have a roll in excess of 100 students.

**Table 2: Funding for isolation as percentage of operational grant funding**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| TFI as % of Operational funding | Primary | Intermediate | Composite | Secondary | Total |
| Between 0% and 5% | 16 | 7 | 45 | 29 | 97 |
| Between 5% and 10% | 275 | 0 | 8 | 9 | 292 |
| Between 10% and 15% | 87 | 0 | 0 | 0 | 87 |
| Between 15% and 20% | 2 | 0 | 0 | 0 | 2 |
| Total | **380** | **7** | **53** | **38** | **478** |

The maximum funding an early learning service can receive from Equity Component D is $3,485. In 2014/15, Equity Funding Component D comprised 1.4% of total government funding to playcentres and 0.4% of total government funding to Kōhanga Reo. Equity Funding Component D has material implications for the funding of very isolated early learning services, which also tend to be smaller.

In both the school and early learning sector, the isolation index used to determine funding is based on Census 2001 population data. If the index were updated, based on Census 2013 population data, an estimated 438 schools would receive Targeted Funding for Isolation. A key driver of the change is that since 2001, the population of Tauranga has increased to more than 100,000.

2006 Review

A review of the isolation index was undertaken in 2006 but no changes were implemented. The review explored a formula based on distance from population centres of 30,000, 10,000, 5,000 and 1,000 people, with the threshold for eligibility for Targeted Funding for Isolation set at 0.8. The suggested formula placed greater weight towards centres with populations of at least 10,000. Reponses to a school survey undertaken as part of the review indicated that schools could access the majority of the services they required from centres with populations of at least 10,000.

Costs of isolation for schools

There are two broad categories of costs that schools and early learning services in isolated locations face – costs relating to teaching and learning and to accessing trades and services. These costs are set out in Table 3.

**Table 3: Costs affecting isolated schools and early learning services**

|  |  |
| --- | --- |
|  | Cost components |
| Teaching and learning costs | **Access to Professional Learning and Development (PLD) seminars, networking opportunities, meetings, etc.*** Travel time, cost (including additional relief teacher costs) and difficulty (road conditions).
* Can mean staff can miss opportunities – restricts teacher participation, connectivity and development.
* PLD providers can be unwilling to travel to very isolated schools.
* Technology not always a solution (slow and unstable internet connections, maintenance of internal infrastructure, ability to access good advice on purchase decisions).
 |
| **Bringing in relief teachers[[3]](#footnote-3)** * Often have to cover reliever travel costs – additional pressure on relief teacher budgets.
 |
| **Meeting requirements – teacher/principal appraisal and moderation*** Particularly around moderating Overall Teacher Judgements in primary schools. A small, isolated primary school with 1-2 teachers cannot moderate internally.
 |
| **Access to opportunities for students (sporting, cultural, etc)*** Schools incur additional costs in order to provide children with exposure to a range of opportunities.
 |
| Trades and services costs | **Bringing in trades and services*** Difficult for extremely isolated schools (2+ hours from a larger centre). Often have to pay significant travel costs to get trades people to come to isolated schools.
 |
| **Freight and shipping** * Particularly significant for island schools and very isolated mainland schools.
 |

Costs of isolation for early learning services

Research from 2006[[4]](#footnote-4) suggests that isolated early learning services face many similar issues. The lack and cost of transport affect children’s excursions, and teacher/kaiako attendance at wānanga, training and PLD courses. Other issues for isolated early learning services are created by limited local availability of management and professional support, the higher cost of some goods and services, and difficulties in recruitment and retention of qualified teachers.

Many small, isolated early learning services reported issues with service sustainability due to low population density and therefore participation levels, the lack and cost of transport affecting children’s and parent/whānau participation, and the seasonal nature of some rural employment.

*Questions for discussion*

*Do the cost components in Table 3 accurately reflect the drivers of increased costs for isolated schools and early learning services?*

*How has the nature of the costs changed since 2001?*

*Will Communities of Learning and the investment in the Ministry’s regional networks make a difference to costs related to teaching and learning?*

Issues with current funding for isolation

Analysis suggests there is a role for additional support for isolated schools and early learning services but the current approach may not be fit for purpose and does not sufficiently focus on those schools and services that are materially impacted by isolation. This is in addition to the current index to determine funding levels being outdated, because it is based on Census 2001 data.

* + During the development of the isolation index, judgements were made about the types of services accessed from population centres of various sizes. However, more recent analysis indicates that the distance from centres with a population of at least 100,000 does not have a significant bearing on everyday operational costs.
	+ Some historic costs identified during the development of the isolation index are no longer relevant. For example, knowledge around ICT systems is more widespread, and ICT support is often accessed remotely; population growth in some areas has led to an increase in service availability (e.g., the Bay of Plenty, Nelson area, Queenstown area); and better road conditions in some areas have cut travel times. However, for very isolated schools and early learning services these costs have not eased since the development of the isolation index.
	+ The current threshold for determining isolation is quite low, and may not differentiate those services and schools that face materially higher costs as a result of isolation. For example, in respect of trades, certain urban services and schools may also face a cost premium because of supply pressures and travel times resulting from congestion.
	+ There are differential cost drivers between costs related to teaching and learning, and costs related to accessing trades and services that may mean different methodologies are appropriate. For example, research undertaken as part of a Review of School Operational Grant Funding in 2000 looked specifically at the isolation adjustment of the Property Maintenance Grant. It suggested that most maintenance services could be sourced from population centres of at least 5,000.

