

Reference: 20170006

14 February 2017



Thank you for your Official Information Act request, received on 11 January 2017. You requested the following:

“A copy of all reports, briefings and advice Treasury has prepared regarding the education funding review, since 21 July 2016.

Where information is withheld, I request you provide the title and date of the communication/document withheld, the reason for refusal and the grounds in support of that reason as required by section 19(a)(i) and (ii) of the Official Information Act.”

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	26 Sept 2016	Treasury Report: Update on Education Funding Review	Release in part
2.	14 Oct 2016	Treasury Report: Briefing for Cabinet Social Policy Committee	Release in part

I have decided to release the relevant parts only of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including deceased people,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials, and

- names and contact details of junior officials and certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please also note that some information has been deleted because it concerns matters that are outside of the scope of your request.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Diana Cook
Acting Team Leader Education and Skills

TOIA 20170006

Information for Release

1.	Treasury Report: Update on education funding review 26 September 2016	1
2.	Treasury Report: Briefing for Cabinet Social Policy Committee 19 October 2016	13

IN-CONFIDENCE



Treasury Report: Update on the Education Funding Review

Date:	26 September 2016	Report No:	T2016/1786
		File Number:	SH-4-5-4

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note the contents of this report Agree to forward the report to the Minister of Education, s9(2)(a)(i) s9(2)(g)(i)	Ahead of Wednesday, 19 October 2016 SOC Meeting
Associate Minister of Finance (Hon Steven Joyce)	Note the contents of this report	Ahead of Wednesday, 19 October 2016 SOC Meeting
Associate Minister of Finance (Hon Paula Bennett)	Note the contents of this report	Ahead of Wednesday, 19 October 2016 SOC Meeting

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Diana Cook	Principal Advisor, Education and Skills	917 6196 (wk)	021 552 103 (mob)	
Sam Tendeter	Team Leader, Education and Skills	917 6972 (wk)	021 724 453 (mob)	✓

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.
Forward this report to the Minister of Education

Note any feedback on the quality of the report

Enclosure: No

IN-CONFIDENCE

Treasury Report: Update on the Education Funding Review

Executive Summary

This paper provides you with an update on progress with the review of the education funding system, including feedback on engagement with a sector Advisory Group.

The funding review aims to bring an investment approach to education funding through a shift to a child-based funding model and better targeting of funding to children at risk of not achieving. The Minister of Education intends to bring an update to the Cabinet Social Policy Committee on 19 October and we will provide a further briefing when we have drafts of the Cabinet paper.

The Advisory Group conditionally supported all the proposals with the exception of global budgets. Our view is that the objectives of the funding review, to move towards a better targeted per child funding model, could still be achieved if the global budget proposal was not pursued. s9(2)(g)(i)

The Advisory Group's support was conditional on increases to the level of funding for schools and services rather than significant re-distribution across education providers.

It is unlikely to be possible to get more than conditional sector support in future engagement without providing information on their likely impact on different types of services and schools.

s9(2)(f)(iv)

The funding review provides an opportunity to strengthen accountability of early learning providers and schools for student outcomes, particularly for those most at risk of not achieving. Given the risks around the use of 'high stakes' accountability systems to drive improvements, we would support a focus on encouraging and enabling schools and services to understand and improve their impact on these students rather than on increasing reporting requirements. s9(2)(g)(i)

s9(2)(g)(i)

IN-CONFIDENCE

s9(2)(g)(i)

Recommended Action

We recommend that you:

- a. **note** that there are fiscal risks associated with the funding update in Budget 2018, and possible pressures in Budget 2017, depending on the extent to which Ministers want to limit the distributional impacts of the funding changes
- b. **note** that the proposed changes means that the Ministry of Education needs to undertake further analysis of the appropriate level of the per child and 'at risk' rate for each stage of the curriculum; identify which risk criteria to use and how to operationalise them; and the distributional and fiscal implications of potential options
- c. **note** that the Treasury intends to continue to engage closely with the funding review work as it progresses, including through participation in working groups as suitable.

s9(2)(g)(i)

Agree / disagree
Minister of Finance

s9(2)(g)(i)

Agree / disagree
Minister of Finance

IN-CONFIDENCE

s9(2)(g)(i)

