



Stock-take of funding system for school-age education in New Zealand

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Introduction and key policy questions

This report provides you with a detailed stock-take of the current system for funding school-age education in New Zealand.

At a high level, the stock-take is organised around the key policy questions that underpin a schooling funding system. We could consider each of these policy questions to progressively and systematically review schooling funding:

Choices about funding access to schooling

This policy question is about whether schooling funding is universal or targeted and to what extent schooling is free, subsidised or user pays. Within the range of school types we have in New Zealand, we have examples of all of these funding options.

Choices about how delivery of education services is funded

This policy question is about who resources are provided to. Options include:

- groups of schools
- individual schools
- students (e.g. through scholarships)
- staff (e.g. salary payments)
- suppliers (e.g. construction companies)
- other bodies (e.g. private education providers, charitable trusts)

While the majority of our schooling funding goes directly to individual schools, our funding system currently has instances of payments to all of the parties listed above.

Choices about how funding is provided

This policy question is about how resourcing is delivered to those who receive it. Resourcing can be provided:

- in cash
- in kind (e.g. through a teaching entitlement or through a right to use property)
- through programmes (e.g. professional learning and development, social workers in schools)
- through other resources (e.g. curriculum materials)

Any review of schooling funding will need to consider which of these types of resourcing will be included in the review and which are not.

Choices about how funding is calculated

This policy question is about how the funding for each component within the system is calculated. Funding calculations can be either discretionary or formulaic.

If funding is discretionary it can be based on:

- past funding, such as the current system for the heat, light and water component of the operational grant
- central advisory committee (to determine “fair” allocations)
- a criteria based application process, such as the Asian Languages Fund

If funding is formulaic, it can be based on a wide range of factors. Some examples include:

- roll numbers – total number and distribution of students across year levels
- scale (e.g. additional payments for small schools)
- location (e.g. payments for isolation or for location in high-cost area)
- socio-economic disadvantage of community
- Māori language provision
- English as a second language
- transient student population
- special needs
- previous achievement of students (additional payment if low, as in UK)
- performance (additional payment for improved achievement)

Choices about the timing of resourcing

This policy question is about how much certainty is provided to schools by the resourcing system. It includes:

- The timing of funding determinations (e.g. quarter before payment made)
- The frequency and timing of payments
- The ability of recipients to expend in advance / arrears

Choices about how funding can be used

This policy question is about what restrictions, if any, are placed on the use of the resourcing received by schools. Options include:

- limitations on use (e.g. requirements to use particular funding for specified purpose)
- requirements to provide information about the use of resourcing
- accountability for use (e.g. links between statutory interventions and financial management, evaluations of the effectiveness or ineffectiveness of the use of funding, or links between resourcing and performance)

1. Funding of access to schooling

Free Education

Section 3 of the Education Act 1989 guarantees “every person who is not an international student [...] free enrolment and free education at any State school or partnership school kura hourua during the period beginning on the person’s fifth birthday and ending on 1 January after the person’s 19th birthday.”

This is consistent with Article 26 of the United Nations’ Universal Declaration of Human Rights, to which New Zealand is a signatory:

- (1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit
- (2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.
- (3) Parents have a prior right to choose the kind of education that shall be given to their children.

In section 3 of the Education Act, an *international student* (section 2 of the Education Act 1989) is a person who is not: a New Zealand citizen; a holder of a residence class visa (potentially with restrictions to a class of visa specified in regulations); or a person of a class or description required by the Minister by notice in the Gazette to be treated as a domestic student.¹

The free enrolment and free education requirements mean a State school is not generally permitted to charge any compulsory fees. However, it may charge for consumables, take-home items, stationery, clothing, and activities that enhance but are not part of the delivery of the curriculum, providing a parent has freely agreed to incur the charge. A State school may also seek donations, which by definition are voluntary (see Education Circular 2013/06)².

¹ The Education (Domestic Students) Notice 2013, published in the Gazette of 31 January 2013, classified the following as domestic students: a person studying under an approved exchange programme, dependent children of a person studying under an approved exchange programme or studying a PhD or in receipt of an NZ Aid scholarship, a child being adopted, a child in CYFS care, dependent children of foreigners with diplomatic or consular status, dependent children of foreigners with a military visa, dependent children of a recognised refugee seeking residence, a dependent child of a New Zealand resident or citizen if that child has an open application for residence or citizenship, dependent children of a person with a work visa, a child who is a victim of people smuggling, a child unlawfully in New Zealand if the child and a parent have been in New Zealand for more than six months and the child’s last visa was not one of a specified class of visa. (In many of the cases involving children, the child must also hold a student visa to be considered a domestic student).

² The Circular is not explicit about uniform (clothing) or general stationery costs (though some specific stationery items are mentioned). It is considered that parents would normally bear these costs, but if a parent is not able to bear the cost or make other arrangements to provide, schools would be expected to make reasonable accommodation. It is considered unlikely that a school would be able to exclude a child under its disciplinary policies for not wearing a compulsory uniform, if the reason for not having a uniform was inability to obtain one.

The duty to provide free enrolment and free education is interpreted to include the provision of reasonable access to the education. This duty is fulfilled by providing a widespread network of schools and transport assistance (see *Assistance to attend free education* on page 8), as well as correspondence schooling.

Special education students are entitled to enrol at a school or receive education or help from a special service, from any age up until the age of 21, if the Secretary of Education is satisfied that they should receive special education (section 9 of the Education Act 1989). It is not stated in the Education Act that the resulting education must be free in all cases. In practice, special education services provided under section 9 are free.

The provision in section 9 is expressed as a permission to provide additional services, rather than a compulsion. However, it has been argued by some that special provision – over and above what would be provided in the typical case – is sometimes required to ensure reasonable access to schooling for students with special needs. If correct, then in tandem with section 8 which concerns equal rights to education for children with special needs it could bring special provision within the scope of the compulsory section 3 (this is a difficult issue of interpretation which has been the subject of court proceedings).

Adult students (those over 19) are not guaranteed a free education in a State school. In practice though, adult domestic students may be enrolled in a State school and receive a free education, providing certain conditions are met (these conditions are in part to ensure that adults are not enrolled as secondary students when they would more properly be enrolled in Adult Community Education; see Education Circular 2004/07).

Crown appropriations to directly enable the delivery of free education by State schools and Partnership schools amount to approximately \$6.7 billion per year (see Figure 1):

- \$2.9 billion for primary-level education (mostly teacher salary costs and operational funding).
- \$2.1 billion for secondary education (mostly teacher salary costs and operational funding).
- \$1.4 billion for the accrued costs of providing school land and buildings (mostly capital charges, depreciation, and maintenance costs).
- \$0.3 billion for special needs support (mostly payments to special schools to sustain their operations, payments to fund Alternative Education, payments to other State schools to employ and support Resource Teachers: Learning and Behaviour, to provide some special education services, to provide support for students whose first language is not English, and for delivering Positive Behaviour for Learning programmes).

There are additional Crown appropriations for alternative educational programmes delivered by State and State Integrated schools:

- Secondary-tertiary programmes, such as trades academies (\$55.6 million, of which \$41.3 million goes to schools).
- Service academies (\$3.6 million of funding, of which \$2.7 million goes to schools).

Legislated exceptions to free education

Integrated schools

There is an explicit exception to section 3 of the Education Act 1989 for State Integrated schools.

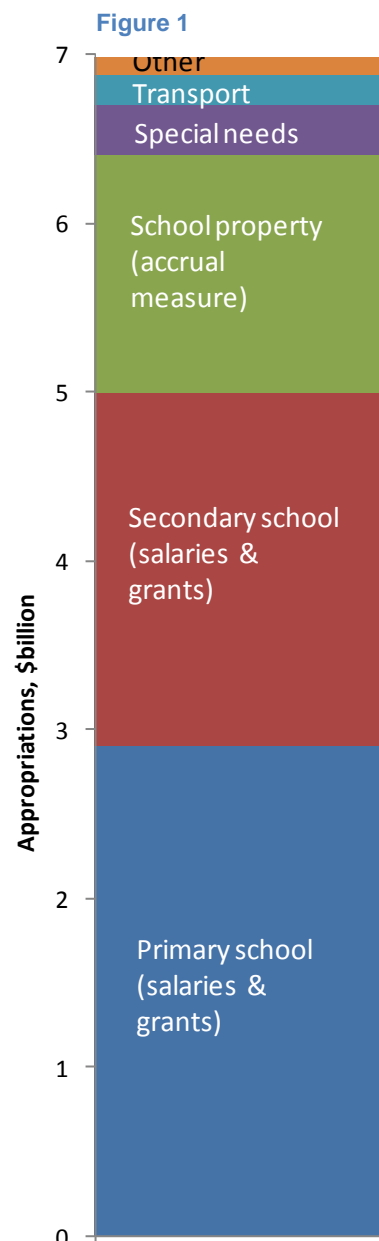
State Integrated schools must generally provide “free education on the same terms and in accordance with the same conditions as pupils enrolled at a State school are given free education”, but proprietors are permitted to charge compulsory “attendance dues” (sections 35 and 36 of the Private Schools Conditional Integration Act 1975). These are technically paid to the proprietor, not the school.

Attendance dues must be applied by the proprietor solely to pay charges associated with the land and buildings constituting the premises of the school, this property generally being owned or provided by the proprietor of the school rather than the Government. No revenue from compulsory dues may be used to provide or improve buildings to a higher standard than considered acceptable for a comparable State school.

Dues are required to be approved by the Minister of Education. In practice the approval is for a maximum amount and schools may charge less.

Dues vary widely, particularly outside the group of schools with Catholic proprietors. Some schools have not sought approval to charge any due at all, while others have received approval to charge more than \$2,500 per student. A typical maximum due would be \$500 for a primary school and \$1,000 for a secondary school (excluding GST).

Some students default on the payment of the due, and at some schools the number of defaulters is a significant proportion of the total roll. Proprietors have legal rights to recover unpaid dues as debt and to cease the enrolment of a student when there is default, but it is relatively common that these rights are not exercised.



Correspondence schools and night classes

There are other exceptions to section 3 of the Education Act 1989 for:

- Domestic students receiving tuition from a correspondence school if they are enrolled at a private school, have a long-term exemption from the requirement to be enrolled full-time at a school, or if they are aged 16 or over and are not enrolled full-time at school.
- Students in classes provided by a school but held outside normal class hours and open to people not enrolled full-time at the school.

Fees may be charged by the board of trustees in these two cases.

In the case of a correspondence school, the Minister must consent to the charges imposed by the board of trustees. Te Aho o te Kura Pounamu currently:

- Charges \$110 per course (an administration fee) for students who are 20 or older.
- Does not charge fees for students aged 16-19 who are not attending school full-time.
- Charges fees of several hundred to several thousand dollars for students aged under 16 who have a long-term exemption from the requirement to be enrolled full-time at school (such as home-schooled students, who can purchase up to 2 courses).
- Charges fees of several hundred to several thousand dollars for students attending another school full-time, including private school students, if those students do not meet specified conditions for free enrolment in a course (see Te Aho o te Kura Pounamu (Te Kura) Enrolment Policy, published in the Gazette on 2 April 2014). Crudely speaking, the specified conditions would exclude common cases in which free enrolment would be available.

International students

International students are permitted to enrol at a State school, but they receive no state funding. They must pay fees to at least cover the operating and capital costs of the school's board generated by their attendance, as well as a fee to reflect costs incurred by the Crown (see section 4D of the Education Act 1989, and the Education (Board Fees Reimbursement for Foreign Students) Notice 2009, published in the Gazette of 25 June 2009).

Private school students

Students at a private school are not entitled to a free education (by the definition of "State school" in section 2 of the Education Act 1989).

But registered private schools currently receive a government subsidy. This subsidy is \$41.5 million, and is divided up and paid to schools according to the number and year level of enrolled students (in 2014, amounts ranged from \$1,033 per student to \$2,200 per student, excluding GST; see Education Circular 2013/24).

The Government also provides scholarships to some students from low-income families so that they can attend registered private schools. The annual amount set aside for these “Aspire Scholarships” is \$4.1 million. Each qualifying student receives up to \$15,000 per year for tuition fees and \$1,500 per year for course-related costs, for the duration of their secondary schooling. Aspire Scholarships are technically funding for students rather than funding for schools, although in practice the tuition fees are paid directly to private schools.

Home-schooled students

Home-schooled students are not entitled to a free education (by the definition of “State school” in section 2 of the Education Act 1989).

However, a home schooling supervision allowance may be paid to a parent or guardian. This is \$743 per year for the first child, \$632 for the second, \$521 for the third, and \$372 for subsequent children. Approximately 5,500 home schooling allowances were paid in 2013/14. The annual amount set aside for home schooling allowances is \$5.1 million per year.

The government does also provide some special education services such as therapy and assistive equipment to home-schooled students with identified special education needs.

To state the obvious, the supervision allowance and special education provision are funding to students, not funding to schools.

Assistance to attend free education

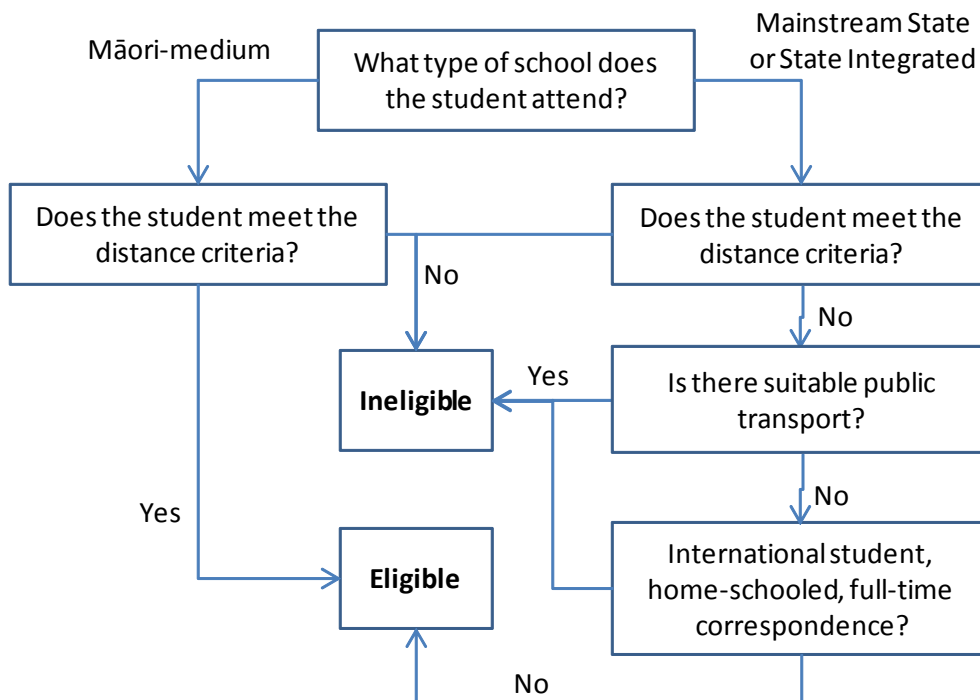
Transport assistance

Section 139D of the Education Act 1989 permits the Ministry to pay schools to provide transport to their students, arrange transport providers to provide school transport, or contribute to the cost of parents providing school transport.

The Ministry currently provides payments or a place with a transport provider to students:

- Attending a Māori-medium school and living more than 3.2km (for year 1-8 students) or 4.8km (for year 9+ students) from that school; or
- Attending a State or State Integrated school, and meeting all of the following conditions:

- Living more than 3.2km (for year 1-8 students) or 4.8km (for year 9+ students) from the nearest appropriate³ school
- There are not suitable public transport services⁴ available to the nearest appropriate school
- The student is not enrolled full time at a correspondence school, home-schooled, or a foreign fee-paying student.⁵



(Source:

<http://www.minedu.govt.nz/NZEducation/EducationPolicies/Schools/SchoolOperations/SchoolTransport/Eligibility.aspx>, as at 27 May 2015).

