

Reference: 20150356

13 October 2015



Thank you for your Official Information Act request, received on 18 August 2015. You requested the following:

*“A copy of all advice, briefings and reports prepared by Treasury regarding partnership schools and the partnership schools’ model, since 1 January 2013”.*

On 15 September we extended the time limit for deciding on your request by an additional 20 working days.

### **Information Being Released**

Please find enclosed the following documents:

<b>Item</b>	<b>Date</b>	<b>Document Description</b>	<b>Decision</b>
1.	4 November 2013	Social Policy Committee Briefing: Further Application Rounds for Establishing New Partnership Schools	Release in part
2.	27 June 2014	Social Policy Committee Briefing: Selection of Partnership Schools / Kura Hourua to open in 2015	Release in part
3.	30 November 2014	Aide Memoire: Briefing to Minister - Partnership Schools	Release in part
4.	24 April 2015	Aide Memoire: Partnership schools Ministers' meeting	Release in part
5.	5 June 2015	Aide Memoire: Partnership School   Kura Hourua - Te Pumanawa o Te Wairua	Release in part
6.	23 July 2015	Cabinet Committee Briefing: Partnership Schools	Release in part
7.	30 July 2015	Social Policy Committee Briefing: Education Amendment Bill 2015	Release in part

I have decided to release the relevant parts 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:

- 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,
- 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 expressions of opinion, and
- advice subject to legal privilege, under section 9(2)(h) - to maintain legal professional privilege, and
- advice that was provided in confidence, under section 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence.

### Information Publicly Available

The following information is also covered by your request and is publicly available on the Treasury website:

Item	Date	Document Description	Website Address
8.	November 2014	Presentation by the Treasury: Taking Forward your priorities (the Treasury's 2014 post election briefing to the incoming Minister)	<a href="http://www.treasury.govt.nz/publications/briefings">www.treasury.govt.nz/publications/briefings</a>

Accordingly, I have refused your request for the document listed in the above table under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

It is worth noting that document 2 titled “Social Policy Committee Briefing: Selection of Partnership Schools / Kura Hourua to open in 2015” refers to an additional top-up that was required for the first round of partnership schools. The Ministry of Education have since confirmed that the need for the additional top-up was due to a greater than originally expected number of secondary partnership schools opening as opposed to primary partnership schools. Secondary partnership schools are more expensive than primary partnership schools, hence the greater cost.

It is also worth noting that document 5 titled “Aide Memoire: Partnership School | Kura Hourua - Te Pumanawa o Te Wairua” contains extracts from a Deloitte audit as well as ERO reviews. These documents are all available on the Ministry of Education website.

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

Grace Campbell-Macdonald  
**Manager, Education and Skills**

# Information Being Released

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## Further Application Rounds for Establishing New Partnership Schools

**Responsible Person:** Katherine Meerman (x8921)

**First Contact Person:** *Withheld under s9(2)(g)(i)*

### Purpose

1. This paper seeks Cabinet approval of a further application round for Partnership Schools to open at the beginning of 2015, subject to suitable applications being received from interested parties.
2. The paper also seeks a fiscally-neutral transfer between financial years to address a shortfall in funding for the 2013/14 financial year. This shortfall has arisen from five schools being approved for establishment in 2014, rather than the four originally anticipated.

### Comment

3. The paper originally called for an annual approval round to be established, as the five schools to be opened in 2014 would not provide a sufficient roll size to rigorously test the effectiveness of the Partnership Schools model. Approximately 840 students will attend these schools once they have reached capacity.
4. Treasury provided feedback that while understanding the need to increase the sample size to robustly test effectiveness, this was not a sufficient motive on its own to support an ever-increasing number of Partnership Schools.
5. The paper has since been revised to allow for one additional round of applications, before pausing the establishment of further schools until evaluation of their performance has been completed.
6. Treasury has also approved a fiscally-neutral transfer between financial years to address a shortfall in funding for 2013/14. Additionally, the Cabinet paper now references the Ministry of Education's Four-Year Plan as the process through which options will be proposed to address funding shortfalls in future years.