Agree / disagree
Minister of Finance

Sam Tendeter
Team Leader, Education and Skills

Hon Bill English
Minister of Finance

Hon Steven Joyce
Associate Minister of Finance

Hon Paula Bennett
Associate Minister of Finance

IN-CONFIDENCE

Treasury Report: Update on the Education Funding Review

Purpose of Report

1. This paper provides you with an update on progress with the review of the education funding system.
2. The overall objective of the funding review is to direct funding to the size of the education challenge that early childhood education services, schools and Communities of Learning (CoLs) face, rather than the size of the roll and the cost of inputs (CAB-16-MIN-0173). This is bringing an investment approach to education funding through increasing transparency around the level of funding provided to individual learners and through better targeting of funding to those children who are most at risk of not achieving.
3. While the Treasury supports the direction of these funding reforms, we also emphasise that it is only one part of moving towards an investment approach in education. Funding changes are unlikely to have significant impact on achievement unless they are complemented by other changes that incentivise and enable all levels of the education system to focus on understanding and improving their impact, particularly for students most at risk of not achieving. s9(2)(g)(i)
s9(2)(g)(i)
4. The Minister of Education intends to bring an update of the review to the Cabinet Social Policy Committee (SOC) on 19 October. We will provide a specific briefing on the content of that Cabinet paper prior to the SOC meeting.

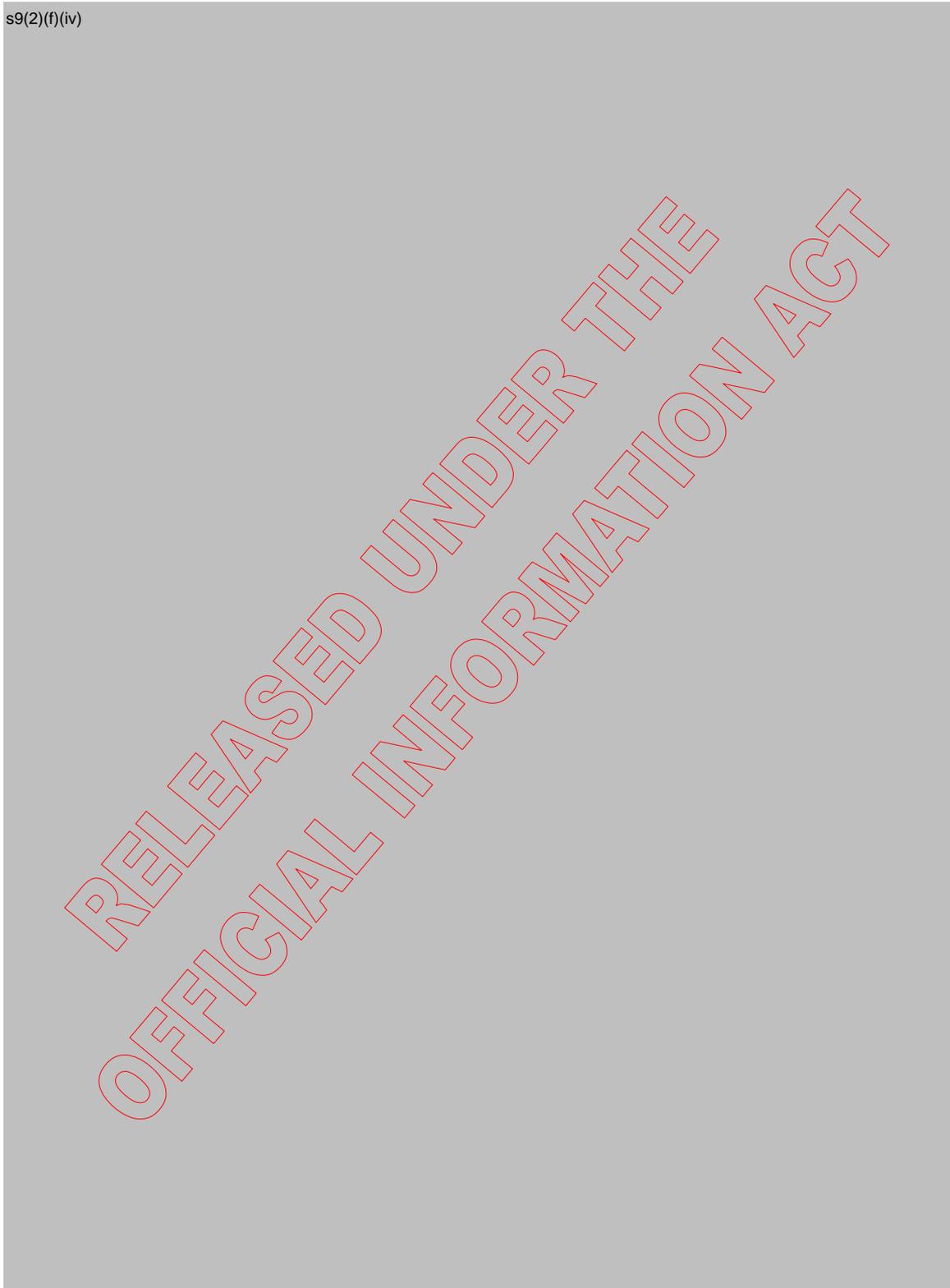
Feedback from the Advisory Group and next steps