³ The nearest appropriate school is usually the nearest State school or nearest State Integrated school with a special character the parent identifies with. A school is *not* considered appropriate if it is the wrong year level for the student, a single sex school of the wrong gender, a special character school and the parent does not identify with the special character, a private school, a school which does not teach predominantly in the parent's choice of language (English or Māori), a school with an enrolment scheme or disciplinary policy which prevents the child from attending.

⁴ A suitable public transport service is one which: firstly, travels within 2.4km of the entrance to the student's home and within 2.4km of the school; and secondly, has a timetable which allows the student to arrive at school on time without being picked up before 7.00am, allows pickup no more than one hour after the end of the school day, and does not require more than one change of transport service during the journey.

⁵ These limitations do not explicitly apply to students attending Māori-medium schools. It seems unlikely that it was intended that – for instance – an international student would attend a Māori medium school and receive transport assistance, but it is uncertain how the rules would currently apply if there ever was such a circumstance.

In the case of students with special needs, the Ministry will provide a payment or transport if the student cannot, because of mobility or safety needs, travel independently to the nearest school or setting that meets their needs. Students staying at a residential special school are not eligible.

The annual appropriation for school transport is \$182.7 million:⁶

- \$99.4 million is budgeted for transport providers offering daily bus routes, and transport to technology education providers (this is funding which does not go to schools).
- \$43.7 million is budgeted for schools, including kura, which provide their own transport (this is funding for schools).
- \$35.9 million is budgeted for transport for students with special needs.
- \$3.8 million is budgeted for parents in “conveyance allowances” to assist them with the costs of transporting their children to school (this is funding which does not go to schools).

A further \$0.5 million is appropriated for payments to “bus controllers”, school teachers who play a role in co-ordinating local transport services. This is effectively funding for schools, because these teachers are employed by schools.

Boarding allowances

The Government pays boarding allowances to a student who applies and who meets one or more of the following conditions:

- Lives too far from their nearest school (closest transport service is unreasonably far away, travel each way to school exceeds one hour, or drive to nearest school is an unreasonable distance).
- Shows significantly lower achievement than same-age peers.
- Has difficulty engaging in classroom learning, completing schoolwork, maintaining attendance, and engaging in extra-curricular activities.
- Is disruptive, harms oneself or others, participates in criminal activities, or has a history of being excluded from school.
- Is socially isolated or lacks respect for others.
- Has come to the attention of government social agencies, lacks family and community support, has poor role models, or is exposed to physical or psychological harm.

⁶ Note that the components do not add precisely to the total amount. This is owing to all figures having been rounded to the nearest \$100,000.

\$11.3 million per year is appropriated for boarding allowances. Individual students may receive from \$3,200 to \$7,500 each.⁷ This is technically funding for individual students rather than schools, but boarding fees are paid to schools. In a small number of cases, there is an additional payment to assist with travel to the boarding school.

In addition to the allowances for students, schools where the students are boarding may receive up to \$500 per student to support pastoral care services (if students meet set criteria).

Puawaitanga Scholarships

These scholarships cover boarding costs and attendance dues at any of six State Integrated Māori boarding schools. They also provide \$1,500 to each student to support their education.

There are 90 scholarships available at any one time. 87 were awarded in 2013/14.

\$1.2 million was budgeted for the scholarships in 2014/15.

The money is technically funding for students, but boarding costs and attendance dues are paid to schools.

The remainder of this report focuses mainly on funding for schools, rather than funding for individuals (even if paid to schools).

⁷ There are also some other boarding bursary schemes which are now closed to new entrants, but which will continue for students already in them until they finish their secondary schooling. The amount available under these older schemes is sometimes less than \$3,200. Students covered by the old scheme are free to apply for a bursary under the new scheme instead, in order to receive a higher payment, but not all would qualify.

Figure 2: Summary of government provision

	State non-integrated school	State integrated school	Correspondence school	Private school	Other
Government explicitly required by law to provide	<i>Free education</i> for domestic students aged 5-19 (parents pay for costs such as stationery and some school trips if they consent)	<i>Free education</i> for domestic students aged 5-19 (except that compulsory attendance dues may be charged to cover property costs; and parents pay for costs such as stationery and some school trips if they consent)	<i>Free education</i> for domestic students who meet specified conditions for enrolment and are: (1) aged 5-16, or enrolled full-time at another school and aged 16-19; and (2) not attending a private school or being home-schooled.		
Government implicitly required by law to provide (may currently provide to a greater extent than the law requires)	<p><i>Free special education*</i> from 5-19 (in a State School) if the Ministry of Education determines the person should receive special education.</p> <p><i>Boarding Bursaries</i> to subsidise the cost of boarding for students who meet remoteness or other need-based requirements.</p> <p><i>School transport</i> for domestic students, if certain eligibility conditions are met.</p>	<p><i>Free special education*</i> from 5-19 (in a State School) if the Ministry of Education determines the person should receive special education.</p> <p><i>Boarding Bursaries</i> to subsidise the cost of boarding for students who meet remoteness or other need-based requirements.</p> <p><i>School transport</i> for domestic students, if certain eligibility conditions are met.</p>			<i>Free special education*</i> from 5-19 (by receiving another service) if the Ministry of Education determines the person should receive special education.
Discretionary government provision	<p><i>Free education</i> for domestic adult students who meet certain conditions to ensure they are genuinely enrolled in a school-level programme (pay for costs such as stationery and some school trips if they consent)</p> <p><i>Free special education</i> from 0-21 (in a State School) if the Ministry of Education determines the person should receive special education.</p>	<p><i>Free education</i> for domestic adult students who meet certain conditions (except that compulsory attendance dues may be charged; and adult may pay for costs such as stationery and some school trips if they consent)</p> <p><i>Puawaitanga Scholarships</i> to cover boarding costs and attendance dues at Māori boarding schools.</p> <p><i>Free special education</i> from 0-21 (in a State School) if the Ministry of Education determines the person should receive special education.</p>	<p><i>Free education</i> for all students aged 16-19 who are not attending another school full-time.</p> <p><i>Large subsidy</i> for domestic adult students (free except admin fee of \$110 per course)</p>	<p><i>Aspire Scholarships</i> to fund up to \$15,000 per year of private school fees</p> <p><i>Subsidy</i> for each enrolled domestic student.</p> <p><i>Boarding Bursaries</i> to subsidise the cost of boarding for students who meet remoteness or other need-based requirements.</p>	<p><i>Home-schooling allowances</i></p> <p><i>Free special education</i> from 0-21 (by receiving another service) if the Ministry of Education determines the person should receive special education.</p>
No government-funded provision	International students	International students	International students Home-schooled students	International students	International students

* Extent of legal obligation unclear.

2. How delivery of school education services is funded

Since 1989, school funding has been provided directly by the State to boards of trustees of state and state integrated schools.⁸ Each board of trustees, with rare exceptions, runs one school.^{9,10}

There is no “middle layer” of funding administration (e.g. regional school board) in New Zealand. However, in some cases, the funding boards receive is to be shared between schools. For instance, some boards receive staffing entitlements that include Resource Teachers: Learning and Behaviour and supporting cash funding; it is generally intended that these teachers will serve a cluster of schools, and that the funding will be distributed within the cluster according to need.

Section 91N of the Education Act 1989 allows the Ministry of Education – rather than the Board of Trustees – to directly employ teachers in a school. No examples have been found of this power being used.

3. How funding is provided

State and State Integrated schools

Funding is provided to state and state integrated schools in several forms:

- **Staffing entitlement**, in full-time-teacher-equivalents. This entitlement is a number of teachers, not a cash payment to schools. Schools hire regular teachers within the entitlement. The Crown is then obligated by section 91C of the Education Act 1989 to pay their salaries, however much those salaries might be. Salary payments are attributed to individual schools and appear in their annual financial statements, but in reality the schools never receive the cash: salaries are paid directly from the government to teachers through the centralised Novopay system. Approximately \$3.7 billion per year is budgeted for entitlement-based teacher salaries.¹¹

⁸ This document considers funding provided through Vote Education. Some schools receive funding from other Votes. Schools also receive money from their communities, in the form of donations, net fundraising proceeds, or other net contributions. According to schools' financial statements, Ministry of Education funding is approximately 90% of total net funding across the school sector.

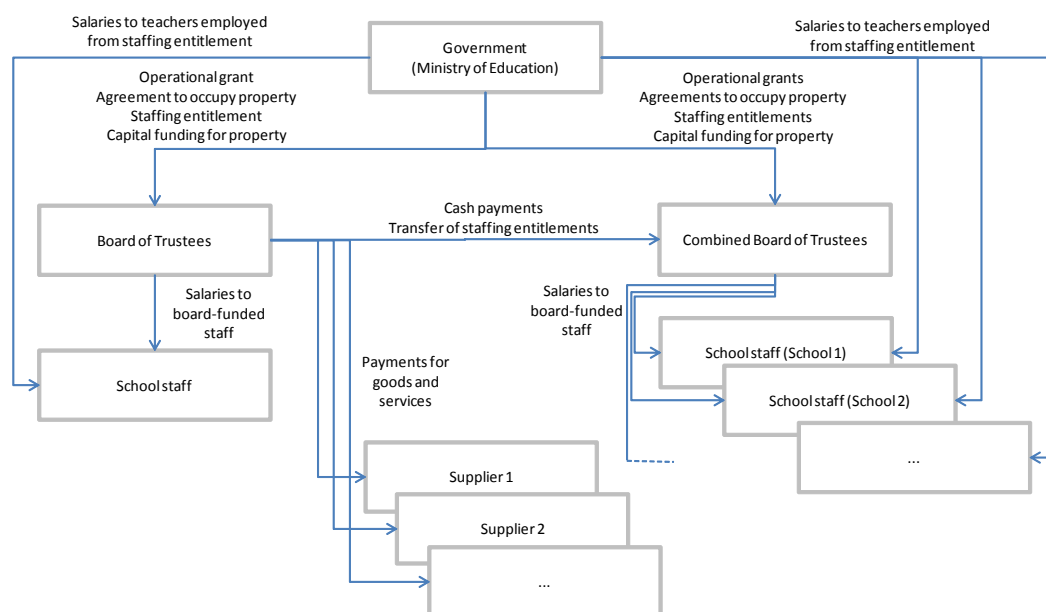
⁹ It is possible to create a “combined board” under section 110 of the Education Act 1989, which is then responsible for running more than one school. Since 1995, only a small number of schools have formed, and not dissolved, combined boards.

¹⁰ Before 1989, each secondary school had a Board of Governors which received funding from the State, but primary schools did not receive direct State funding. Instead, funding was provided to a “middle layer” of regional education boards, each of which was responsible for governing multiple primary schools.

¹¹ The number of regular teachers is restricted by annual Orders in Council. The Ministry will also directly pay the salaries of some relieving teachers, under section 91(3) of the Education Act 1989 and the Education (Payment of Relieving Teachers) Order 2012. Wages and salaries for teachers employed outside the staffing entitlement, and for other staff such as administrators, are also often paid through the centralised Novopay system, but in these cases the school directly bears the cost of the salaries and its bank account is debited after the government has made the salary payment.

- **Operational grant funding**, in cash (approximately \$1.5 billion per year is budgeted). Section 79 of the Education Act 1989 authorises the Minister of Education to determine grants paid to boards of trustees, from public money appropriated by Parliament for the purpose.
- **Property provision**, typically in the form of right to occupy school land and buildings owned by the government or an Integrated school proprietor, but occasionally in the form of cash which a school may use to lease or otherwise obtain occupancy of property owned by a third party (approximately \$1.4 billion per year is budgeted for accrued costs to the Crown).¹² The right to occupy school land and buildings is governed by a property occupancy document and section 80 of the Education Act 1989. The effect of the property occupancy document and section 80 may be modified by individual integration agreements under the Conditional Private Schools Conditional Integration Act 1975, for Integrated Schools.
- Schools receive **additional support** in the form of in-service training, subsidised computers for teaching staff, and so on. When the Partnership school funding model was developed, it included a funding component to reflect such additional in-kind support. That component, which was based on the costs of support to State schools, was \$276 per student.

Figure 3: Major funding flows (schooling)



¹² The school receives cash as part of its operational grant to insure school contents and to maintain the property it occupies. Over and above these amounts within the operational grant, it may also receive capital sums. These are mostly used to pay for significant upgrades and redevelopment of Ministry-owned property, and are applied by the school on the Ministry's behalf. There is an exception for capital funding for furniture and equipment; this is used to purchase assets which the school (not the Ministry of Education) owns and subsequently maintains from its operational grant.

The Correspondence School

Te Aho o te Kura Pounamu (the Correspondence School) receives a core cash grant which is used to pay staff salaries and other operational expenses. In 2014 the grant had two components: a base component of \$19.2 million including GST and a component based on the number of full-time-equivalent students of \$33.1 million (these figures include funding for early childhood services provided by the School, which are minor in comparison with the total). There were additional payments of \$4.8 million¹³ in 2014 for special needs support, trades academy students, supervision of students, and a number of other minor initiatives.

Partnership schools

Partnership schools receive a single, combined cash grant, which is used to employ staff and pay other operational expenses including property costs. These schools do not receive a staffing entitlement.

The Partnership school funding formula (as at 2014) has four components: a base component, dependent on the type of school; a general per-student component; a property and insurance component based on the physical area of property; and a “cashed-up” component, which depends on the number of students and proxies non-cash assistance provided to State schools.

Approximate funding rates for 2014 (excl. insurance)

School type	Base	Per-student	Property (approx. per m ²)	“Cashed-up” (per student)
Primary	\$147,531	\$4,725	\$132	\$276
Composite*	\$578,021	\$5,072	\$145	\$276
Secondary	\$1,008,511	\$5,419	\$162	\$276

* Depends on mix of primary and secondary students. Figures are provided for a school with a 50% primary, 50% secondary roll.

The area of property is determined in the same way as for a State school, based on school rolls and school type. Insurance costs are based on average costs for insuring State school property.

4. How funding is calculated

School funding in New Zealand is mostly determined by formula.

State and State Integrated school staffing entitlements

In the case of staffing entitlements, the formula for the number of teaching staff is legislated. The resulting salaries are governed by the relevant collective agreements, which also have a significant formulaic content.¹⁴ The Crown manages its fiscal risk

¹³ This amount includes all GST payable. Payments for supervision of students are GST exempt.

¹⁴ Fixed pay scales determine the base salary of teachers and principals. For teachers, their position on the scale is determined by their formal qualifications (diploma, degree, etc.) and their number of years of teaching experience. For principals, base salary depends mainly on

by limiting staffing entitlements and assuming a particular level of salary and allowance payments.

Formulaic components of funding for teachers

The major formulaic components of the staffing entitlement for most State and State Integrated schools are the *curriculum delivery allowance*, the *management time allowance*, and the *additional guidance allowance*. These are collectively known as “entitlement staffing”.¹⁵

Curriculum delivery allowance

The curriculum delivery allowance is determined primarily by the number of students at each year level, and a given staffing ratio for each year level (clause 51 of the 2014 School Staffing Order). The staffing ratio depends on whether the students are in Māori-medium education for more than 12.5 hours per week, and is generally lower if they are. Ratios are lowest in year 1 (new entrants) and the upper years of secondary schooling, and highest in the upper years of primary schooling.