### Treasury Recommendation

7. We recommend that you **support** the recommendations in this paper.

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			13/14	14/15	15/16	16/17	Out years	
Further Application Rounds for Establishing New Partnership Schools		<b>Support</b>	<i>Operating</i>					This transfer is fiscally-neutral between financial years.
			3.384	(3.384)	-	-	-	
			<i>Capital</i>					
			-	-	-	-	-	

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## Selection of Partnership Schools / Kura Hourua to open in 2015

**Responsible Person: Sam Jolly**

**First Contact Person: Natalie Nesbitt**

### Purpose

1. This paper informs Cabinet of the Minister of Education's intention to approve the Ministry entering into contract discussions with four partnership schools from the second application round, and seeks approval to draw down in full the contingency set aside in Budget 14 to fund partnership schools.
2. The paper notes that the Partnership Schools/Kura Hourua Authorisation Board received 19 applications from a range of potential sponsors. The Board recommended five applications and, on the advice of the Ministry of Education, the Minister intends to approve four of these to proceed to contract discussions.
3. The Ministry of Education expects to conclude contract discussions by late July or early August 2014. The Minister has statutory discretion to appoint sponsors after contract discussions have been concluded. The new schools are to be opened in 2015.

### Comment

#### ***Applications being progressed to contract discussions***

4. The six preference factors used to assess applications were that schools would:
  - a. cater for primary aged students
  - b. make effective use of the flexibilities offered by the model
  - c. be based in areas of roll growth
  - d. be large enough to be comfortably viable
  - e. demonstrate a strong case for their location in relation to areas where students are not being well served by the education system
  - f. offer innovative options for 0-8 year olds
5. Two of the potential schools are primary schools, one is a middle school (years 7-10), and one is a senior secondary school (years 11-13).
6. Three of the potential schools are located in the Greater Auckland area and one is in Whangarei. As you are aware, Auckland is an area of high projected roll-growth. Projections for the school aged population in Whangarei are reasonably static to 2031. Each of the schools target priority learner groups – Maori, Pasifika, and lower socio-economic status students. The opening rolls for the potential schools range from 40 to 210 students, which is small but not far from the state school median of around 216 students.

#### ***Financial implications***

7. The cost to establish the four schools is \$15.352m over four years.

*Withheld under s9(2)(f)(iv)*

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- The paper also seeks to draw down funding to cover a \$1.651 residual shortfall associated with the first round of schools. This is in addition to the top-up of \$8.337m agreed in Budget 2014, bringing the total top-up to \$9.9m. The Ministry has not explained what specifically the additional \$1.651m top-up is required for – you may want to query this with the Minister of Education.

**Risks**

- The paper sets out the challenges for each of the potential schools, including securing premises in time for a 2015 opening, securing high quality staff with the desired training, and capacity to manage across more than one venture. The Ministry will require each applicant to demonstrate how they will mitigate these risks during contract discussions. You may want to ask Minister Parata about any contingency plans should the Ministry not gain sufficient confidence that one or more of the potential schools are able to mitigate their risks.
- The relative cost of partnership schools compared to state schools has been a contentious issue receiving significant publicity, and this may be raised again during the second round of partnership schools. The per student funding for the first five partnership schools (ranging from \$9,689 to \$40,333 at opening roll and estimated to be \$8,004 to \$11,188 at maximum roll of 100-300 students) is higher than the average funding per student for state and state integrated schools (\$6,991.08 in 2013). You may want to discuss this with the Minister and seek clarity about the difference in per pupil funding and whether it is entirely due to the smaller school size and establishment costs.

**Treasury Recommendation**

- We recommend that you **support** the recommendations in this paper.

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			14/15	15/16	16/17	17/18	Out years	
Selection of Partnership Schools / Kura Hourua to open in 2015		<b>Support</b>	<i>Operating</i> <i>Withheld under s9(2)(f)(iv)</i>					The Minister of Education intends to approve the Ministry entering into contract discussions with four partnership schools from the second application round and draw down funding in full from a tagged contingency. You may want seek clarity about the purpose of a further top-up for the first round of partnership schools; any contingency plans should contract discussions with the four schools fall through; and the difference in the per pupil funding between partnership schools and state schools.