5. The Ministry of Education formed an Advisory Group, consisting of sector leaders from schools and early learning services, to test the funding proposals discussed by SOC on 13th April 2016 (CAB-16-MIN-0173 refers).
6. The Advisory Group conditionally supported all the proposals with the exception of global budgets (see annex table for additional information).
7. The Advisory Group's support was conditional on increases to the level of funding for schools and services, rather than significant re-distribution across education providers, and they were seeking further information on these impacts. Cabinet will need to consider the extent to which modelling on the level and distributional impacts of the funding changes could be provided to the sector and wider stakeholders as the funding proposals are further developed.
8. We understand that the Minister of Education is planning to set up a number of working or expert groups to develop these proposals further. This includes analysis to identify the appropriate level of funding or investment at each stage of the curriculum.
9. The Treasury intends to continue to work closely with the Ministry as work progresses, and through sitting on working or expert groups as relevant. In particular, it will be important to engage with the Ministry as they undertake further modelling on options and impacts.

IN-CONFIDENCE

Fiscal implications

s9(2)(f)(iv)



IN-CONFIDENCE

s9(2)(f)(iv)



RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Risk modelling

15. The Treasury's Analytical and Insights team has done further modelling of the performance of different variables and data sets in predicting achievement of NCEA2; based on the 1988 cohort (we briefed you on earlier analysis in T2015/2758).
16. The most important variables using Census and administrative data are: the proportion of time supported by benefit as a child; having a CYF care and protection notification; gender; mother's level of qualification (as recorded in census); and mother's age at first birth. When a more inclusive sample is used (including those for whom we do not have Census data), Māori ethnicity is also among the top predictors.

¹ This is based on average student numbers in Y8 and Y9 between 2006-2015.

IN-CONFIDENCE

17. The current funding formula which is based on the characteristics of all parents in the meshblock on Census night is only weakly predictive of educational attainment. However, a predictive model which includes only administrative data had only slightly less predictive power than a model based on both census and administrative data. This means it is not necessary to collect data on mother's level of qualification, because other information available in the administrative data is a sufficient proxy for this. This includes information on parents earnings and partial information on mothers qualifications available in the administrative data.

s9(2)(f)(iv)

19. There will be a number of issues to consider in operationalising a funding model based on risk data:
- We need to be aware of the limitations in the data. For example, we are missing administrative data for some people and variables, such as students that have not been continuously resident in New Zealand. Administrative data also does not reflect the child's current family unit in many cases, and collecting accurate and timely information on caregiver/s name and date of birth may be justified.
 - We will also need to strike the appropriate balance between the predictive power of the funding model and administrative simplicity, transparency and funding predictability.
 - Further work is required on how to operationalise the use of administrative data as a deliverable funding system.

Accountability for providers

20. The education reform programme provides an opportunity to strengthen accountability of early learning providers and schools for student outcomes, particularly for those most at risk of not achieving. We will continue to engage with the Ministry of Education on accountability changes in the context of the funding review and the implementation of the Education Act update.
21. Our focus will be on accountability as part of a wider strategy to drive improvements in performance. We are aware of the limits of external 'high stakes' accountability mechanisms in driving improvement. Incentives such as performance pay or performance related school funding; or high-stakes accountability such as value-add league tables are more likely to lead to compliance or perverse incentives and have a relatively weak link to a focus on improvement. Internal or professional accountability needs to be developed alongside external accountability to support a performance improvement focus. This was highlighted in two think pieces we have contracted on the school accountability system by Dr Graham Scott and Helen Timperley (an education academic). We can provide you with a separate briefing on these think pieces if you wish.

² While an objective of reform is to remove the concept of deciles, it is for analytical purposes useful to consider the 'hypothetical' decile that each school would move to under a revised funding approach. Estimates suggest that two-thirds of schools could move to a different 'hypothetical' decile under a risk factor funding model. About 40% move up or down one 'hypothetical' decile, and 17% move two deciles, 6% move three deciles and 4% move four or more deciles.