Year level	Students per full-time-teacher-equivalent	
	Māori-medium	Non-Māori-medium
1	15	15
2-3	18	23
4-8*	18	29
9-10	20	23.5
11	20	23
12	18	18
13	17	17

* There is also additional technology staffing of 1 full-time-teacher-equivalent for every 120 students in years 7-8. This staffing entitlement goes to the school where the student receives technology education.

The ratio-based entitlement is supplemented by:

- A maximum class size guarantee for primary (year 1-8) rolls – for a school with fewer than 176 primary students, the guarantee ensures that the average student-to-teacher ratio across the entire primary roll is less than 25. This is achieved by rounding the number of full-time-equivalent teachers up to the next *whole number* required to achieve this. For a school with more than 176 primary students, the guarantee ensures that there are no fewer than 7 teachers.
- Base curriculum staffing for secondary (year 9-13) rolls – provides additional teaching staff at each secondary year level with students in it, ranging from just over 0.5 teachers per year level for a very small secondary roll, to 1.2 teachers

the size and decile rating of the school. A range of allowances supplement the base salary. For teachers, “salary units” may be awarded to teachers and carry additional salary; schools have a fixed number of units to allocate and policies for allocating them between teachers vary.
¹⁵ For the avoidance of confusion: “entitlement staffing” is one of many elements of the “staffing entitlement”. The terminology is awkward but reflects the relevant legislation.

per year level for a secondary roll exceeding 200 (for the normal case of 5 secondary year levels, this means 2.5-6.0 additional teachers).¹⁶

- Technology staffing for schools that provide technology education – provides one full-time equivalent teacher for every 120 students attending technology education at the school (such students would typically attend for only a fraction of each school week, and not necessarily for the entire school year).

The curriculum delivery allowance is rounded up to the next decimal point if it is not divisible exactly by 0.1.

Management time allowance

The management time allowance has two sub-components. The first sub-component is determined by the school's weighted roll and the square root of the school's weighted roll.¹⁷ The use of the square root means that the management time allowance rises more rapidly with roll increases when the total roll is low, and less rapidly when the total roll is high. The second sub-component is a stepped allowance, which depends on a school's total roll but is capped at 1.0 full-time equivalent teachers.

The management time allowance is rounded down to the nearest decimal point, if it is not exactly divisible by 0.1.

Additional guidance allowance

The additional guidance allowance is provided only to schools with secondary (year 9-13) students on the roll. It is determined by the number of secondary students, and the number of secondary year levels (for instance, three for a senior high school and five for a full secondary with students enrolled in every year). There is a cap of 0.45 full-time equivalent teachers for each secondary year level, which in practice means the allowance stops increasing once the total secondary roll reaches 200.

The additional guidance allowance is rounded to the nearest decimal place, if it is not exactly divisible by 0.1.

Minor Formulaic Components

In addition to the major formulaic components, there are numerous minor formulaic components:

- Special education staffing allowance (clause 30) – this is based on the number of students on the school's special education list (these are students with a high level of special needs, covered by the Ongoing Resourcing Scheme (ORS)). For three schools – Kelston Deaf Education Centre, van Asch Deaf Education Centre, and BLENNZ – there is an additional allowance for students who are not on the school's own special education list but which the school has some responsibility for because of identified special needs.
- Special education management allowance (clause 31) – this depends directly on the special education staffing allowance.

¹⁶ There are schools with fewer than five secondary year levels, such as restricted composite schools and so-called senior high schools. These schools have correspondingly lower base staffing.

¹⁷ The weighted roll is based on the resourcing roll, but gives less weight to students in lower year levels and more weight to students in higher year levels.

- Beginning teacher allowance (clause 32) – this is a staffing allowance which is made available when the school employs a beginning teacher, for up to the end of the second year of that teacher’s teaching. The allowance is 0.2 of a full-time equivalent teacher (FTTE) in the first year and 0.1 of an FTTE in the second year for a full-time teacher. The allowance is explicitly required by the Secondary and Area Schools Collective Agreements, so that the number of teaching (class contact) hours can be reduced for beginning teachers. It is not explicitly required by the Primary Schools Collective Agreement, but is provided anyway.¹⁸
- Head of department beginning teacher time allowance (clause 33) – this is made available to high schools and area schools¹⁹ with beginning teachers, to allow senior staff additional time to provide guidance to new teachers. For a secondary school it is 0.04 FTTEs per first- or second-year beginning teacher. For an area school it is 0.04 FTTEs per first-year beginning teacher. This allowance is explicitly required by the Secondary and Area School Collective Agreements.
- Resource teacher support allowance (clause 34) – this is made available to schools which employ resource teachers of literacy, literacy (Māori), Māori, vision, or hearing.²⁰ It is 0.05 FTTE per resource teacher.
- Overseas teacher time allowances (clauses 35 and 36) – these are made available to schools which have recently hired overseas-trained teachers who have only been teaching in New Zealand for a short period and do not generate a beginning teacher allowance. The allowance for a high school or an area school is 0.1 FTTE per qualifying teacher, provided for a maximum of 20 weeks. This is consistent with requirements in the relevant collective agreements. There is no explicit requirement for such an allowance in other collective agreements, but it is provided to other schools at a rate of 0.1 FTTE per qualifying teacher, for a maximum of 10 weeks.
- Study support grant time allowance (clause 37) – this is provided to high schools or area schools if a teacher in the school has been awarded a study support grant. There are 100 such grants available for secondary teachers each year and 12 available for area school teachers. The allowance is 0.16 FTTEs per teacher in receipt of the grant, which is consistent with the requirements of the relevant collective agreements. This would allow, for instance, the employing school to appoint an additional part-time teacher for 4 hours per week, thus freeing up the teacher with the study support grant during this time.

¹⁸ These three collective agreements are the main employment agreements covering teachers in State secondary, composite and primary schools respectively. There are also corresponding collective agreements for school principals.

¹⁹ See [Appendix – glossary of school types](#) on page 61 for further information.

²⁰ Resource teachers: hearing were added to the provision in the 2015 Staffing Order; it appears their earlier omission was unintended.

- Classroom release time allowance (clause 38) – this allowance is provided to allow full-time or near-full-time primary teachers an hour of release time (non-class-contact time) in each teaching week. This allowance is provided only for schools with primary rolls.²¹ The classroom release time allowance provides an additional 0.04 FTTEs per teacher. The number of teachers the 0.04 addition is applied to is defined slightly differently depending on the type of school. In all cases, if the total number of teachers has a fractional part that is less than 0.8, it is rounded down to the nearest whole number. The allowance provided is likely to be more than is required by the Primary and Area School Collective Agreements, though in odd cases it could be less and schools would need to use their other staffing entitlements to provide the required release time.^{22,23}
- Large area school additional management staffing allowance (clause 39) – two additional FTTEs are provided to an area school with at least 750 students. There were six State and State Integrated composite schools with rolls of more than 750 in 2014.
- Specialist classroom teacher time allowance (clause 40) – additional staffing is provided to secondary schools, based on their rolls. If the school's roll is 1,200 or fewer students, the allowance is 0.16 of an FTTE. If the roll is greater than 1,200, the allowance is 0.32 of an FTTE.
- Specialist teacher time allowance for area schools (clause 41) – additional staffing is provided to area schools based on their rolls. If the school's roll is 100 or fewer students, the allowance is 0.08 of an FTTE. If the roll is greater than 100, the allowance is 0.16 of an FTTE.
- Activity centre allowance (clause 42) – if a school operates an activity centre (for students who have been removed from mainstream schooling), this allowance provides additional staffing to operate the centre. The allowance is based on a notional roll of 20 students per centre and a teacher-to-student ratio of 10:1. Previous ERO reviews have found that the actual roll is usually less than the notional roll.

²¹ It is implicit that curriculum staffing ratios for secondary year levels are set low enough to allow the contact time stipulated by collective agreements, without the need for a specific allowance.

²² The Primary School Collective Agreement requires only that the release time equate to 40 hours per full-time-equivalent teacher per year, but the allowance is provided for the whole year (just over 52 hours). The Area School Collective Agreement requires “an average of 24 hours maximum timetabled classroom teaching time per week”, which could be taken to imply an hour of release time for a full-time-equivalent teacher each teaching week, but the allowance is provided in every week including holidays.

²³ The Primary and Area School Collective Agreements impose *no* requirement for release time where the teacher is a part-timer working fewer than 80% of full-time hours. However, by first aggregating the full-time-equivalent teacher numbers and only then removing any fractional part if it is less than 0.8, the actual allowance could be higher (e.g. 12 teachers working 40% = 0 but would be calculated as 4.8 and not rounded down) or lower (e.g. 7 teachers working 90% = 6.3, but would be inappropriately rounded down to 6.0) than the collective agreements would suggest. This appears to be an error in the design of the formula in the Staffing Order.

- Teen parent unit allowance (clause 43) – if a school operates a teen parent unit, this allowance provides additional staffing to operate the unit. The allowance is based on a notional roll determined in the School Staffing Order for each unit, and a teacher-to-student ratio of 10:1.
- Te Atakura allowance (clause 44) – this allowance is provided to high schools and area schools for each teacher of te reo Māori who completed training under the Te Atakura scheme before 1993. This scheme trained teachers in the support of Māori students, and the allowance is to allow additional time to provide such support. The allowance is 0.5 FTTE per qualifying teacher, which reflects conditions in the relevant collective agreements.
- Instrumental and music tuition allowance (clause 45) – this allowance is provided to high schools, area schools and restricted composite schools.²⁴ The allowance for a high school or an area school is 0.001 of an FTTE per student in year 7 or above. The allowance for a restricted composite school is 0.001 of an FTTE per student in year 9 or above. The allowance need not be used for any particular purpose, but schools may transfer some or all of the allowance to one of 15 approved schools that employ itinerant music teachers, in return for the services of those teachers.
- Itinerant music teacher allowance (clause 46) – this allowance is provided to high schools which have permanently appointed full-time itinerant teachers of music. In practice, there are 15 such schools and the number of itinerant teachers they may employ is limited by the School Staffing Order to 64 in total.²⁵ The allowance is 0.1 FTTE per itinerant teacher, up to a maximum of 0.4 FTTE per school.
- Community of schools release time allowance (clause 47A of the Education (2015 School Staffing) Order 2014) – this allowance was added in the 2015 year to provide time for teachers in communities of schools to share their expertise. The allowance is 0.4 FTTE for each teacher employed by the school in the role of “Community of Schools Leadership” or “Community of Schools Teacher (Across Community)”, and 0.08 FTTE for each teacher employed by the school in the role of “Community of Schools Teacher (Within School)”.²⁶

²⁴ See [Appendix – glossary of school types](#) on page 61 for further information.

²⁵ It is unclear whether this limitation could be strictly enforced. The Staffing Order technically limits the number of FTTEs that the 15 schools may *relinquish to other schools* under agreements to transfer itinerant teacher entitlements (it is unclear why they would ever wish to do this). The Order does not limit the number of FTTEs that may be transferred to the 15 schools, the total number of such teachers that may be employed, or the schools that may employ them.

²⁶ The term “community of schools” is defined to be a group of schools approved as a community of schools by the Minister of Education (e.g. clause 6 of the Education (2015 School Staffing) Order 2014), but the particular roles – e.g. Community of Schools Leadership – are not further defined. However, the maximum number of roles in a community of schools is explicitly limited (e.g. clause 19A of the Education (2015 School Staffing) Order 2014).

- Community of schools inquiry time allowance (clause 47B of the Education (2015 School Staffing) Order 2014) – this allowance was added in the 2015 year to provide time for teachers in communities of schools to observe teaching practice. The allowance is a lump-sum of 0.05 FTTE for a school in a community with fewer than 10 FTTEs employed by all constituent schools, and (effectively) .006 FTTE *per FTTE* employed by a school that is in another community.²⁷

Salary units

Salary units, currently worth \$4,000 of additional salary to a teacher who holds one, are provided for all schools. The formula for the number of units differs by the type of school.

In primary schools, intermediate schools, and special schools, the number of units is determined in two parts (clause 16)²⁸:

- The first part is determined by subtracting one (the principal, who receives no units) from entitlement staffing,²⁹ multiplying the result by 1.28, subtracting 1.70 and rounding to the nearest whole number.³⁰
- The second part is determined by multiplying special education staffing (as determined in clauses 30 and 31) by 1.28 units and then rounding the result to the nearest whole number.

In a similar way, in secondary schools the number of units is determined in several parts (clause 17):

- The first part is determined by subtracting one from staffing, multiplying the result by 1.2, adding 8, and rounding to the nearest whole number.

²⁷ In the 2015 School Staffing Order the FTTEs are only those included in the formula generated staffing (curriculum delivery, management time, additional guidance), calculated based on *provisional* rolls.

²⁸ By determining the number of units in two parts, it is clear which units relate to ordinary staffing and which relate to special education staffing. Because special education staffing is linked to particular high-special-needs students, it follows these students when they move schools. Separating the units that relate to special education staffing makes it easier for schools to track entitlements and related units when such a student arrives or leaves. A drawback of the determination in two parts is that rounding is required for each part. A school with, for example, 0.4 units from the first part and 0.4 units from the second part, would have rounded entitlements of 0 and 0, whereas another school with 0.5 units from the first part and 0.5 units from the second part would have rounded entitlements of 1.0 and 1.0. Combining the entitlements and only rounding once would lead to an entitlement of 1.0 for both schools.

²⁹ To be precise it is technically *not* entitlement staffing, which is determined using only provisional rolls or March rolls, but “formula-generated staffing”, which is calculated using the same formula but with the rolls at *any particular date*. The operational practice is to use entitlement staffing because it is more practical. Similar comments apply to the senior management and middle-management allowances that are described later and depend on particular components of formula-generated staffing.

³⁰ In some cases involving small schools the formula produces a negative number. The operational practice is to set the number of units to zero in such a case.

- The second part is determined by multiplying special education staffing by 1.2 units and then rounding the result to the nearest whole number.
- If the school runs an activity centre or teen parent unit, an additional number of units – effectively one per full-time-equivalent teacher – is made available for each teacher that is part of the centre’s or unit’s staffing allowance.
- If the school has more than 1,400 students on the roll³¹ an additional 9 salary units are made available, and if it has more than 1,600 students, another 3 units are added to this.

In composite schools and restricted composite schools the number of units is determined in three parts (clause 18):

- The first part is determined by subtracting one from staffing, multiplying the result by 1.33, adding 2.6, and rounding to the nearest whole number.
- The second part is determined by multiplying special education staffing by 1.33 units and then rounding the result to the nearest whole number.
- If the school has more than 1,400 students on the roll an additional 9 salary units are made available, and if it has more than 1,600 students, another 3 units are added to this.

In practice, more than 1,000 additional units are made available for resource teachers. This is not reflected in the Staffing Order (and therefore implies that discretion permitted by the Order is being used to grant them), but could be seen as consistent with requirements in collective agreements that particular teachers receive priority when units are allocated.

Middle management and senior management allowances

Middle management and senior management allowances for high schools and composite schools other than restricted composite schools, currently worth \$1,000 to a teacher who holds one, are also determined:

- For a high school, the number of senior management allowances is determined under clause 21 by subtracting one from the school’s management time allowance (a component of entitlement staffing), multiplying the result by 0.18, adding 2, and rounding the result up to the next highest whole number if it has a fractional part. Area schools are not allocated senior management allowances.
- For a high school, the number of middle management allowances is determined under clause 22 in two parts:

³¹ Technically the roll used is the “principal grading roll”. This differs slightly from the actual roll in its treatment of students with high-level special needs.