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Reference: T2014/2079 SH-4-5-4  
Date: 2 December 2014  
To: Minister of Finance (Hon Bill English)  
Deadline: None



**Aide Memoire: Briefing to Minister - Partnership Schools**

You are meeting with the Parliamentary Under Secretary to the Minister of Education on Tuesday 2<sup>nd</sup> December. This note provides information on the progress of Partnership Schools/Kura Hourua to date, and issues in relation to the further development of the model.

**Partnership Schools to date (rounds one and two)**

This policy is a commitment made in the Confidence and Supply Agreement and is aimed at improving educational outcomes for disadvantaged students. The first five partnership schools opened at the beginning of 2014 and the second application round was completed in June 2014 and are due to open in 2015; (the detailed list is included at Annex A).

The Minister of Education is due to report to Cabinet Social Policy Committee on available monitoring information, including the initial results of the evaluation, early in 2015 before confirming round three in Budget 2015; if approved, these schools would open in 2017 [CAB Min (13)39/5 refers].

The Education Review Office (ERO) have conducted readiness reviews for round one. Four schools were approved to begin operations. However, a fifth school - Te Kura Hourua ki Whangaruru - is not yet in a position to operate effectively without substantial further support. The Ministry has contracted Martin Jenkins and Associates to carry out additional formative external evaluation from 2014 to 2017, with a final report due to the Ministry in late 2017, and annual interim reports. Following the selection of the second round of partnership schools, the Minister announced that "no further rounds are proposed while the evaluation is undertaken".

**Round three**

*Withheld under s9(2)(f)(iv)*



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**Issues for consideration**

Three points are recommended for consideration:

1. The cost per student under the partnership schools model is high.
2. Treasury considers one of the benefits of this model is innovation. However, the Ministry has noted that currently existing partnership schools have been conservative in their approach to the freedoms offered, all use the New Zealand curriculum; and innovation, diversity of sponsors and the quality of applications have been limited.
3. You may wish to discuss how some of the elements of partnership schools could be applied to the wider system, notably the different funding and accountability model, and wider adoption of innovation.

*Withheld under s9(2)(g)(i)*

**Grace Campbell-Macdonald**, Manager, Education & Skills, 04 917 6958

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**Annex A: Detailed list of Partnership/Kura Hourua**

Name	Sponsor	Location	Type	Year Level	Focus	Max.Roll
The Rise UP Academy	The Rise UP Trust	Mangere East, South Auckland	Contributing Primary	1-6	Māori and Pasifika, Christian values	100
South Auckland Middle School	Villa Education Trust	Wattle Downs, South Auckland	Restricted Composite	7-10	Christian values	120
Vanguard Military School	Advance Training Centres Limited	Albany, Rosedale, Auckland	Senior Secondary	11-13	Military ethos and methodology	192
Te Kura Hourua O Whangārei Terenga Paraoa	He Puna Marama Charitable Trust	Whangārei	Secondary	7-13	Kaupapa Māori	300
Te Kura Hourua ki Whangaruru	Ngā Parirau Mātauranga Charitable Trust	Whangaruru, Northland	Secondary	9-14	Kaupapa Māori	128
Pacific Advance Senior School	The Pacific Peoples Advancement Trust	Otahuhu, South Auckland	Senior Secondary	11-13	Pasifika	250
Te Kāpehu Whetū (Teina)	He Puna Marama Charitable Trust	Whangārei	Contributing Primary	1-6	Kaupapa Māori	150
Te Kura Māori o Waatea	Manukau Urban Māori Authority	Māngere, South Auckland	Full Primary	1-8	Kaupapa Māori/Steiner approach	200
Middle School West Auckland	Villa Education Trust	West Auckland (TBA)	Restricted Composite	7-10	Christian values	240

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Reference: T2015/847

SH-4-5-3



Date: 28 April 2015

To: Minister of Finance (Hon Bill English)

Deadline: 9am, Wednesday 29 April 2015

**Aide Memoire: Partnership schools Ministers' meeting**

You are meeting with the Minister of Education, Hon Hekia Parata, and Education Under-Secretary, David Seymour, at 9am on Wednesday 29 April, to discuss their proposals for changes to the partnership schools funding model.