IN-CONFIDENCE

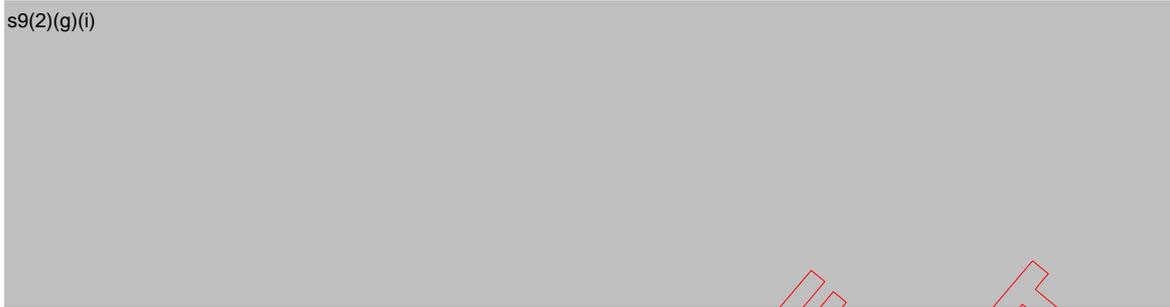
22. However, there are opportunities to focus schools more on the achievement of disadvantaged students in the short-term. The development of the Integrated Data Infrastructure, combined with continuing to encourage schools to use Progress and Consistency Tool (PACT), will over the medium-term provide better data on the progress of this population group.

s9(2)(g)(i)



IN-CONFIDENCE

s9(2)(g)(i)



RELEASED UNDER THE
OFFICIAL INFORMATION ACT

IN-CONFIDENCE

IN-CONFIDENCE

Annex: Proposals tested with the Advisory Group

Proposal	Advisory Group Report	Treasury comment
<p>A standard per-child funding amount</p> <p>The amount would vary across stages of learning to reflect the teaching and learning challenge.</p>	<p>Conditionally supports further development of the proposal (except NZEI); as long as the distinction between staffing and cash is maintained.</p>	<p>We are generally supportive of a single per-child funding amount. A single per-child rate increases transparency and supports funding at a rate that reflects the investment required to achieve the expected level of progress at each stage of the curriculum.</p> <p>However, the challenge will be establishing a robust methodology and evidence for identifying an adequate level of funding at each stage. While the Ministry of Education is undertaking analysis, it will involve a high degree of judgment.</p>
<p>Additional payment for children at risk of educational under-achievement</p> <p>This funding would replace the current decile-linked funding systems for early learning providers and schools with indicators of risk of educational under-achievement.</p>	<p>Conditionally supports further development of the proposal, subject to sufficient additional funding being provided to support the learning and achievement of this group of children and young people, and the inclusion of a concentration factor.</p>	<p>We support the strengthened link between funding and the size of the educational challenge; which will also help to reduce the inappropriate use of targeting mechanisms as a proxy for school quality.</p> <p>The Ministry of Education still has further work to do to:</p> <ul style="list-style-type: none"> • identify the specific measures (including whether to use a concentration factor) • identify the appropriate level of the ‘at risk’ payment • identify whether the ‘at risk’ payment varies across curriculum stages (e.g. is a fixed amount or a percent of the per child funding amount), and • understand the distributional impact across schools and services; as well as the potential fiscal costs of managing these impacts. <p>We understand that the Minister now intends to introduce an additional per-child funding layer for learning support.</p>
<p>Supplementary funding to maintain a network of schools and services</p> <p>This is to maintain the educational viability of particular schools and services consistent with ensuring a network of provision.</p>	<p>Conditionally supports proposal proceeding to next stage.</p> <p>Needs information about the level of the supplementary resourcing and the eligibility criteria for schools and services to receive it.</p>	<p>s9(2)(g)(i)</p>