- The first is calculated by subtracting one from the school's entitlement staffing, multiplying the result by 0.6945, adding 5, and rounding the result to the nearest whole number if it has a fractional part.
- The second part is calculated by dividing the number of high-needs special education students on the school's special education list by 5 and rounding down to the nearest whole number if the result has a fractional part.³²
- For an area school, the number of middle management allowances is determined in two parts under clause 23:
 - The first is calculated by adding the secondary component of the school's curriculum delivery allowance (ratio-based and base curriculum entitlements) to the school's additional guidance allowance, subtracting one, multiplying the result by 0.6, and rounding the result to the nearest whole number if it has a fractional part.³³
 - The second part is calculated only for schools with a secondary roll of greater than 59, by multiplying the secondary roll by 0.011, adding 2, and rounding to the nearest whole number if the result has a fractional part.

Community of schools allowances

Teachers or principals who meet specified criteria, are in a school that has agreed to form a Community of Schools, and are selected to receive these allowances will receive additional salary payments.³⁴

The allowances are:

- Community of Schools teacher (across community) allowance – additional salary of \$16,000. Allowance is made available to a particular teacher for a fixed term of two years with an option to renew for a further two years.
- Community of Schools teacher (within school) allowance – additional salary of \$8,000. Allowance is made available either permanently or for a fixed term (the choice is restricted in some cases).
- Community of Schools leader allowance (principals only) – additional salary of \$30,000. Allowance is made available for a particular principal for a fixed term of two years with an option to renew for a further two years.

³² This is based on a requirement in the collective agreement, but is probably more generous than required in practice. This gives a unit for every 5 students, whereas a unit is only required for each teacher responsible for 5 or more students.

³³ The subtraction of one teacher in the calculation is supposed to reflect the fact that a principal does not receive any allowance. In practice, because a composite school has a single principal which is generated by both primary *and* secondary staffing entitlements, it is arguable that only a fraction of one teacher should be subtracted.

³⁴ To date, the additional payments and release time requirements have been included only in the Secondary Principals' Collective Agreement and the Secondary Teachers' Collective Agreement.

- Principal recruitment allowance – up to 100 allowances, each for a fixed term of three years, with options to renew for two further terms of two years. Additional salary of \$50,000 per year.

The total number of the first three allowances, across the country, is restricted by the Staffing Order (clause 19A of the Education (2015 School Staffing) Order 2014):

- No more than one leader allowance per approved community (unless the Secretary for Education agrees otherwise)
- No more “across community” allowances for a community than: the community’s share of nationwide entitlement staffing (based on provisional rolls), times 1,000 positions, rounded down to a whole number.
- No more “within school’ allowances for a community than: the community’s share of nationwide entitlement staffing (based on provisional rolls), times 5,000 positions, rounded down to a whole number.

Leadership payments

These are made available to a board that employs a Resource Teacher: Learning and Behaviour. These are worth \$2,000 to a resource teacher that receives one from the board. The number of leadership payments is determined by multiplying the number of Resource Teachers: Learning and Behaviour at the school by 0.6, adding 6, and rounding to the nearest whole number.

Schools with specific arrangements

The following schools are not staffed or provided with units in the same way as other schools:

- Kingslea School
- Halswell Residential College
- Salisbury School
- Westbridge Residential School
- Central Regional Health School
- Northern Health School
- Southern Regional Health School

These schools receive the following staffing entitlements and units (see clause 63 of the 2014 Staffing Order).³⁵

- Specific staffing entitlements and units listed in schedules 6-8 in the 2014 Staffing Order (these entitlements and units are based on notional rolls, and constitute the “entitlement staffing” for these schools, instead of the normal curriculum, management, and guidance components that other schools receive).
- The standard special education staffing and special education management allowances (as described above for other schools).

³⁵ Operational practice might be at apparent variance with clause 63 in some cases, particularly in relation to the inclusion of special education list students in the calculation of entitlements, and the granting of units to staff at regional health schools (the latter variance is owing to requirements in collective agreements to provide a unit to every permanent staff member).

- The standard beginning teacher, overseas teacher, and classroom release time allowances.
- In the case of the Central Regional Health School and Kingslea School, an additional allowance of 8.9 FTTEs per school is provided for schooling in associated Youth Justice residences.

These schools, like other schools, can transfer staffing allowances (clause 49 of the 2014 Staffing Order).

Summary of selected staffing components

Staffing component	FTTEs	School types	Determination based on...
The Ministry of Education is unable to provide reliable and complete data at this time.			
Curriculum delivery	\$	All except specified	Roll and student-to-teacher ratios at each year level (ratios modified if Māori-medium). Base secondary staffing of up to 6.0 FTTE for schools. Maximum average class size staffing for primary. Technology staffing for years 7 and 8.
Mgmt time	\$	All except specified	School's weighted roll, square root of school's weighted roll, base staffing of up to 1.0 FTTE.
Classroom release time	\$	Schools with primary rolls	Number of teachers generated by the primary roll.
Special education	\$	Schools with high-need special students	Number of ORS students on the roll or supported by the school.
Resource teachers: learning and behaviour	\$	No explicit restriction	Allocation to lead schools in learning and behaviour clusters, based on year roll, decile and degree of isolation of cluster schools.
Additional guidance	\$	Schools with secondary students, except specified	Secondary roll and number of secondary year levels, capped at 2.25 FTTE.
Beginning teachers	\$	All schools	0.2 FTTEs per full-time beginning teacher in first year, 0.1 FTTE per other beginning teacher in first two years.
Music tuition	\$	Secondary and composite schools, except specified	0.001 of an FTTE per student in year 7 or above (secondary or area) or year 9 or above (restricted composite).
Reading recovery teachers	\$		Annual allocation process.
Specified schools' schedular staffing	\$	Kingslea, Halswell, Salisbury, Westbridge, Central Regional Health, Northern Health, Southern Regional Health	Schedular entitlement based on notional rolls.

Staffing component	FTTEs	School types	Determination based on...
Attached unit	\$	Central Regional Health School, Kingslea School	Schedular entitlement based on notional rolls.
Resource teachers: literacy and literacy (Māori)	\$	No explicit restriction	
Resource teachers: hearing	\$	van Asch and Kelston schools for the deaf	
Teen parent unit		Secondary schools with attached teen parent unit	Student-to-teacher ratio of 1:10, using notional roll.
Specialist classroom teacher	\$	Secondary schools, except specified	0.16 FTTEs if roll less than 1,200, otherwise 0.32 FTTE.
Resource teachers: Māori	\$	No explicit restriction	
Special education mgmt	\$	Schools with high-need special students	Size of special education staffing entitlement.
Resource teachers: vision	\$	BLENNZ	
Resource teacher managers: learning and behaviour	\$	No explicit restriction	1 FTTE to lead school in learning and behaviour cluster.
Activity centre	\$	Secondary schools with attached activity centre	Student-to-teacher ratio of 1:10, using notional roll.
Study support time	\$	Secondary and area schools with eligible staff	0.16 FTTEs per teacher with study support grant.
Te Atakura	\$	Secondary and area schools, except specified	0.5 FTTEs per teacher of Māori who trained under the Te Atakura scheme before 1993.
Resource teacher support	\$	Schools employing resource teachers (other	0.05 FTTEs per full-time-equivalent resource teacher employed by the school.

Staffing component	FTTEs	School types than learning and behaviour)	Determination based on...
Specialist classroom teacher (area school)	\$	Secondary schools, except specified	0.08 FTTEs if roll less than 100, otherwise 0.16 FTTE.

Staffing component	Units	School types	Determination based on...
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The Ministry of Education is unable to provide reliable and complete data at this time.

Salary units	\$	All schools	Number of FTTEs employed (separate allocation for special education FTTEs), plus a base allocation for schools with secondary rolls and additional allocation for large secondary or area schools.
Middle mgmt units	\$	Secondary and area schools	Number of FTTEs employed, plus a base allocation for secondary schools, and a roll-dependent supplement for area schools.
Senior mgmt units	\$	Secondary schools	School's management time allowance.

Examples of staffing entitlements and units³⁶

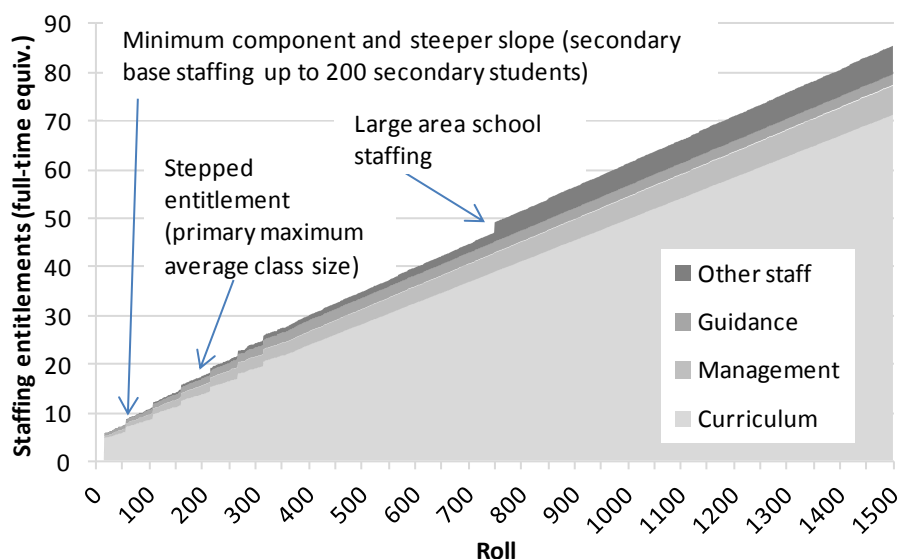
An example, based on a real school with some adjustments, demonstrates how the main components of the staffing entitlement are combined in practice.

The school used in the example (and in a subsequent example of operational funding) is a mid-decile, area school, with a fairly even mix of primary and secondary school students. It provides technology education to some tens of students from other schools, has a small number of high-special-needs students, a small number of trades-academy students attending tertiary education for 1 day a week, and a small number of students involved in low-level Māori language programmes (not immersion). The school's heat, light & water funding has been adjusted to be equal to the average, per student, for a composite school. Its isolation funding has been set to zero. It is assumed for simplicity that there are no beginning, overseas, or resource teachers at the school.

Figure 4 shows the main staffing components that would be generated for the school in 2015 over a range of rolls, keeping the profile of students across year levels constant.

³⁶ The examples of staffing and operational funding use a funding model which has not yet been quality-assured by the Ministry of Education's Education Data and Knowledge group. Examples should therefore be regarded as only indicative.

Figure 4: Staffing entitlement by roll (composite school)



The figure reflects some of the key features of the staffing entitlement formula:

- The vast majority of the staffing entitlement, particularly at higher rolls, is the curriculum delivery allowance. This component grows linearly with the roll.
- Because of its primary roll, the school benefits from the maximum average class size policy at low rolls. This results in an additional teacher each time the primary roll crosses over a multiple of 25, which leads to the “steps” at the left of the graph.
- Because of its secondary roll, the school receives a minimum level of curriculum, management and guidance staffing, and its staffing grows faster until its secondary roll is 200. This is reflected in a larger step at the very start of the graph and a steep slope until the total roll of the school is 300-400.
- The large area school additional management staffing allowance, which applies once the roll reaches 750, boosts staffing by 2 FTTEs in the middle of the graph.

Figure 5 shows the ratio of students to total staffing entitlement that is implied by Figure 4. The ratio is very low when the composite school is small, reflecting the “base” staffing components and maximum average class size staffing. Ratios rise relatively rapidly until the school is medium-sized, then rise more gradually, beginning to even out at just fewer than 18 students per teacher on staff.³⁷

³⁷ This is not a measure of average class size. Not all teachers are classroom teachers (the number of teachers includes the principal and other senior managers, and classroom teachers are expected to have some non-contact time during the teaching week).

Figure 5: Staffing ratios by roll (composite school)

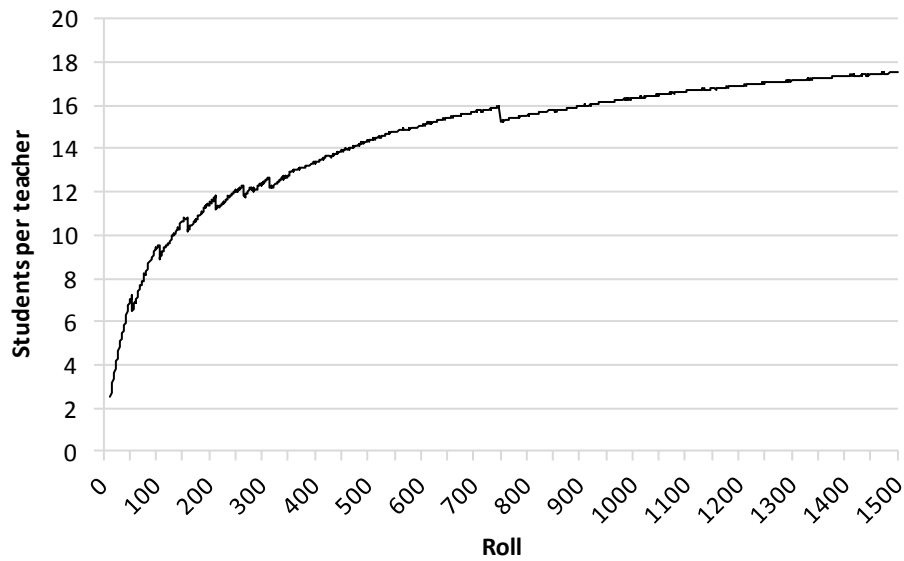
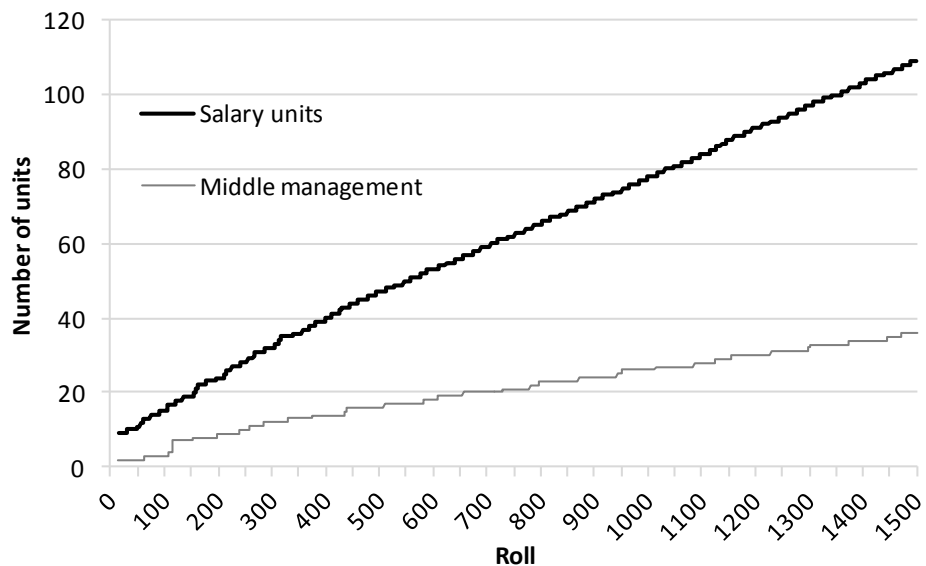


Figure 6 shows the management units that are generated at each roll level. Roughly speaking, the number of salary units follows the overall staffing entitlement. The number of middle management units is linked to the overall *secondary* staffing entitlement, but there is a jump once the secondary roll exceeds 59, from which point additional units become available (note that this is the case only for an area school). The “steps” in the graph are there because only whole numbers of units can be generated.