You have received a copy of the Ministry of Education's working paper on a new funding model for partnership schools, which responds to proposals developed by the Under-Secretary and sent to the Ministry last week.

**Key points**

The Education Under-Secretary's proposals are to:

- reduce Crown funding for set up costs
- move to an entirely 'per student' ongoing funding rate
- include property funding stream in per-student rate, and reduce property funding costs

In our view, key considerations in assessing the proposals are:

- the amount, and sustainability, of savings that can be achieved
- incentives for educational efficacy
- robustness of the methodology

On balance, we advise against making decisions on the funding model at your Wednesday meeting, based on the advice that the Ministry has been able to develop to date and the need for further work.

Based on the Ministry's analysis to date, the most significant savings are likely to be achieved through changes to set-up funding. If savings is the key objective, there may

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be benefits in focusing on this aspect of the model – it also only impacts on the initial, rather than ongoing funding, so does not make schools as vulnerable to roll fluctuations. However, it does risk prioritising applicants with more financial backing for set-up costs over the quality of the proposed teaching and learning programme.

The move to an entirely per-student rate for ongoing funding is more problematic. We recommend that Ministers discuss the risks and benefits of this, and whether adopting this mechanism will achieve the stated objectives of shifting risk from the Crown to the sponsor and encouraging growth and performance.

### **Recommended way forward**

We recommend that Ministers could ask for further work on two aspects of the advice, and think it would be realistic for Ministers to reach agreement on specific proposals in the next few weeks:

- The implications of reducing set-up costs, including the likely capacity for increased sponsor contributions, and the level of savings if only the set-up costs were reduced
- The scale of savings if the level of property funding was lowered to benchmark against private rather than state school standards, and was reviewed to be consistent with regional market rental costs.

We recommend against making changes toward a per-student ongoing funding rate on this timetable.

### **2016 or 2017 opening date**

We understand that Ministers would like funding model changes in place in time for the next round of partnership schools, with an opening date of Term 1, 2016.

It could be useful to ask for a timeline for the various processes that would need to be completed to enable a 2016 opening date. There is a risk that a compressed timeframe could create errors during partnership school establishment. An alternative could be to have a round now, and provide some flexibility for providers to indicate whether they would be looking to open in 2016 or 2017, depending on readiness.

### **Further background information**

#### ***Proposal to reduce Crown funding for set up costs***

The objectives behind this proposal are to reduce the costs to the Crown associated with start-up partnership schools, to transfer some of the start up risk from the Crown to the sponsor, and to incentivise the sponsor to approach external parties for resourcing.

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Under the status quo, partnership schools receive set-up costs on the same basis as a similar new state school. Set-up costs are made up of three components: six months' salary to appoint a principal pre-opening; six months of property funding pre-opening; and the state school equivalent grant for administration costs (covering general admin costs, curriculum and resources, library and information services). The Education Under-Secretary has identified three proposals for reducing set-up costs:

*Fixed funding:* This option would involve funding principal salary and property set up costs on the same basis, but reducing the general administration set-up cost component. The administration set-up cost component would become a fixed contribution of, for example, \$100k for primary schools, and \$150k for secondary. It would not vary by school size.

*Capped funding or tender process:* A capped pool would fund some, but not all, potential sponsors for some or all set-up costs. Under a tender process, potential sponsors would submit a tender for the start-up costs in their application, with the stated assumption that lower cost applications will be given preference.

Considerations:

- The fixed contribution option (though lower than that currently provided) provides potential sponsors with more certainty than a capped pool or tender process. The Ministry estimates the fixed contribution option would create savings of about \$2.5 million based on current property funding (slightly less than a capped pool with no guaranteed funding), although all three options are scalable.
- However, it is unclear how much capacity there is for set-up costs to be funded from sponsors. As the Ministry identifies, there is a risk that decisions on the approval of sponsors will prioritise applicants with more financial backing over the quality of the proposed teaching and learning programme.