IN-CONFIDENCE

Proposal	Advisory Group Report	Treasury comment
<p>Global budget</p> <p>A proposal to move away from delivering school funding through a combination of cash and staffing entitlement. The global budget proposed delivering a single dollar-based funding amount to each school and providing school leaders with greater flexibility in balancing staff and school resources.</p>	<p>Oppose proposal although Ngā Kura-ā-Iwi and early childhood education and ngā kōhanga reo could see potential benefits for their sector.</p>	<p>We understand that the Minister does not intend to pursue this proposal given the lack of appetite the sector. While the proposal has some merit, it is unlikely to be a significant driver of improved educational achievement.</p> <p>While there was not much discussion of potential benefits in the Advisory Group, some regional engagement participants saw benefits in flexibility enabling teaching collaboration between schools and CoLs; as well as sharing of relievers, service and administrative staff and assistance.</p>
<p>Funding for private schools</p> <p>The proposal is to establish a per-student subsidy for private schools at a fixed percentage of the per-student funding amount for state and state-integrated schools. This would change the current arrangement which provides a capped total value of government funding to private schools.</p>	<p>The majority of the group supports or conditionally supports the proposal moving forward (apart from NZEI, Area Schools and PPTA). This is subject to any increase in private school funding not being at the expense of state and state integrated schools.</p>	<p>This change would provide more certainty for private schools and move to a simpler and more transparent funding model (compared to the status quo of capped funding totalling \$42m).</p> <p>However, there could be fiscal implications (depending on the percentage chosen) and this cost would need to be considered relative to priorities elsewhere in the education sector and wider expenditure priorities.</p>
<p>Property</p> <p>The proposal is to separate some of the funding for property-related activities that are currently funded through the Operations Grant.</p>	<p>Supports proposal proceeding to the next stage of policy development.</p>	<p>We are open to this change but greater clarity is need around the benefits; the impact on how schools manage their finances; the appropriate level of funding and the fiscal costs of change.</p> <p>We understand that there is likely to be flexibility in the implementation of the proposal to allow other uses of funding if minimum standards in processes and outputs are met; and implementation would be staggered in line with reviews of school property plans.</p>
<p>Accountability</p> <p>The Ministry proposed that schools and services are supported to be more transparent about impact, so that there is a high level of confidence that resources are being used effectively to deliver better outcomes for all children.</p>	<p>Conditionally supports proposal proceeding to the next stage of policy development. However, more discussion is needed to work through the proposal and discussions should be broader than the funding review.</p>	<p>s9(2)(g)(i)</p>

IN-CONFIDENCE



Treasury Report: Briefing for Cabinet Social Policy Committee
Wednesday, 19 October 2016

Date:	14 October 2016	Report No:	T2016/1958
		File Number:	MS-5-2-SOC

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Read prior to SOC meeting	9.15am, Wednesday, 19 October 2016
Associate Minister of Finance (Hon Steven Joyce)	Read prior to SOC meeting	9.15am, Wednesday, 19 October 2016
Associate Minister of Finance (Hon Paula Bennett)	Read prior to SOC meeting	9.15am, Wednesday, 19 October 2016

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
s9(2)(g)(i)	Graduate Analyst, Labour Market & Welfare	s9(2)(g)(i)	N/A (mob) ✓
Sam Tendeter	Team Leader, Education and Skills	04 917 6972 (wk)	s9(2)(a)

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

IN-CONFIDENCE

Treasury Report: Briefing for Cabinet Social Policy Committee
Wednesday, 19 October 2016

Executive Summary

We are aware of **eight** items on the Cabinet Social Policy Committee agenda for Wednesday 19 October 2016. The table below identifies any relevant fiscal impacts and provides Treasury's comments and recommendations on four of these. The remaining papers, for which Treasury has no substantive briefing, are summarised below the table. out of scope

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			16/17	17/18	18/19	19/20	Out years	
Deleted - Not Relevant to Request								
Review of Education Funding Systems: Update and Next Steps	6	Support	<i>Operating</i>					s9(2)(f)(iv)
			-	-	-	-	-	
			<i>Capital</i>					s9(2)(g)(i)
			-	-	-	-	-	
out of scope								