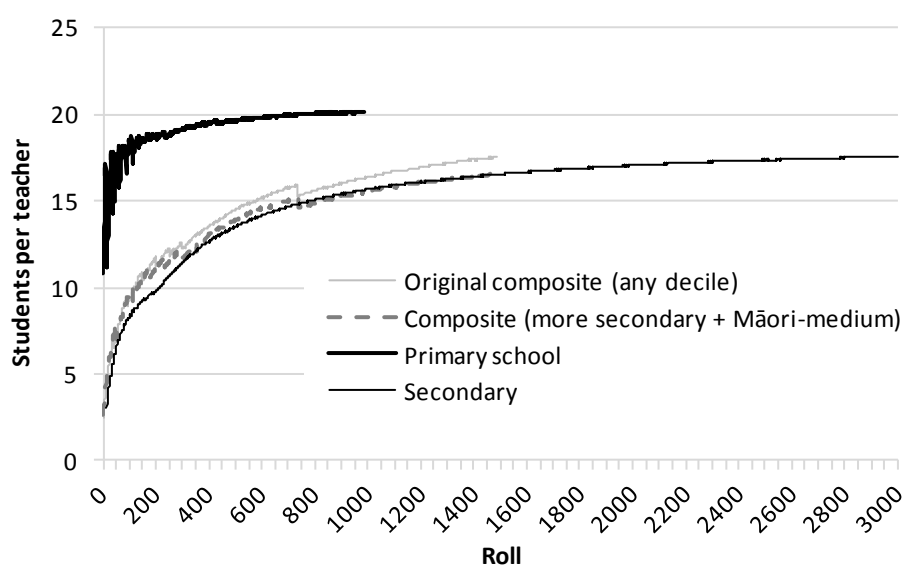
Figure 6: Management units by roll (composite school)



The type of school, and the school's circumstances, make a considerable difference to its staffing entitlement, even for an unchanged total roll. Figure 7 shows how the staffing ratios in Figure 5 would change if:

- The school was still a composite school, but had a greater proportion of secondary school students and about 10% of its students in Māori immersion education.
-
- The school was a typical year 1-6 primary school.
- The school was a typical year 9-13 secondary school.³⁸

Figure 7: Staffing ratios by roll (variations)

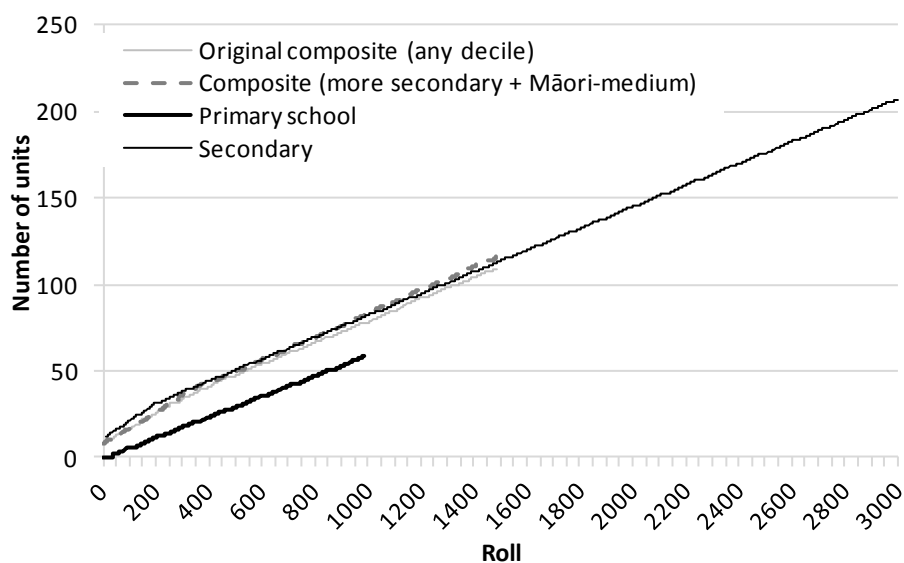


It is apparent that there is significant variation, especially at lower rolls. Secondary and composite schools (in large part because of their secondary rolls) have a significantly higher number of staff and so have lower staffing ratios. Māori-immersion students attract a significant number of additional teachers.

Figure 8 shows that similar variation exists in the calculation of salary units. Composite and secondary schools receive more units, mainly because of a minimum number of units being granted at very low rolls (this is not the case for primary schools which might receive no units at all until the roll exceeds approximately 50).

³⁸ All three variations are based on real schools, with adjustments to simplify the analysis and comparisons.

Figure 8: Management units by roll (variations)



Discretionary components of funding for teachers

There is some limited room for discretion in both the number of staff and salaries. The School Staffing Order permits the Ministry to give additional staffing or units to a school:

- “if there is a special reason [...] for the school, being a reason that applies only to the school or to some other schools, but not being a reason that applies to all schools” (clause 67 of the 2014 Order).³⁹
- If the Ministry or the Minister has intervened in the school under Part 7A of the Education Act 1989, such as by appointing a Commissioner (clause 68).
- If there has been an “unusual increase in the number of students enrolled at the school” (clause 74).
- If the Ministry considers that a school needs to cover a teacher absent on a long-term training course (clause 75).
- If the school is employing resource teachers or reading recovery teachers (clauses 76 and 78; in practice discretion is constrained because of administrative rules or processes for determining the number and location of such teachers, a prescribed maximum number of teachers in the clauses).
- If a school has certain teachers who are “supernumerary” (above the school’s staffing entitlement but entitled under a collective agreement to remain at the

³⁹ Although it is a discretionary item in the context of the Staffing Order, “special reasons” staffing is used to provide a formula-based allowance to a list of area schools (the list is altered infrequently). For a school on the list, the difference between its roll and 200 is calculated. Assuming the roll is less than 200, the difference is divided by 1/275 to give the number of FTTEs. A rural school on the list also receives an additional 0.5 FTTE, regardless of its roll. Approximately 37 FTTEs are provided each year.

school for an extended period) (clause 77; in practice administrative rules have been published which reduce discretion).

- If a normal or model school needs additional staff to carry out the special functions of those schools, which relate to teacher training (clause 79). The manner in which these schools carry out their functions varies.
- If a school with a secondary roll has suffered a declining roll but needs to retain teachers to continue to deliver a specific programme of instruction (clause 80).
- If a change in a secondary school's circumstances would normally remove its entitlement to an associate principal position, but it would be desirable to preserve the position (clause 81).
- The school is the Kelston Deaf Education Centre, the van Asch Deaf Education Centre, or BLENNZ, and the teachers are Resource Teachers: Hearing or Resource Teachers: Vision needed to meet the particular educational needs of children at the school (clauses 82 and 83; these specify a maximum number of resource teachers, which reduces discretion in practice).

The Ministry may also directly employ teachers working in a school (section 91N of the Education Act 1989). Were such teachers to be employed, they would not be counted against the school's staffing entitlement.

Most teacher salary payment are determined explicitly by collective agreements. However, section 61 of the Employment Relations Act 2000, section 75(1) of the State Sector Act 1988, and the collective agreements themselves⁴⁰, do provide some flexibility to make additional payments.

The Ministry of Education has administrative rules in place which regulate the ability of schools to make additional salary payments to principals from their discretionary funds.

For a principal, agreement ("concurrence") must explicitly be sought by the board of trustees from the Ministry of Education, and the payments must be for additional duties or responsibilities, or reimbursement for work-related expenses having an incidental private benefit.

For a teacher, concurrence need not be explicitly sought for Recruitment, Retention, and Responsibility payments. As the name suggests, these payments are to enable retention, recruitment, or an increased level of responsibility of teachers. This in turn is intended to lead to improved educational outcomes. Concurrence would be required for any other payments to teachers, and is rarely granted.

Operational grant funding for State and State Integrated schools

The Minister has the power to decide operational grants to schools, as long as expenditure is within appropriations made for the purpose by Parliament (section 79 of the Education Act 1989). The operational grants may be made with or without conditions (such as a condition that money be used for a particular purpose).

⁴⁰ See for instance clause 1.7 of the 2013-2015 Primary Teachers' Collective Agreement.

As such, considerable discretion can potentially be exercised. In practice though, funding is mostly determined by a formula which has been decided in advance through normal policy processes.

The Minister's power under section 79 is delegated to the Ministry of Education, which allows for such discretion as there is to be exercised directly by the Ministry.

Outside the components of the grant determined by formula (below) some millions of dollars were paid to schools in 2014, in recognition of special circumstances or to fund the delivery of particular programmes.

Formulaic components of the grant

The formula for operational grant funding is documented on the Ministry of Education website in the Funding, Staffing and Allowances Handbook.

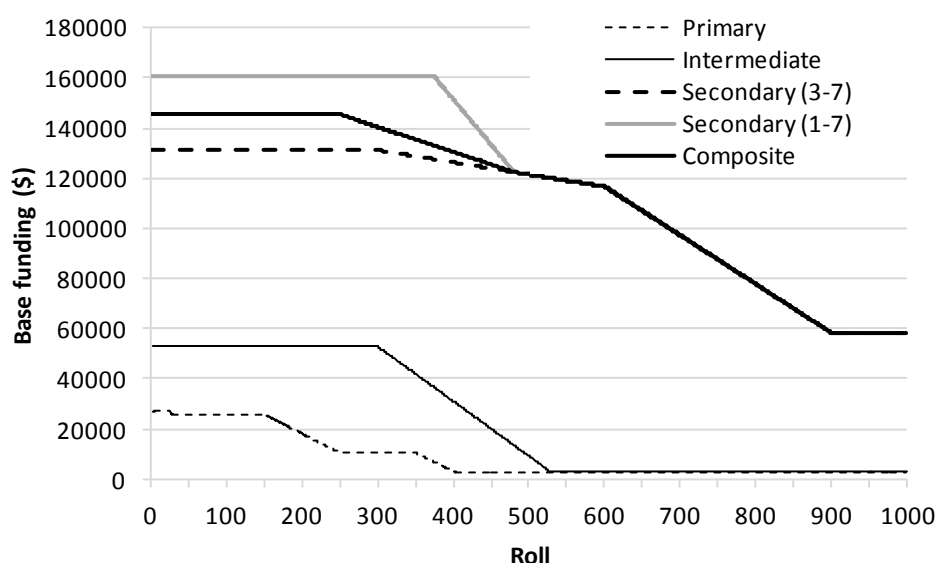
The major components of the operational grant for most schools are (all GST-inclusive):

- **Base funding** – this is a lump sum provided to each school based on its type and roll. It is sometimes thought of as a fixed funding component – in contrast to other components which grow with student numbers – but it is actually (weakly) linked to the roll, typically declining as the number of students grows. The effect of base funding is to ensure a minimum level of operational funding for very small schools, and to increase the total funding *per student* in smaller schools compared to larger schools. The amount of base funding is relatively low for very small primary schools and higher for very small secondary or composite schools.^{41,42}

⁴¹ At a time when a significant number of primary schools were seeking to offer education at secondary level by becoming small composite schools, and because of concerns that the funding model did not operate well at the small scale of these composite schools, an interim funding model was introduced which gave a lower level of base funding. This model applies to composite schools established from 2010 and having a total roll of fewer than 250 students. Base funding for these schools increases from approximately \$55,000 up to approximately \$130,000 as the secondary roll grows.

⁴² A special school receives \$46,293 per year, regardless of roll. When a school has an attached activity centre or teen parent unit, additional base funding of \$34,424 is provided, regardless of the centre's/unit's roll.

Figure 9: Base funding amounts for 2014



- Per-pupil funding – this is funding determined purely by the number of students in years 1-6 (\$836.54 per-pupil in 2014), 7-8 (\$937.87), 9-10 (\$1,069.60), and 11-15 (\$1,186.87), reflecting the additional costs of a growing roll. The per-student funding rate increases slightly across the year-level categories. The funding rate for students in years 7 and 8 includes funding for technology education.
- Targeted funding for educational achievement – this component is provided based on the number of students and the decile rating of the school. The link to the decile rating is strong. The purpose of this component was originally to overcome the additional barriers to educational disadvantage faced by students from socioeconomically deprived backgrounds.
- The decile rating depends on five Census measures of socio-economic disadvantage in the areas where the school’s students live: household income, parental occupation, parental educational qualifications, benefit receipt, and household crowding. Schools are put into 10 equally-sized groups based on the five measures to derive the decile rating. For the targeted funding component, each of the bottom four deciles is further split into three “funding steps” denoted by letters. Decile ratings were recalculated at the end of 2014, based on the results of the 2013 Census.

Decile	Funding step	Per pupil amount (2014)
1	A	\$888.05
	B	\$825.60
	C	\$716.96
2	D	\$605.69
	E	\$497.07
	F	\$412.29
3	G	\$343.38
	H	\$271.88
	I	\$216.26

4	J	\$179.16
	K	\$147.05
	L	\$132.47
5	M	\$113.49
6	N	\$91.87
7	O	\$70.24
8	P	\$45.94
9	Q	\$28.36
10	Z	\$0.00

- Special education grant – this component is intended to provide funding for students with a low to moderate level of special needs. The Ongoing Resourcing Scheme separately provides staffing and funding for students with a higher assessed level of special needs. Every school receives a basic and fixed amount of funding (\$1,380 including GST in 2014), then an additional amount per student which is linked to the school's decile rating.

Decile	1	2	3	4	5	6	7	8	9	10
\$/pupil (2014)	72.49	70.42	66.28	62.14	58.00	53.85	49.73	45.59	41.43	37.30

- Careers information grant – this component, which is provided only in relation to secondary students, is intended to allow schools to provide career guidance to students. It is linked to the number of students in year 9 or above, and to the decile rating of the school.

Decile	1	2	3	4	5	6	7	8	9	10
\$/pupil (2014)	36.58	35.15	32.26	29.38	26.54	21.51	17.89	16.49	15.77	15.06

- Māori language programme funding – this component is provided to schools which provide instruction in the Māori language or teach te reo Māori. The amount provided depends on the number of students receiving instruction in Māori or being taught te reo Māori, and the amount of time they are taught in Māori. Funding is relatively high (over \$1,000 per student, including GST) for full immersion education, but falls away rapidly as the Māori language content declines.

Immersion level	Per pupil amount (2014)
Level 1 (81% to 100% immersion)	\$1,075.21
Level 2 (51% to 80% immersion)	\$524.73
Level 3 (30% to 50% immersion)	\$282.82
Level 4 (less than 30% immersion but at least 3 hours per week)	\$68.66

- Relief teacher funding – schools were originally expected to fund the wages of relief teachers from the operational grant. This component of the operational grant provides funding accordingly. The amount of funding is linked to the number of full-time-equivalent teachers in the school's staffing entitlement, the

type of school, and the management time staffing allowance of the school. Under the Education (Payment of Relieving Teachers) Order 2012 it became legal for schools to use their staffing entitlements to employ relief teachers; the relief teacher component of operational funding is not reduced if schools choose to use their staffing entitlement in this way, and the component may in this way be freed up to spend for other purposes.