Insights from international jurisdictions

A number of international jurisdictions have policies in place to target funding to schools in isolated areas. This is despite quite diverse scales of isolation across the different jurisdictions (e.g. Western Australia has a population density of 0.95 people per square kilometre, while the UK has a population density of 225.6 people per square kilometre).[[5]](#footnote-5)

There are a number of similarities and differences which can inform thinking about the New Zealand context:

* + **Methods of measuring ‘isolation’** – Some jurisdictions use a formulaic methodology while others use a school’s actual distance from particular centre sizes or other schools (e.g. Alberta uses defined ‘zones’ determined by parallels of latitude). The benefit of a formulaic approach is that it recognises varying degrees of isolation and provides funding accordingly, while actual distances can result in blunt cut-off points for funding eligibility/amount.
	+ **Proximity to major cities** – A number of other jurisdictions consider the distance to major cities. For example, in Victoria, Australia, a school’s distance from Melbourne has a bearing on its funding for rurality and isolation. This is likely to result in schools that are not particularly isolated receiving some additional funding.
	+ **Road conditions and mode of travel** – The British Columbia model recognises that the type of road travelled on (i.e. sealed, gravel), and travel required over water, has an impact on costs. While these factors may have a bearing on costs, a model like this does create a degree of administrative burden (e.g. requiring updating as road conditions change).
	+ **Impact of distances between schools** – A number of jurisdictions, including New South Wales and Saskatchewan, take into account the distance from service centres and the distance from other schools (of the same or different type). This would appear to recognise different drivers of cost, but at the same time there is likely to be a correlation between a school’s distance from a service centre and from other schools.
	+ **Isolation and size** – A number of the jurisdictions only provide funding for isolated schools that are small. For example, schools in the UK are only eligible for sparsity funding if they have rolls of less than 150 (primary school) or 600 (any other school). Other jurisdictions provide separate funding streams or loadings for schools that are small.
	+ **Isolation and rurality** – A number of jurisdictions, for example Victoria and British Columbia, have separate funding streams for isolation and rurality, reflecting a judgement that the issues faced by isolated schools are distinct from those for schools in rural areas.
	+ **Differentiating between costs relating to teaching and learning, and access to goods and services** – The New South Wales model recognises that some schools are disadvantaged due to isolation (distance from other schools and the capacity to interact for teacher professional learning) and remoteness (distance from population centres and the additional costs of goods and services as a result).

High level options

Directions for change that might be useful to explore include:

* + As a minimum, updating the census data used to calculate the isolation index, because the current system creates unjustified funding inequities due to the outdated dataset.
	+ Considering the usefulness of incorporating the distance from other schools and early learning services into the model. This would be consistent with a focus on supporting collaboration between schools, including between schools in Communities of Learning.
	+ Revisiting the size of population centres used to assess isolation, in light of evidence that most services are available in centres with populations of significantly less than 100,000, and the critical inter-relationships with other services and schools in terms of student activities and teacher professional activities. A shift away from reference to major urban centres to smaller regional centres is proposed.
	+ Creating a stronger focus on isolation as opposed to rurality, with additional funding only justified where the overall cost structure of the school or service is materially higher than that faced by other schools and services as a result of its location. The expectation is the threshold for eligibility would be higher and fewer schools and services would receive additional funding as a result of their isolation.
	+ In the early learning sector, further consideration of the purpose of the Annual Top Up for Isolated Services funding. If it is intended to support a focus on participation, then the setting could be sharpened to focus on this element.

Some of the areas highlighted above are likely to be relevant across settings for both early learning and schooling isolation funding. However, given the differing contexts with early learning being operated by private entities, not fully government funded, and non-compulsory, it would be worthwhile considering carefully the implications of any changes for early learning services.

*Questions for discussion*

*Do technological advances (investment in broadband and infrastructure, Skype, use of Cloud for storage, etc) mitigate the distance factor for accessing teaching and learning and other professional services?*

*Should a different isolation index rating be used to distinguish between the different types of costs faced by isolated services and schools? For example, between teaching and learning costs, and trades and service costs.*

*Should the distance from similar schools/ services be part of the isolation index?*

*Are there specific considerations for early learning services that are not accounted for?*

1. These include the Isolation Allowance (Primary and Area Teachers’/Principals’ Collective Agreements), Voluntary Bonding Scheme. [↑](#footnote-ref-1)
2. Where total funding is expenditure on operational grants and teacher salaries. [↑](#footnote-ref-2)
3. Relief teacher travel is funded from the operational grant, consistent with provisions set out in collective agreements (for example, STCA 7.7). Schools cannot offer a teacher more than the entitlements in the collective agreements without the concurrence of the Secretary for Education. [↑](#footnote-ref-3)
4. Ministry of Education, *An Evaluation of the Initial Uses and Impact of Equity Funding*, 2006. [↑](#footnote-ref-4)
5. Population density in NZ is 17.2 people per square kilometre. [↑](#footnote-ref-5)