IN-CONFIDENCE

out of scope



Recommended Action

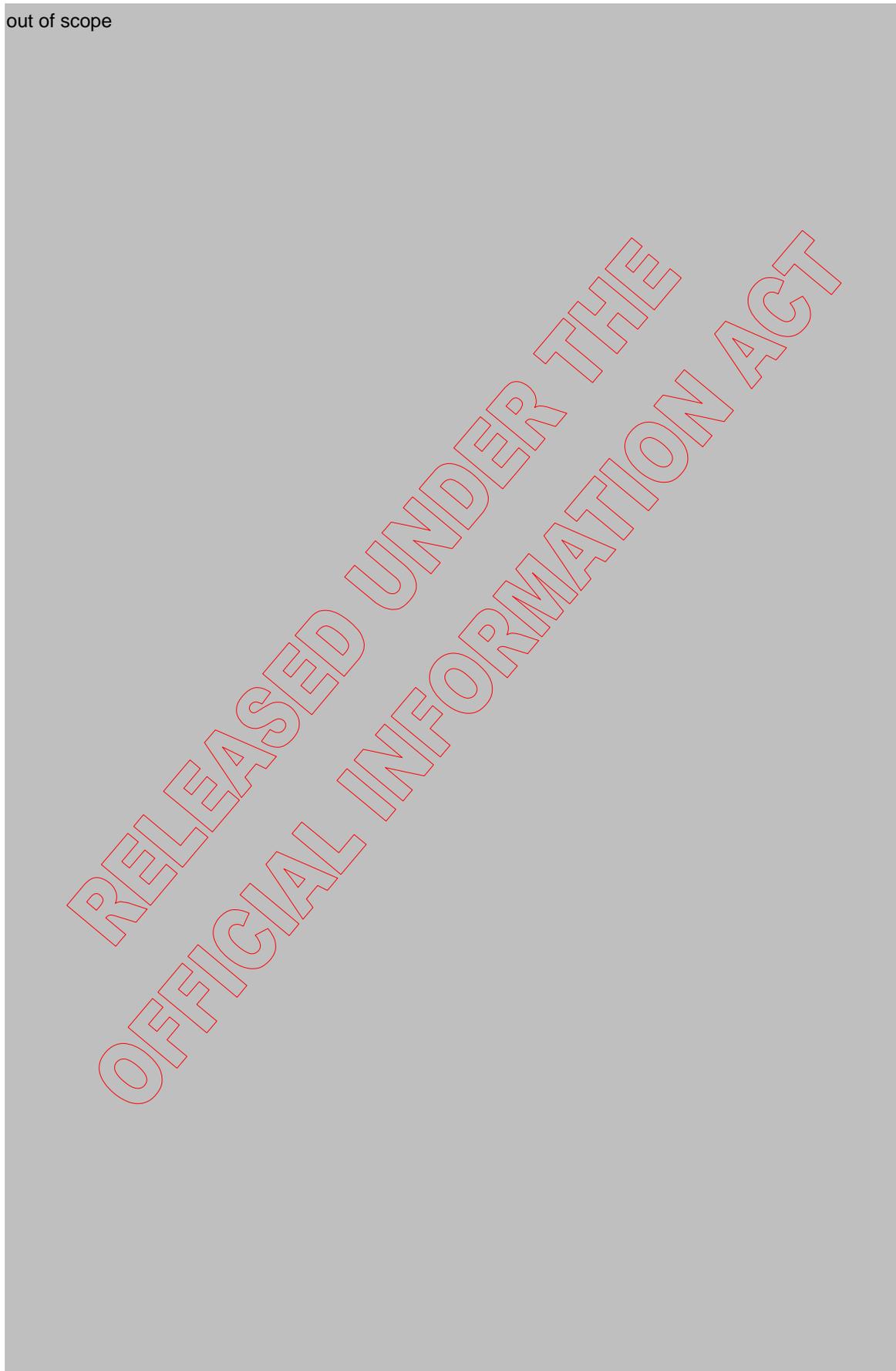
We recommend that you read this report prior to the Cabinet Social Policy Committee meeting at 9.15am on Wednesday, 19 October 2016.