Category	Per FTTE amount (2014)
Secondary schools	
Rate 1 (schools with management component less than 1 FTTE)	\$3,389
Rate 2 (schools with management component of 1 FTTE or more)	\$2,976
Composite schools	
Rate 3 (schools with management component less than 1 FTTE)	\$4,295
Rate 4 (schools with management component of 1 FTTE or more)	\$3,464
Primary and Intermediate schools	
Rate 5 (schools with management component less than 1 FTTE)	\$4,419
Rate 6 (schools with management component of 1 FTTE or more)	\$3,562

- Arts co-ordinator funding – this funding is provided for schools with secondary students to allow for the employment of an arts co-ordinator. Every such school receives a minimum amount of money (\$1,104 including GST in 2014) and an additional sum for each secondary student on the roll (\$4.93 per student in 2014).
- Cleaner & caretaker funding – this funding was originally provided following the settlement of a collective agreement which required a wage increase for caretakers and cleaners. It depends on the number of students on the roll (\$28.64 per pupil in 2014).
- ICT funding – this money is provided to supplement the provision of computer and communications technology in schools. Every school receives a minimum sum (\$5,604 including GST in 2014), and an additional amount for each student (\$37.45 per pupil in 2014) on the roll.
- STAR (Secondary-Tertiary Alignment Resource) funding – this component of the operational grant is provided to schools with students in upper-secondary education, to permit those students to combine tertiary study with their normal secondary course. The funding depends on the number of STAR “units” the school receives, with the funding rate being higher for the first 40 units (\$706.05 per unit in 2014), and lower for subsequent units (\$124.08 per unit). The effect of this formulation is that smaller schools receive more funding per senior-secondary student. At present, a year 11 student on the school’s roll generates

1 unit, a year 12 student generates 1.5 units, and a year 13 students generates 2 units.⁴³

- Targeted funding for isolation – this component is provided to schools which are far from major centres. “Far” is determined by an isolation index which was last recalculated following the 2001 Census. For schools with an isolation index of at least 1.65, a minimum amount is provided (\$7,167 per school in 2014), plus an additional sum for each student which depends on the value of the isolation index.⁴⁴
- Heat, light & water – this component is paid to boards to assist meeting the costs of supply and consumption of power, fuel and water. Funding was fixed for each school in 2010, based on the school’s actual energy costs, and in most cases has only been adjusted in line with overall increases in operational funding since that time. For new schools, an average funding rate (per pupil for the appropriate school type) is used initially, until actual costs can be determined, at which point funding is fixed. Once fixed, and apart from the application of general operational grant increases, the funding level is reconsidered only in exceptional circumstances.
- Vandalism funding – this funding is provided to schools based on the number of students and the risk that the school will experience vandalism of school property. Schools have a risk rating from A (low) to E (extreme).

School’s rating	Per pupil amount in 2014
A (low)	\$ 3.64
B (medium)	\$10.91
C (high)	\$18.20
D (critical)	\$25.45
E (extreme)	\$29.08

- Class funding – this component is provided only to special schools, and is for the teaching entitlement (in full-time equivalent teachers) that is generated by students with high-level special needs. The amount of funding was \$8,646 including GST per FTTE in 2014.
- Normal & country model schools – this amount is paid only to schools that are designated as normal and country model schools, and depends on the roll of the school (\$7.81 per pupil in 2014). It was originally intended to support such schools in their roll of assisting with teacher training.
- Administration and travel grants for attached teachers – these amounts are paid to schools which employ resource teachers, recognising that there are

⁴³ A change is planned to take effect in the 2016 school year. As a result, every year 11-13 student in mainstream schooling will generate 1.0 unit and every student in a teen parent unit will generate 1.5 units. There will still be two funding rates: a higher dollar rate for the first 30 units, and a lower dollar rate for subsequent units.

⁴⁴ The formula in 2014 was: Base + (isolation index x roll x \$35.66)

additional administration costs when these teachers are employed, and allowing these teachers to travel between schools to provide their services. Administration costs are funded at a flat rate per attached teacher (\$3,631.30 per FTTE in 2014). Travel costs are funded in one of five bands, depending on how far the teacher is expected to travel.

Travel Grant	Per FTTE amount (2014)
Rate 1	\$4,358.28
Rate 2	\$7,264.21
Rate 3	\$10,170.13
Rate 4	\$13,072.45
Rate 5	\$14,381.37

- Learning support funding – these amounts are paid to schools in connection with the Resource Teachers: Learning and Behaviour (RTLB) scheme. Schools are grouped into RTLB clusters, with one school in the cluster employing RTLB teachers and administering the learning support funding. The administering school is responsible for the allocation of learning support funding to other schools in the cluster.
- Secondary-tertiary programmes (STPs) – this component provides separate funding for students in STPs (STPs are more commonly known as trades academies). The amount is determined in three parts:
 - General teaching and learning component – a proportion of \$10,925 per student (including GST), where the proportion depends on the mix of secondary and tertiary education the student experiences (for instance, a student spending 4 out of 5 days in secondary study would generate four-fifths x \$10,925 = \$8,740 of funding for the school).
 - Trades component – a proportion of \$4,025 per student, depending on how much of the student’s course is trades-based and delivered as part of the secondary component of study (it is more common for this component to be delivered as part of the tertiary component of study, in which case the school will not receive any of this component).
 - Pastoral care and co-ordination – a proportion of \$1,473.50 per student. The \$1,437.50 is paid to the lead provider in an STP, which is sometimes a school and sometimes a tertiary provider. The lead provider may choose to pass some of the money on to other participants in the STP, but this is not a requirement.

Students in STPs are generally *not* included in the roll when determining major staffing entitlements, most operational grant components, and some property expenses. Therefore, for an STP student, this component of the operational grant is expected to pay for much of the operational expenses, teacher salaries, and property costs incurred in providing the secondary school component of

the student's education (there is additional and separate funding for the tertiary component).

- Service academies – schools running service academies receive additional funding. The funding is \$103,500 per school, and is intended to cover the costs of employing an academy director, uniforms, travel, and the costs of purchasing additional courses for students.
- Out of hours music and arts classes – this component is paid to schools which allow their premises to be used for music and arts education outside normal school hours. It is paid per hour of music and arts education (\$9.80 per hour in 2014).
- Funding for Specific Schools – Halswell Residential College, Salisbury School, Westbridge Residential School, van Asch Deaf Education Centre, Kelston Deaf Education Centre, and BLENNZ receive additional funding for the costs of providing a residence for students.
- Te Aho o te Kura Pounamu (the Correspondence School) is funded differently from other schools. It receives a grant which consists of a base component, a per-student component, and some comparatively minor additional payments. The per-student component is at a flat per-full-time-equivalent rate (\$4,271 per FTE, including GST, in 2014) and does not distinguish between students at different year levels.

Summary of operational funding components (2014)

Grant component	(2014)	School types	Determination based on...
The Ministry of Education is unable to provide reliable and complete data at this time.			
Per-pupil	\$	All schools	Roll, year level, and school type.
Relief teachers	\$	All schools	Number of full-time equivalent teachers, number of management staff, and school type.
Targeted funding for educational achievement	\$	All schools	Roll and decile funding step.
Base	\$	All schools	Roll and school type.
Heat, light & water	\$	All schools	Historically based on actual costs. In recent years, adjusted in line with general school funding.
Special education grant	\$	All schools	Roll and decile (plus a base component).
ICT	\$	All schools	Roll, plus base component.
STAR	\$	All schools with students at year 11 or above	Number of students at year 11 or above, and mix of students in years 11, 12, 13 (currently).

Secondary-tertiary programmes (general teaching and learning component only)	\$	All schools with students participating in an STP	Number of students participating in an STP, proportion of time spent in secondary education, trades component, lead provider status.
Cleaner & caretaker	\$	All schools	Roll.
Māori language programme	\$	All schools with Māori language programmes	Number of students in Māori language programmes, and number of hours of te reo instruction for each.
Targeted funding for isolation	\$	All schools, if isolated	Roll plus degree of isolation, plus a base component.
Vandalism	\$	All schools	Roll and vandalism risk rating.
Careers information grant	\$	All schools with secondary rolls	Roll and decile.
Class funding	\$	Special schools only	Special education staffing entitlement generated by high-special-needs students.
Arts co-ordinator	\$	All schools with secondary rolls	Size of secondary roll, plus base component.
Administration and travel grants*	\$	All schools with resource teacher costs	Depends on number of resource teachers, and travel patterns.
Residential special schools*	\$	Halswell, Salisbury, Westbridge, BLENNZ, van Asch and Kelston	
Learning support funding*	\$	All schools	Determined by lead schools in learning and behaviour clusters.
Service academies*	\$	Schools with service academies	Single bulk amount for each school.
Out of hours music and arts*	\$	Schools allowing premises to be used for music and arts	Number of non-school hours for which premises are used.
Normal and country model schools*	\$	Normal and country model schools only	Roll.

* Estimate

Example of operational grant funding

The same school example used for staffing entitlement is used below to show how the components of the operational grant would come together in 2015.

Figure 10: Operational grant funding (composite school)

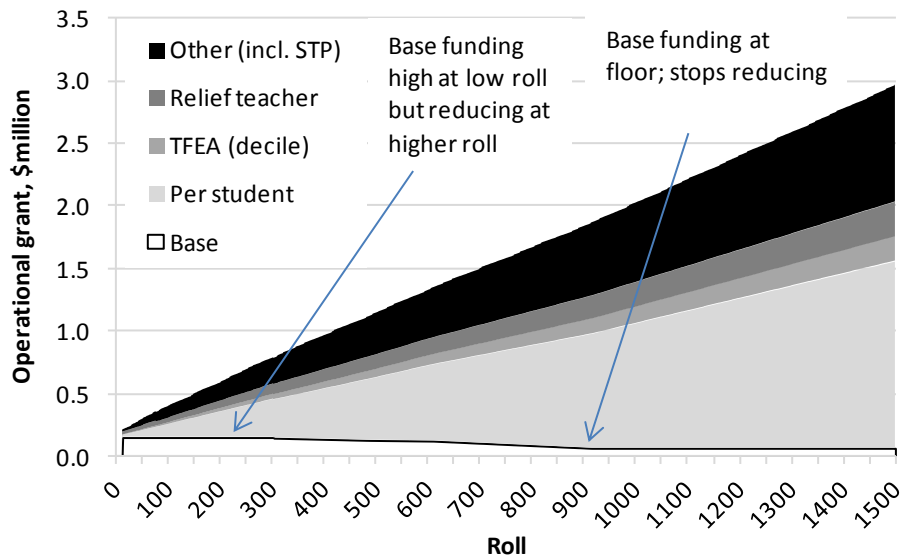
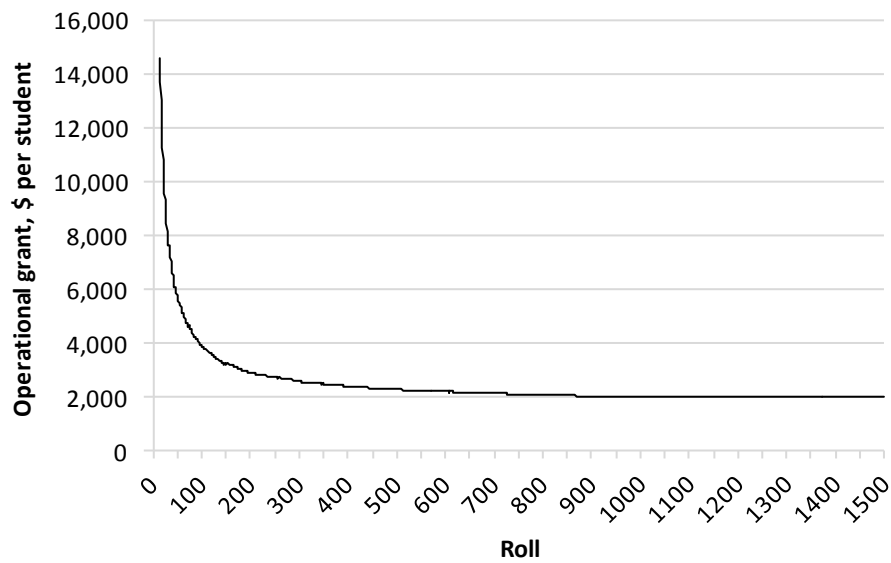


Figure 10 shows the operational grant funding by component for the school, over a range of rolls. The major component of the grant at higher rolls is the per-student component (this is typical, though not the case for every school). Base funding is significant at lower rolls, but declines with the roll to a floor and is then frozen.

Figure 11 shows how the funding *per student* varies with the roll. Funding per student is very high when the school is very small, because of base funding and the fixed components of some of the other grants. Per-student funding declines rapidly as the roll grows, until the school is of moderate size, at which point it levels out.

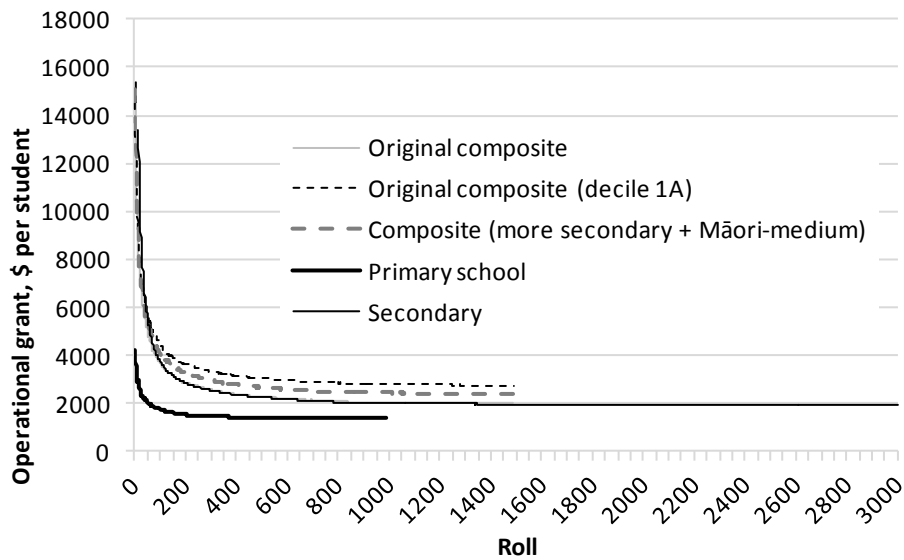
Figure 11: operational grant funding per student (composite school)



Operational grant funding can vary very significantly by the circumstances of the school.

Figure 12 shows just a small number of possible influences on the amount of funding per student.

Figure 12: Operational grant funding per student (variations)



Note that the figures for the original composite school, which are shown only up to a roll of 1,500, are hard to distinguish from the figures for the secondary school. This is coincidental, and because of the particular examples chosen.⁴⁵

⁴⁵ These are the same as the examples used to show variations in staffing.

It is notable that:

- When the decile rating of the school is reduced (but no other changes are made) the funding increases significantly.
- When the school has a higher proportion of secondary students, and more students involved in Māori language programmes, funding increases.
- If the school is a primary school, funding is generally lower (base funding is lower, and the rate of the plain “per-pupil” component is also less).

Investing in Educational Success

From 2014, additional operational funding will be provided to schools participating in the Investing in Educational Success programme.

Every participating school will receive \$1,000 per year to meet costs associated with establishing and maintaining Communities of Schools.

Schools employing a principal or teacher receiving a Community of Schools allowance will receive:

- A further \$1,000 per year to support induction and networking, if employing a Community of Schools leader.
- A further \$750 per year to support induction and networking, if employing a Community of Schools teacher (across community).
- A further \$400 per year to support induction and networking, if employing a Community of Schools teacher (within school).

Additional funding will be provided to reimburse the travel expenses of teachers and principals who receive the Community of Schools teacher (across community) and Community of Schools leadership allowances, because these teachers are expected to travel between schools to promote collaboration and good practice.

A contestable Teacher-led Innovation Fund of \$10 million will also be made available over three years, from mid-2015. The money will support teachers to develop innovative practices that improve learning outcomes. Teachers will apply for the funding by submitting proposed initiatives.

Property funding state and state integrated schools

State non-integrated

State non-integrated schools receive money for property maintenance. The amount of funding is determined by:

- The gross area of Ministry-owned school buildings.
- The areas of painted surfaces, walls, floors, and roofs.
- The capacity of any swimming pool.
- A corrosion factor for buildings subject to very high corrosion; and
- An isolation factor for schools that face extra costs owing to remoteness.

State non-integrated schools are also funded for capital upgrades and redevelopment, with “Five-year agreement” funding, and for “roll growth” classrooms when they outgrow their existing buildings.