***Proposal to move to an entirely 'per student' ongoing funding rate***

We understand the intention behind this proposal is to reduce the cost of ongoing funding for partnership schools with small roll numbers, and to strengthen the incentives on partnerships schools to recruit new students.

Under the status quo, partnership schools receive ongoing cashed-up funding which includes base funding (to ensure that small schools are viable), per student funding, entitlements which attach to individual students or schools, and a 'Cash for Buildings' property support funding stream.

The Education Under-Secretary has proposed that sponsors should receive a cash-flow equivalent to the per-student funding of an equivalent state school, multiplied by the actual number of students enrolled. In effect, we understand that this would reduce

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the base rate/ guaranteed minimum roll payment for partnership schools with smaller rolls.

The Ministry has modelled the per student rate of high-performing equivalent state schools. The model resulted in potential cost increases for larger schools rather than savings. The Ministry is therefore considering whether tweaking the model could create the desired savings.

*Withheld under s9(2)(f)(iv)*

**Considerations:** There are a number of risks that would support us advising against any decisions on a per-student rate based on the analysis so far:

- *Withheld under s9(2)(f)(iv)*
- The adequacy of funding under a per-student model: moving to an entirely per-student model is likely to make new partnership schools vulnerable to roll fluctuations and possibly unviable if they are unable to attract the expected number of students.
- Schools struggling to attract a sufficient number of students may require ongoing contributions from sponsors, and this risk could come back to the Crown
- It is unclear what incentives a per-student funding model may create as school roll increases – further analysis of this, and the risks and benefits of such a model, is needed.

***Proposal to include property funding stream in per-student rate***

Linked to the above proposal, the Education Under-Secretary has proposed reviewing the 'Cash for Buildings' funding formula to ensure that property funding tracks actual enrolments (rather than based on a school's maximum roll), and is consistent with regional market rental costs.

The Ministry has also raised the possibility of reducing property funding, to for example 70% of Cash for Buildings, on the basis that partnership school property is benchmarked against regulatory standards for private rather than state schools but is funded at a state school equivalent.

**Natalie Nesbitt**, Senior Analyst, Education & Skills, 04 917 6959  
**Grace Campbell-Macdonald**, Manager, Education & Skills, 04 917 6958

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Reference: T2015/1186

SH-4-5-9



THE TREASURY

Kaitohutohu Kaupapa Rawa

Date: 8 June 2015

To: Minister of Finance (Hon Bill English) Associate Minister of  
Finance (Hon Steven Joyce)

### **Aide Memoire: Partnership School | Kura Hourua - Te Pumanawa o te Wairua**

Officials met with Ministers Joyce and Parata on Tuesday 2<sup>nd</sup> June to discuss options relating to Te Pumanawa o te Wairua partnership school in Whangaruru, Northland. Minister's directed Officials to provide an option analysis to inform Ministers ahead of Cabinet on Monday 8<sup>th</sup> June. The Ministry have provided a robust assessment to Ministers for their consideration.

Treasury's initial view (based on very brief review of the Education reports, Crown Law advice and Deloitte audit), was that reasonable steps have been taken and that limited further options were available. We recommended any further work included an assessment of sponsor, Ngā Parirau Mātauranga Charitable Trust's ("The Sponsor") Trust Deed.

#### **Background**

The journey of Te Pumanawa o te Wairua partnership school has been well publicised; it opened in February 2014 with a roll of 70 students and establishment funding of \$1.680 million. From this funding, the Sponsor purchased a farm for \$620,000, with Ministry approval, and has made further improvements so that the estimated resale value is \$750,000.

To date Te Pumanawa o te Wairua partnership school has received funding (including establishment and operational funding) of \$4.013 million in line with partnership school funding and has a roll of 35 students. The ERO reviews and Deloitte report detail systematic failings across all facets of the school's operation, management and governance. Any intervention will have to consider the needs and outcomes of the remaining students.