Sam Tendeter
Team Leader
Education and Skills

Hon Bill English
Minister of Finance

IN-CONFIDENCE

out of scope

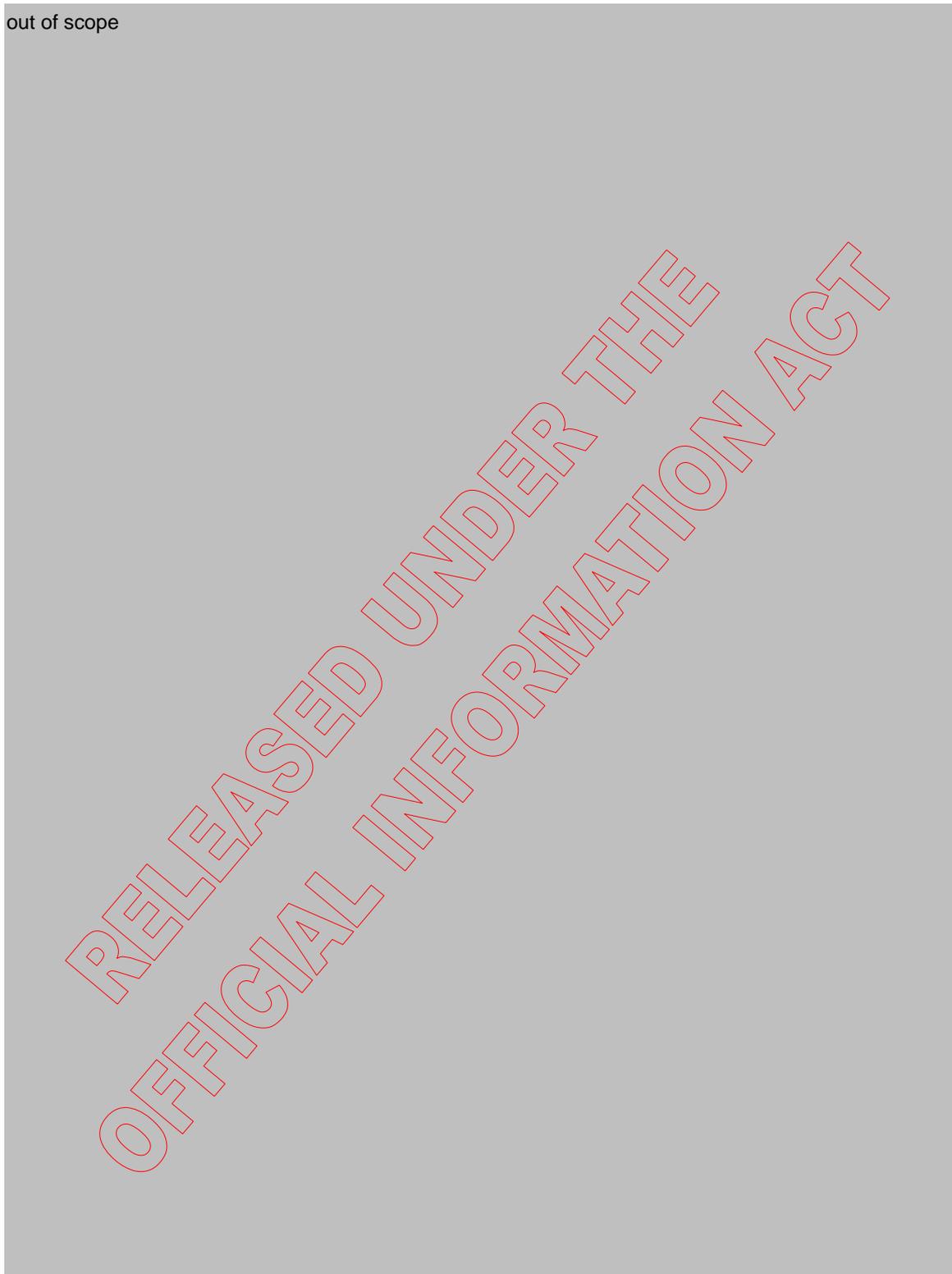


RELEASED UNDER THE
OFFICIAL INFORMATION ACT

IN-CONFIDENCE

IN-CONFIDENCE

out of scope



RELEASED UNDER THE
OFFICIAL INFORMATION ACT

IN-CONFIDENCE

IN-CONFIDENCE

Review of Education Funding System Update and Next Steps

Responsible Person: Sam Tendeter, Team Leader, Education & Skills 917 6972

First Contact Person: Diana Cook, Principal Advisor, Education & Skills, 917 6196

Purpose

1. This paper reports back on sector engagement on the first phase of the Review of Education Funding Systems and seeks Cabinet endorsement for the next phase of work s9(2)(f)(iv)
2. The Treasury supports the recommendations for future work but notes that a number of the funding proposals have potentially significant fiscal impacts.

Comment

3. We provided you with advice on the next stages of the funding review on 26 September [T2016/1786]. There are no substantive new proposals in the Cabinet Paper since then, apart from the integration of Communities of Online Learning (COOL) and learning support (special education) into the update; which we support.
3. The funding review aims to bring an investment approach to education funding through a shift to a child-based funding model and better targeting of funding to children at risk of not achieving.
4. The Treasury supports the direction of the funding update and the paper's recommendations around areas of future work.

Fiscal impacts

5. However, Cabinet should be aware that a number of the proposals have potential fiscal impacts.

6. s9(2)(f)(iv)

Accountability and system performance

7. While the Treasury supports the direction of these funding reforms, we also emphasise that it is only one part of moving towards an investment approach in education. Funding changes are unlikely to have significant impact on achievement unless they are complemented by other changes to strengthen accountability and system performance.
8. The Cabinet paper includes a recommendation that the Ministry of Education report back to the Minister of Education and the Minister of Finance s9(2)(f)(iv) with an update on the work to strengthen student progress information (rec 9). At that stage consideration will need to be given to whether the wider supporting system changes will be sufficient to support a significant impact on achievement.

9. s9(2)(g)(i)

IN-CONFIDENCE

s9(2)(g)(i)

Global Budgets

10. Note that the Minister of Education is proposing not to take forward the global budget mechanism. The Treasury's view is that the objectives of the funding review, to move towards a better targeted per child funding model, could still be achieved if the global budget proposal was not pursued. s9(2)(g)(i)

s9(2)(g)(i)

Integration of Communities of Online Learning and Learning Support

11. The Minister is planning to integrate work on the funding model for Communities of Online Learning (COOL) into the funding review, to help ensure consistency in funding approaches (with the consequence that new COOL will be established from 2020, rather than from 2018 under an interim funding model). We are comfortable with this change.
12. We also agree that future funding arrangements need to be aligned with any changes that flow from the learning support update.