The amount of upgrade and redevelopment funding is determined by the lesser of the *actual* square-meterage of school buildings, and the square-meterage the school is entitled to given its roll and type.

The square-meterage is multiplied by \$150 to give the amount available for spending over five years. Funding may be increased if the school has received less than the expected rate in the past, or the school faces additional costs owing to isolation.

Additional capital funding may be available in some cases, such as when urgent work is required to meet health and safety requirements and the cost is large relative to Five-year agreement funding.

All this property funding is to be spent on maintaining property owned by the Ministry of Education, and may not be used for other purposes.

The Ministry of Education is increasingly undertaking capital work directly – the redevelopment of schools in Christchurch, other major school redevelopments, some leaky building rectification – but approximately half of capital expenditure on school buildings is still paid to schools as Five-year agreement funding.

A small number of non-integrated State schools receive “cash for buildings” funding, to enable them to lease buildings as an alternative to the Government providing premises in kind. The amount of funding is determined initially by the square meterage the school is entitled to (depending in turn on roll and school type) and a per-metre funding rate that depends on the type of school. Funding is determined ultimately by the actual lease costs; when it manages the lease the Ministry will not pay more than actual costs.

State integrated

In the case of State Integrated schools, minor maintenance funding is provided to Boards of Trustees. Funding for capital upgrades and redevelopment is determined by reference to depreciation of state non-integrated schools, and is paid to proprietors.

Formula as of June 2015 (excluding GST):

$$(V \times r) \times (R \div S)$$

V is the depreciated value (or net carrying value) of the buildings comprising state schools as shown in the most recent Ministry of Education Annual Report.⁴⁶

r is the rate at which state school buildings are depreciated, as set out in the “statement of accounting policies” in the Ministry of Education’s Annual Report.⁴⁷

⁴⁶ In 2014, the actual figure used for the calculation was the “cost or valuation” figure for “Buildings” (the \$9,214,741 figure in Note 16 of the 2014 Annual Report), and not the “carrying amounts” figure.

⁴⁷ In 2014, the rate used for the actual calculation was 4%, which is not a rate that explicitly appears in the 2014 annual report but has been used historically and is considered “a happy medium” between actual rates for building “fabric” and other elements (such as fittings).

R is enrolment at the school, and S is enrolment in non-state integrated schools, where enrolment is the latest actual funding roll for the preceding year.⁴⁸

Source: Final Draft of Supplementary Agreement to Integration Agreement (1998).

State Integrated schools can also be entitled to capital funding for new schools or classrooms, but currently only if:

- there is a need to provide additional State school capacity
- this need could be met by an integrated school
- the school is willing to provide land for the buildings, and the school is willing to contribute 15% of the capital cost.

Special education property

For State non-integrated schools only, special education property funding is provided on the basis of need (if a student's needs meet certain requirements).

Special education funding (approximately \$18m per year) is provided to modify school property to accommodate students' physical needs. As in the case of capital upgrades, the Ministry undertakes some modifications directly, but in other cases provides money to schools which pay suppliers to make modifications.

⁴⁸ There is a restriction on funding if the school has more students on its roll than the maximum roll provided for in the integration agreement. This restriction uses the actual roll from the year before the funding year.

5. Timing

Staffing entitlements

Timing of determination

Under the annual School Staffing Order entitlement staffing for a school year is provisionally determined in approximately October of the prior year, based on projected school rolls (clauses 29, 55, and 56 of the 2014 order).^{49,50} For intermediate, secondary, special, and restricted composite (years 7 to 10) schools provisional staffing is based on projected *March* rolls. For primary schools it is based on projected *October* rolls.⁵¹ For composite area schools, it is based on projected March rolls for year 2 to year 15 students, and projected October rolls for year 1 students.

The provisional entitlement staffing is a floor. When actual rolls for the school year first become available, in March, entitlement staffing is reassessed. If the entitlement based on actual rolls exceeds the provisional entitlement, staffing is increased.⁵² If the entitlement based on actual rolls is less than the provisional entitlement, staffing remains at the provisional level (see clauses 29, and 57–60). The reassessment of staffing following the March roll notification is the only reassessment in the school year unless a roll audit leads to a revision of the March roll: entitlement staffing is not further adjusted when later roll returns (July for primary rolls, June and September for secondary rolls) are received.

Example of staffing entitlement determination:

	Provisional entitlement	March calculated entitlement	Actual entitlement
School A	10	15	15
School B	10	7	10

Entitlement staffing is for a “school year” which runs from 28 January to 27 January of the following year (section 2 of the Education Act 1964 and clause 4 of the 2014 School Staffing Order). If entitlement staffing is increased following March roll returns, the increase is backdated to the beginning of the school year.

⁴⁹ Schools supply predicted March rolls and these are approved or modified by the Ministry. Students are excluded from the staffing roll if they are international fee-paying students (these do not generate staffing) or in an alternative education programme (these are funded separately). Students in trades academies are excluded from the roll when calculating ratio-based curriculum staffing, because there is separate funding for these students, but currently included for the calculation of other components and the determination of principals’ salary grades. With the minor exception of students involved in a pilot of a new kind of secondary-tertiary partnership, roll numbers are always a whole number of full-time-equivalent students at each year level. If the total roll for a year level includes a fraction because of the enrolment of part-time students, it is rounded up to the next whole number.

⁵⁰ There is an exception to the usual entitlement staffing for some specified schools. These schools have their entitlement staffing determined mainly by reference to a fixed number of teachers listed in schedules, for the entire school year (clauses 63–66, and schedules 6–8).

⁵¹ In practice, to determine projected October rolls the Ministry typically applies a “year 1” adjustment to projected primary school March rolls, to account for likely arrivals of new entrants between March and October. This adjustment adds eleven-twelfths to the projected number of year 1 students for March. The same adjustment is made to year 1 rolls at composite schools.

⁵² For composite schools only, the actual year 1 March roll is increased by eleven-twelfths when reassessing the staffing entitlement, to reflect likely arrivals of new entrants.

Other elements of the staffing entitlement are determined at different times.

The activity centre allowance for high schools, teen parent unit allowance for high schools, and attached unit allowance for special schools are calculated based on notional rolls which are assumed to persist for the entire school year (clauses 42, 43, and 47, schedules 2–4).

The Staffing Order indicates that two allowances are determined for the whole school year by the school's provisional roll (determined in about October of the year before the relevant school year) and not revisited when actual rolls are notified: the large area school additional management allowance (clause 39); and the specialist classroom teacher time allowance for high schools (clause 40).

In operational practice, these allowances are typically updated when an actual roll is available, or when other staffing is adjusted. This is not required by the order, but also not prevented (because other provisions in the order allow for some discretion to provide additional staffing).

The order also indicates that two allowances are determined in the order by the school's current roll (the most recent available): the specialist teacher time allowance for area schools (clause 41); and the instrumental and vocal music tuition allowance for high schools, area schools, and restricted composite schools (clause 45).

In a similar way, the current year 1–10 roll across all State schools should technically determine the maximum number of Resource Teachers: Learning and Behaviour (RTLBs) that can be employed across all schools (clause 76). But in operational practice, some discretion is used to fix staffing: agreements with the lead school in RTLB clusters are typically for a significant period of time; the number of teachers is set at the beginning of this period and not subsequently adjusted until the end.

The classroom release time allowance (clause 38) depends on other components of the staffing entitlement, including entitlement staffing, and so it is adjusted when those components are adjusted.

Figure 13: Summary of rolls used to determine staffing

Staffing entitlement	2015 Provisional Entitlement Staffing Uses rolls as at...		2015 Entitlement Staffing from March roll Uses rolls as at...	2015 Confirmed Entitlement Staffing (about April) The greater of provisional entitlement staffing and entitlement staffing from March roll. If the latter, it is backdated to 1 Jan.
	Oct-14	Jan-15	Apr-15	
	Jul-14	Sep-14 (approx)	Mar-15	
Roll	Estimated (schools)	Provisional (Ministry)	Actual (schools)	
Primary	Mar-15	Oct-15*	Mar-15	
Intermediate	Mar-15	Mar-15	Mar-15	
Secondary	Mar-15	Mar-15	Mar-15	
Composite	Mar-15	Oct-15 (yr 1)*, Mar-15 (others)	Mar-15	
Restricted Composite	Mar-15	Mar-15	Mar-15	
Special	Mar-15	Mar-15	Mar-15	

* Method for determining October roll is not prescribed, but in practice it is typically calculated from a provisional March 2015 roll by adding 11/12 to the provisional year 1 roll
 NEA = new entrant adjustment, obtained by adding 11/12 to the provisional year 1 roll.
 Note that "entitlement staffing" is one part of the "total regular staffing allowance". For most schools it is most of the total allowance but there are other components, and the other components are not necessarily determined using the same roll data.
 Note that there are some cases in which roll returns are provided too late for use in the relevant instalment. In such cases, an earlier roll (or estimated roll) is used.

The employment of Resource Teachers: Māori, Resource Teachers: Literacy, Resource Teachers: Hearing, Resource Teachers: Vision, and reading recovery teachers is determined by reference to an unchanging maximum number of positions across all State schools (clauses 76, 78, and 82), for the entire school year.

Other staffing entitlements are only generated for the time a particular condition applies. For three instances, the beginning teacher allowance applies only at the times the school employs a beginning teacher (clause 32), the special education staffing allowance applies only at the times the school has a student on its special education list (clause 30), and a school can only get additional staffing for “an unusual increase in the number of students” if there has been such an increase (clause 74).

Timing of use

Boards of trustees are able to employ teachers up to the greater of their provisional or finalised entitlement staffing, plus any additional staffing entitlement components that apply at the time.

Example of staffing entitlement determination:

	Entitlement staffing	Additional components applying at time	Total staffing entitlement
February	10 (prov.)	2	12
November	15 (final)	1	16

During each fortnightly pay period, boards may employ up to their total staffing entitlement. In addition, they may employ up to 10% *more* than their entitlement for a period, as long as they employ correspondingly *less* in another period.^{53,54,55} Where a school uses less than its full entitlement in a staffing year (ending on 27 January), it is given until 31 March of the following year to use up the remaining entitlement, and the same period to reverse any overuse.

As well as the number of teachers, the School Staffing Order regulates the number of teachers in managerial or other positions of responsibility in schools, and some cash allowances paid to teachers.

The number of deputy or assistant principals at a primary or intermediate school at a particular time is determined by the total number of teachers actually employed at the school at that time (clause 25). A high school’s ability to employ an associate principal

⁵³ The 10% limitation at any one time is not currently actively policed. However, if schools do not remain within their staffing entitlement for the school year as a whole, they are required to make a cash payment to cover the deficit.

⁵⁴ Schools may employ additional teachers and pay for them out of their operational grants. These teachers are not counted against the staffing entitlement (a former Minister of Education agreed to an exemption under section 91F(b) of the Education Act 1989, and clause 69 of the Staffing Order applies as long as the conditions of that exemption are met).

⁵⁵ The basic rules for counting teachers against the entitlement are expressed in clause 10 of the annual Staffing Order – these rules essentially count full-time teachers employed for a year as 1 full-time equivalent, and pro-rate hours worked by part-timers. However, in practice clause 10 is supplemented by numerous administrative rules to deal with special cases. The legal basis for these rules might be unclear.

at a time is determined by the school roll at that time (clause 26).⁵⁶ It has not been practical to actively police these limitations in recent years.

“Salary units” are allocated to teachers, often but not necessarily for the assumption of additional responsibilities, by boards of trustees. Middle management allowances and senior management allowances are allocated by boards of trustees to recognise additional responsibilities associated with management.

With one exception, the number of units or allowances at a particular time should be determined under clauses 15-18 and clauses 21-23, based on certain actual staffing entitlements or rolls at that time.⁵⁷ The number of units or allowances may therefore change throughout the year as the actual staffing entitlements change. The exception is additional salary units for large secondary or area schools, which are calculated based on the “principal grading roll”; that roll is based on provisional or March school rolls, whichever gives the higher result, and persists throughout the year.

“Leadership payments” are allocated to Resource Teachers: Learning and Behaviour (RTLBs). The number of payments to be allocated within a school is based on the number of RTLBs allocated to the school for the relevant school year, so does not change except when the number of RTLBs allocated changes. In practice, changes to allocations are infrequent.

Operational grants

Operational grants are paid in relation to a “funding year” which begins on 1 January and ends on 31 December.

Schools are given a provisional funding notice, which indicates their projected funding over the following year, in approximately October. Funding depends in part on the number of pupils, so the funding projection is based on projected rolls. These projections are the same ones used to set provisional staffing entitlements, with the exception that a new-entrant adjustment is added for special schools (effectively making the projection an October projection rather than a March projection for those schools). The provisional funding is just a projection, and actual funding will differ.

Actual funding is paid in quarterly instalments, at the beginning of January, April, July, and October.

The funding at each quarterly instalment is determined by a resourcing roll.

The rules for determining the resourcing roll are:⁵⁸

⁵⁶ Clause 81 allows for the retention of an associate principal position in some circumstances, even if the requirement in clause 26 is no longer met.

⁵⁷ One of the entitlements is the “formula-generated staffing allowance” which technically changes from day to day. In practice “entitlement staffing”, which fixes the formula-generated allowance at particular times of year when school rolls are recorded, is used instead.

⁵⁸ Students are excluded from the staffing roll if they are international fee-paying students (these do not generate staffing) or in an alternative education programme (these are funded separately). Students in trades academies are excluded from the roll, because there is separate funding for these students. At each year level any fractional part of the full-time-equivalent roll – owing to the enrolment of part-time students – is generally rounded up to the

- For January, use the same (projected) roll as was used to determine projected funding in October.
- For April, use the actual March rolls returned by schools, but with a new-entrant adjustment for schools with year 1 students.⁵⁹ Backdate this roll to 1 January and recalculate the first instalment as well as calculating the second.
- For July, use the actual March rolls for students in years 1 to 8, but with a new-entrant adjustment for schools with year 1 students, and use actual June rolls returned by schools for students in years 9 and above.
- For October, if the school is an intermediate school that is not a restricted composite school, use the actual March roll. For other schools: use actual July rolls returned by schools for students in years 1 to 8, with a new-entrant adjustment for schools with year 1 students, and use actual September rolls returned by schools for students in years 9 and above; then backdate the year 1-8 part of the resourcing roll to 1 January and recalculate the first to third instalments as well as calculating the fourth.

Because of the backdating of rolls that is noted above, funding for the whole year for year 1 to 8 students is *ultimately* determined by March rolls (for an intermediate school that is not a restricted composite schools) or by July rolls (for year 1 to 8 students in any other school type). For students in years 9 and above, funding is determined by the March rolls for the first six months of the year, the June roll for the third quarter, and the September roll for the fourth quarter.

In rare cases backdating can cause adjustments to earlier funding amounts that leave a school in the position of owing money at the end of the year. The amount owed is typically recouped from funding instalments in the following year.

Schools are permitted to spend more or less than their operational grant instalments in the relevant period. If they spend more, the additional amount must generally be funded from existing assets of the board. If they spend less, the board retains the unspent funds.

nearest whole number. There is a minor exception for students involved in a pilot of secondary-tertiary partnerships.

⁵⁹ This is intended to take into account likely arrivals of new entrants of the remainder of the year, so that primary schools will be funded for the whole year based on their peak rolls. The new entrant adjustment is typically an 11/12 increase in the number of year 1 students when determining the April or July instalments, and a 5/18 increase in the number of year 1 students when determining the October instalment.