*Withheld under s9(2)(ba)(i)*



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We think that the following three issues are relevant in considering these options:

**1. Feasibility of Different Interventions**

A decision needs to be made whether to intervene, to keep the school running or to close the school. Any decision to close the school would need to be exercised through negotiation with the Sponsor, legal action or other means.

Intervene and keep Te Pumanawa o te Wairua running

For an intervention to be successful, the following conditions are necessary:

- The Sponsor needs to be willing to work with the Ministry of Education; it is unclear to us if incentives exist for this to occur.
- The Sponsor needs to remain solvent; the Deloitte report signals that liquidity in the medium term may be an issue.
- The core capability of the Sponsor needs to be sufficient to enable an effective intervention. In particular, a capable principal and staff prepared to work in this location would need to be recruited.

*Withheld under s9(2)(f)(iv)*

To date, interventions have failed to have lasting effect and the Sponsor's plans to address the level of systemic failure have not worked.

Closure of Te Pumanawa o te Wairua

For closure of the school to occur, the following conditions appear to be necessary:

*Withheld under s9(2)(h)*

- 
- 
- Alternatively, given the Sponsor has acknowledged that it does not currently have the experience or capability to operate the school to the required standard, the Crown could seek a mutual termination of the Agreement on terms agreed with the Sponsor (including potentially the transfer of the farmland or compensation to the Crown).

*Withheld under s9(2)(h)*

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Withheld under s9(2)(h)

Withheld under s9(2)(f)(iv) and s9(2)(h)

**2. Partnership Schools | Kura Hourua and System Implications**

The partnership schools model was designed to provide flexibility to the sponsors and Crown; with strong performance incentives underpinned by a contractual arrangement that should be easy to exit if the school failed. A decision not to close Te Pumanawa o te Wairua may undermine the incentives in the partnership school model.

Withheld under s9(2)(h)

**3. Student Outcomes**

The Ministry's paper includes a profile of the 35 students who are high priority learners with a range of backgrounds that suggest they have a complex level of needs. Ministers have a range of options when considering how to meet the needs of these 35 students. A decision to intervene and keep Te Pumanawa o te Wairua running may be the most cost effective option.

To get a sense of the return required (measured in improved average achievement outcomes across NCEA Levels One

Withheld under s9(2)(f)(iv)

we compared it with the expected future cost of individuals with similar demographic characteristics<sup>1</sup>. Our modelling suggests the average future liability would be approximately \$115,000 per pupil<sup>2</sup> before age 35 or approximately \$4 million for 35 students. [Note this figure does not include a discount rate, and anecdotal information about the educational history of these children strongly suggests the 35 student in question will have a higher liability than this. We do not, however, have sufficient information to test either of these assumptions in our model].

<sup>1</sup> The estimated future costs are Benefit and Corrections cost up to age 35.

<sup>2</sup> Based on 1990/91 cohort and geographical characteristics. The average forward liability rate for these students' average achievement level was \$55,667 per pupil. This cohort did NCEA L1-L3 in 2006-2010. *Ministry of Social Development's Integrated Child Dataset, Analysis by The Treasury. The lower figure assumes these children are likely to spend up to twice as long on benefit or in corrections as other children in the area, including those with similar complex needs.*

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*Withheld under s9(2)(f)(iv)*



It would require a significant improvement on the school's current performance to reach these levels.

Only one student has achieved a qualification between NCEA Levels One - Three, with the Deloitte report stating "that assessment practices in the school are not consistent with what was outlined and agreed with NZQA...". Both the Deloitte report and ERO reviews raise a range of systemic issues, suggesting it will be difficult to turn this school around.

Ministers may wish to consider other options for how funding could effectively be used to improve the future outcomes of these students, examples to consider could include intensive wrap around services or other alternative educational institutions. You may want to request further information from the Ministry of Education on these options as well as the potential use of the Year 9 Plus pilot initiative.