Treasury Recommendation

13. We recommend that you:

- a. **support** the recommendations in this paper, and

s9(2)(g)(i)

RELEASED UNDER THE OFFICIAL INFORMATION ACT

IN-CONFIDENCE

out of scope

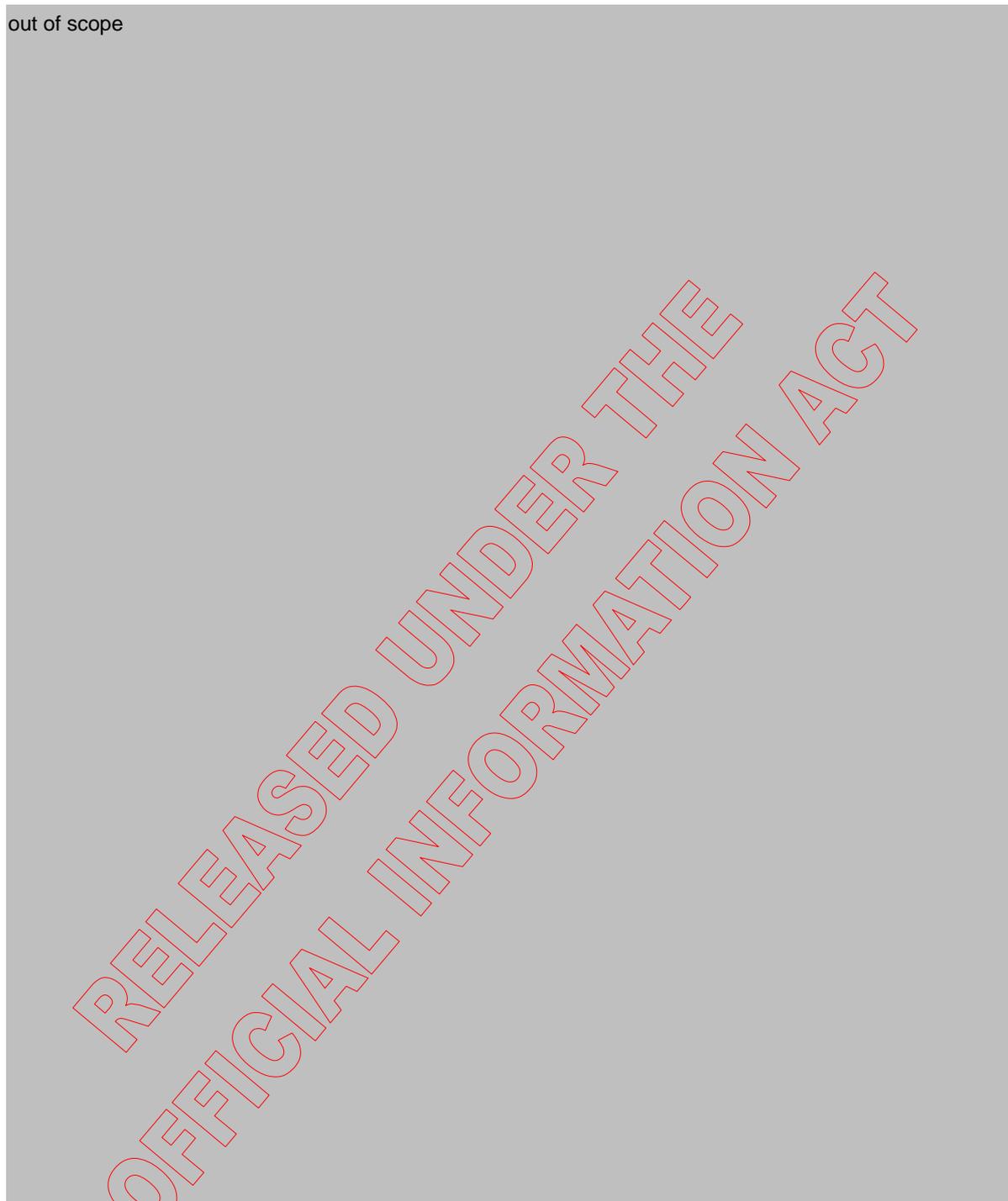


RELEASED UNDER THE
OFFICIAL INFORMATION ACT

IN-CONFIDENCE

IN-CONFIDENCE

out of scope



RELEASED UNDER THE
OFFICIAL INFORMATION ACT

IN-CONFIDENCE