*Withheld under s9(2)(g)(i)*



**Grace Campbell-Macdonald**, Manager, Education & Skills, 04 917 6958

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**Title of paper – Partnership Schools: Monitoring and evaluation, proposed new funding model, operational review, and further application round**

**Responsible Person: Grace Campbell-MacDonald**

**First Contact Person: Sam Tendeter**

**Purpose**

1. Paper asks Cabinet to:
  - **Approve a new Partnership Schools funding model.** The key changes are to: 1.) reduce the amount of establishment funding for new schools (by replacing the state school set-up grant approach with a fixed contribution for set-up costs); 2.) provide property funding based on 'actual' student numbers rather than maximum school roll; and 3.) Introduce a new teaching and operating rate based on average salary and operational costs for state schools.
  - **Approve the commencement of Round Three of the Partnership Schools application process.**
  - **Note proposed changes to the operational framework.** A more robust establishment framework that would allow the Minister to halt (or defer) the establishment of a Partnership School, if proceeding would result in suboptimal outcomes.

**Comment**

2. The proposed funding changes provide a lower level of funding for schools with smaller rolls than under the status quo funding model. We note that this:
  - Provides an incentive for schools to grow the size of the roll and not maintain the roll at a low level.
  - Provides an incentive for sponsors to access some level of third-party funding during the establishment stage.
  - Sends a signal that government is only willing to support partnership schools of a particular size (although there would be nothing stopping a smaller school operating while also accessing additional third-party funding).
  - Means the establishment process and lead in time becomes critically important to ensure the school is positioned to start successfully and reach the required roll.
3. The table below sets out the overall effect of the proposed funding changes for a hypothetical primary and secondary school:

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Comparison of total costs over four years under current and proposed funding models						
Primary	Prior to opening	Year 1	Year 2	Year 3	Year 4	4 Year total
		roll 50	roll 100	roll 150	roll 175	
Current school with maximum roll 175	466,339	567,077	817,127	1,067,177	1,192,202	<b>4,109,922</b>
Proposed school with maximum roll 175	339,811	491,178	815,755	1,140,333	1,302,621	<b>4,089,698</b>
Secondary	Prior to opening	Year 1	Year 2	Year 3	Year 4	4 Year total
		roll 75	roll 125	roll 200	roll 300	
Current school with maximum roll 300	1,267,557	2,180,748	2,465,497	2,892,622	3,462,123	<b>12,268,547</b>
Proposed school with maximum roll 300	558,736	1,150,853	1,779,613	2,515,042	3,495,612	<b>9,499,857</b>

**Treasury Recommendation**

- We recommend that you **support** the recommendations in this paper.

*Withheld under s9(2)(f)(iv)*

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## Education Amendment Bill 2015: Education Portfolio Policy Proposals

**Responsible Person:** Grace Campbell-MacDonald, Manager, Education and Skills

**First Contact Person:** Margaret Galt, Principal Advisor, Education and Skills (917 6986)

### Purpose

1. The paper seeks policy approval for statutory amendments aimed at modernising dated, inflexible or overly complex legal requirements in education-related statutes.

### Comment

2. The proposals generally do not have wide implications, do not have fiscal costs, and we support them. However, two of the proposals have risks.

*Not relevant to request*

### *Enabling tertiary education institutions to become sponsors of partnership schools*

5. The proposal to allow tertiary education institutions (TEIs) to become sponsors of partnership schools could have some risk to a TEIs' core business as a provider of tertiary education and to the Crown as the owner of the TEI. It will alter the risk sharing model of partnership schools as the financial risk relating to the schools will no longer sit outside the Crown.
6. However, we think this risk can be mitigated and managed through the contract establishing the partnership school and the risk monitoring powers of the Tertiary Education Commission.

### Treasury Recommendation

7. We recommend that you:

a. *Not relevant to request*

- b. **support** the remaining recommendations.

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Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			15/16	16/17	17/18	18/19	Out years	
Education Amendment Bill 2015: Education Portfolio Policy Proposals		Support except for <i>Not relevant to request</i>	<i>Operating</i>					<i>Not relevant to request</i>
			-	-	-	-	-	
			<i>Capital</i>					
			-	-	-	-	-	

RELEASED UNDER THE OFFICIAL INFORMATION ACT