Figure 14: Summary of rolls used to determine operational grants

Operational grant	2015 indicative Uses rolls as at...	2015 Q1 payment Uses rolls as at...	2015 Q2 payment Uses rolls as at...	2015 Q3 payment Uses rolls as at...	2015 Q4 payment Uses rolls as at...	
Primary	Oct-15 prov.*	Oct-15 prov.*	Mar-15 + NEA	Mar-15 + NEA	Jul-15† + NEA†	
Intermediate	Mar-15 prov.	Mar-15 prov.	Mar-15	Mar-15	Mar-15	
Secondary	Mar-15 prov.	Mar-15 prov.	Mar-15	Jun-15	Sep-15	
Composite	Oct-15 (yr 1) prov.*, Mar-15 prov. (others)	Oct-15 (yr 1) prov.*, Mar-15 prov. (others)	Mar-15 (Y1-8)+NEA, Mar-15 (Y 9+)	Mar-15 (Y1-8)+NEA, Jun-15 (Y 9+)	Jul-15(Y1-8)†+NEA†, Sep-15 (Y 9+)	
Restricted Composite	Mar-15 prov.	Mar-15 prov.	Mar-15	Mar-15 (Y1-8), Jun-15 (Y 9+)	Jul-15†(Y 1-8), Sep-15 (others)	
Special	Mar-15 prov. + NEA	Mar-15 prov. + NEA	Mar-15 (Y1-8)+NEA, Mar-15 (Y 9+)	Mar-15 (Y1-8)+NEA, Jun-15 (Y 9+)	Jul-15†(Y1-8)+NEA†, Sep-15 (Y 9+)	
			ALL BACKDATED TO 1 JAN.		†: BACKDATED TO 1 JAN.	
	Oct-14	Jan-15	Apr-15	Jul-15	Oct-15	
	Jul-14	Sep-14 (approx)	Mar-15	Jun-15	Sep-15	
Roll	Estimated (schools)	Provisional (Ministry)	Actual (schools)	Actual (Y9-15) (schools)	Actual (Y9-15) (schools)	Actual (Y9-15) (schools)
Primary	Mar-15	Oct-15*	Mar-15	n.a.	Jul-15	n.a.
Intermediate	Mar-15	Mar-15	Mar-15	n.a.	Jul-15	n.a.
Secondary	Mar-15	Mar-15	Mar-15	Jun-15	Jul-15	Sep-15
Composite	Mar-15	Oct-15 (yr 1)*, Mar-15 (others)	Mar-15	Jun-15	Jul-15	Sep-15
Restricted Composite	Mar-15	Mar-15	Mar-15	Jun-15	Jul-15	Sep-15
Special	Mar-15	Mar-15	Mar-15	Jun-15	Jul-15	Sep-15

* Method for determining October roll is not prescribed, but in practice, calculated from a provisional March 2015 roll by multiplying the provisional year 1 roll by 23/12
NEA = new entrant adjustment, obtained by multiplying the provisional year 1 roll by 23/12 (indicative entitlement), March year 1 roll by 23/12 (Q2 or Q3 payments),
or the July year 1 roll by 23/18 (Q4 payment)

Note that there are some cases in which roll returns are provided too late for use in the relevant instalment. In such cases, an earlier roll (or estimated roll) is used.

Property funding

Schools occupying Ministry property receive money for property maintenance along with their operational grants (quarterly).

Five-year agreement funding is theoretically made available to a school from 1 July following the agreement with the Ministry of the school's 10-year property plan. However, the actual drawing down of cash funding by the school, so that it can pay suppliers, is determined by the timetable of capital projects.

Funding for roll-growth classrooms is provided when schools qualify for additional space on the basis of an increased roll, and new classrooms have been approved by the Ministry.

In the case of State Integrated schools, funding for maintenance, capital upgrades, and redevelopment is provided under integration agreements between the Government and school proprietors. Funding may be paid quarterly, at the same time as operational grants.

6. Use of funding by recipient

Staffing entitlement

Boards of trustees may use their staffing entitlements only to employ teachers. The Ministry is not required to, and generally does not, pay the salaries of board employees unless they are regular teachers employed within the limitations imposed by the annual School Staffing Order.⁶⁰

“Teacher” is not exhaustively defined in the legislation for the purposes of calculating the staffing entitlement. It explicitly includes a principal, deputy principal, or associate principal of a school (section 91A of the Education Act 1989, clause 7 of the 2014 Staffing Order). In practice it also includes any registered teacher or any “authorised person”, being someone with a “limited authority to teach”, who is employed in a teaching position.⁶¹

It used to be the case that relief teachers were not to be employed from the staffing entitlement (section 91G of the Education Act 1989), but the Education (Payment of Relieving Teachers) Order 2012 means this is now allowed.

It is assumed that teaching entitlements will be used to meet legal or contractual requirements.

In general terms, the board is required to:

- Provide a free education (section 3 of the Education Act 1989).
- Comply with the National Administration Guidelines, which among other things require the school to develop and implement programmes to deliver the Curriculum, to be a good employer, and to provide a safe environment (sections 60A, 61 & 63 of the Education Act 1989 and the Guidelines themselves).

There are also more specific requirements affecting the use of staffing.

Where schools receive additional staffing entitlements because they are providing instruction in Māori to students for more than 12.5 hours per week, they must ensure that they do provide the required level of instruction. Schools are audited to ensure they meet this requirement. The focus has mainly been on mainstream schools, but audits have included Kura Kaupapa Māori and Kura-ā-iwi schools. All schools can expect to receive an audit at some time. Where a school does not meet the criteria for the additional staffing entitlement, their staffing entitlement may be adjusted to reflect the level of instruction being provided.

Collective agreements impose numerous requirements which affect the practical use of staffing entitlements. For example, they require that:

⁶⁰ The Ministry will fund redundancy costs for some teachers employed outside the staffing entitlement, if employing Boards have met specified conditions when employing those teachers.

⁶¹ The legislation would benefit from clarification in this area. For purposes unrelated to the staffing entitlement, the Education Act 1989 (section 120B) indicates that a person may be employed in a teaching position even if they are neither a registered teacher nor an authorised person, providing they are under the supervision of a registered teacher with a practising certificate. It is unclear whether such a person could be employed from the staffing entitlement.

- A full-time teacher at secondary level⁶² must generally be given 5 hours of non-contact time in each 25-hour teaching week (similar requirements apply to part-timers with a teaching week of more than 18 hours, and there is an agreement that schools will *endeavour* to provide appropriate non-contact time for all part-timers with a teaching week of 12 hours or more).
- Further non-contact time must generally be given when salary units are held by a teacher at secondary level.
- Beginning teachers covered by the Secondary and Area School Teachers' Collective Agreements must be given additional non-contact hours to ensure they are not exceeding 20 hours per week of assigned duties (this 20 hours of assigned duty includes the 5 hours of standard non-contact time so that actual contact hours are practically reduced to no more than 15 per week), and other staff must be given additional non-contact time to provide guidance to beginning teachers.
- Secondary teachers of te reo Māori who were trained under the Te Atakura scheme must be allocated 0.5 of an FTTE for providing assistance (guidance, community liaison, etc.) to Māori students.
- Schools will endeavour to limit average actual class sizes of secondary teachers to 26 pupils.⁶³
- A full-time teacher at primary level will be given 10 hours of release time (non-contact time) per term, or roughly one hour per 25-hour teacher week.⁶⁴

Collective agreements also restrict the use of salary units and management allowances. For instance:

- The allocation of units or management allowances is required to be determined in consultation with the school's teaching staff or (in the case of senior management allowances) the senior management team.
- Units or management allowances must usually be allocated to teachers as whole units (not divisible into fractions).
- Most commonly, units or management allowances are to be allocated permanently to a teacher, but up to 40% of units or allowances may be allocated for a fixed term (50% in the case of senior management allowances).

⁶² This includes a manual training teacher teaching year 7-8 students who is covered by the relevant collective agreement. In area schools, it includes any teacher "predominantly teaching year 7-13 classes".

⁶³ The requirement that schools will use reasonable endeavours to achieve this ratio is found only in the Secondary Teachers' Collective Agreement.

⁶⁴ Under the Area School Teachers' Collective Agreement, the requirement is worded differently and is for an "average of 24 hours maximum timetabled classroom teaching time per week" (a standard teaching week is 25 hours).

- Where teachers are covered by the Primary Teachers' Collective Agreement, an appropriate number of units is required to be allocated to some teachers in particular positions or situations.
- Middle-management allowances must be allocated to teachers with designated curriculum or pastoral management responsibilities or, in the case of the Secondary Collective Agreement only, to teachers who are responsible for at least five high-need special needs students. There are limits on the number of allowances each teacher may hold.

Boards of trustees at a school may transfer staffing entitlements or salary units to other schools, in return for teachers at those other schools teaching students at the first school. There are some restrictions on the transfer of staffing:

- A school may not transfer staffing entitlements or units relating to tuition in technology or another specialist subject.
- A school may not transfer staffing entitlements or units relating to vocal or instrumental music tuition, except to 15 designated schools (those schools in turn may not agree to transfers in excess of designated maximums).
- A school may not transfer certain entitlements or units to a type of school which would not normally be entitled to them (e.g. a primary school would not normally be entitled to middle management allowances).

Transfers require a written agreement between the schools. In practice, some of these agreements have a fixed term and others are indefinite.

In cases where a school with year 7 and 8 students sends its students to another school for technology education, a staffing entitlement is implicitly transferred from the school to the other school. In practice, the transfer is not visible, because the relevant entitlement (based on a staffing ratio of 120 students to 1 teacher) is included directly in the technology provider's entitlement staffing, based on information held by the Ministry of Education about where schools send their year 7 and 8 students for technology education.

Operational grants

Boards of trustees have wide discretion about how they spend their operational grants. They may use it for almost any proximate purpose, including hiring staff (as a supplement to the hiring under the staffing entitlement).

However, there are general and specific requirements which in practice will guide how the money is spent. In general terms, the board is required to:

- Provide a free education (section 3 of the Education Act 1989).
- Comply with the National Administration Guidelines.

In specific terms, the board must fund certain property-related costs if they occupy Ministry property (this is stated explicitly in the Property Occupancy Document, issued under section 70 of the Education Act 1989). Subject to the specific terms of any

integration agreement under the Conditional Private Schools Integration Act, the board must:

- Pay, from the school's operational grant, all operational costs associated with running the school, including electricity, gas and water supply, insurance, vandalism, rubbish disposal, heating, territorial authority charges, telephones, pest control, grass cutting, caretaking, and cleaning.
- Maintain school property (including furniture and equipment) no matter who owns it, either from operational funding in the case of Ministry-owned assets, or from discretionary funding in the case of board-owned assets.
- Pay for any emergency property work out of their capital or operational funding.
- Insure school contents.

The board must also ensure that if it is receiving funding for Māori language programmes it is providing the required level of instruction in the Māori language or of te reo Māori. Audits of schools are undertaken to ensure requirements are met.

There is an expectation that some other amounts will be used for a particular purpose.

For instance, targeted funding for educational achievement should be directed at programmes which assist students from socio-economically disadvantaged backgrounds, and Secondary-Tertiary Alignment Resource funding should be used to provide tertiary education experiences to secondary school students.

However, these expectations are not strict legal requirements, and there is no explicit sanction if the amounts are used for other purposes.

When Kiwisport funding was introduced in 2009, it was stated that it was “to help ensure more children play sport”. At the time it was decided that schools would need to briefly report, in their annual reports, how they spent the funding, and ERO surveyed some schools in 2010 to check how effective the expenditure had been. It is unclear whether the requirement to spend the money to promote sport is enforceable: this would require that the money be a “supplementary grant” under section 79 of the Education Act 1989, but the Cabinet paper which approved funding made no explicit reference to a supplementary grant.

A school is free to pay some of its operational funding to another school. Where a school sends its year 7 and 8 students to another school for technology education, there is an expectation that the school will pay some of its operational funding to the other school to cover the operational costs incurred (staffing entitlements are transferred separately).

Reporting and accountability

There is a set of general accountability requirements for boards of trustees, some of which refer to funding or financial management. These general accountability requirements allow some scrutiny of schools' use of funding, and permit external interventions in some cases if there are concerns about inappropriate use.

The general requirements include the duties to produce a school charter (see sections 61 to 63B of the Education Act 1989) and to prepare an annual report which includes audited financial statements (sections 87 to 87C).

The charter establishes “the mission, aims, objectives, directions, and targets of the board that will give effect to the Government’s national education guidelines, and provide a base against which the board’s actual performance can later be assessed” (section 61(2)). It includes compulsory sections which set out the board’s priorities for the “*use of resources*” (sections 61(3)(b) and (c)) and “*the management of [...] capability, resources, assets, and liabilities, including its human resources, finances, property, and other ownership matters*” (section 61(4)(c)).

The annual report must contain information about the remuneration paid to board members, the number of employees of the board earning more than \$100,000 per year, the total remuneration paid to the principal, *financial statements prepared in accordance with generally accepted accounting practice*, and “*an analysis of any variance between the school’s performance and the relevant aims, objectives, directions, priorities, or targets set out in the school charter*” (section 87).

The annual report must be provided to the Ministry of Education. The charter and audited financial statements must be provided to the Ministry and “made available” so that they may be subject to external scrutiny.

In the case of the school charter, the requirement to make the document available is unqualified (section 63B) and means that it should be made publicly available.

In the case of the financial statements, the requirement is only to provide the statements to the Ministry of Education and for the Minister of Education to make it available to any Member of Parliament on request (section 87C). The financial statements of a school would be available to others only if the school made them available voluntarily, an MP which had received them from the Minister then made them more widely available, or a successful application for release was made under the Official Information Act.

The Ministry does not make schools’ financial statements or annual reports available to the general public as a matter of course. However, financial information from the financial statements is manually entered into a database maintained by the Ministry of Education.

Section 78I of the Education Act 1989 permits the Ministry of Education or the Minister to intervene in schools if “there is a risk to the operation of the school, or to the welfare or educational performance of its students”. Financial mismanagement, including inappropriate application of funding, could conceivably be grounds for such an intervention.

Outside the general requirements, it seems that there are few specific legislated requirements imposed on boards to explicitly account for the use of particular items of funding, or for the subsequent effectiveness of this use in achieving desirable education outcomes.

Following the introduction of Kiwisport funding, schools were required to indicate in their annual reports how they had used the funding to promote sporting activity. But this was not included in legislation, and it is not clear that it is a legally enforceable requirement.

It is noted that unions or employees may take action against boards of Trustees (and potentially other bodies in some cases) if they believe that the use of funding contravenes an employment agreement. Similarly, any member of the public could conceivably take action against a board (or other bodies) if they consider that the board's use of funding contravenes legislation.⁶⁵

⁶⁵ There would be a requirement to show sufficient standing.

Appendix – glossary of school types

There are several different ways of classifying schools.

In this document, terms have the following meanings for State and State integrated schools:

- **area school** – a composite school offering at least some classes between year 1 and year 6
- **composite school** – a school which is not a *secondary school* and which offers at least some classes at year 8 or below, and at least some classes at year 9 or above,
- **contributing primary school** – a school offering at least some classes between year 1 and year 6, and none for other years
- **full primary school** – a school offering at least some classes between year 1 and year 6, at least some classes between years 7 and 8, and no classes for other years
- **high school** – a school that is a secondary school or a composite school that does not offer any classes below year 7
- **intermediate school** – a school offering classes only between years 7 and 8 (as used in this document, this term excludes a *restricted composite school*, even though a restricted composite school is an intermediate school for the purposes of the Education Act).
- **restricted composite school** – a school which is legally an intermediate school, but which has been authorised to offer classes between year 9 and year 10
- **primary school** – a *contributing primary school* or a *full primary school*
- **Secondary school** – a *year 7-13 secondary school* or a *year 9-13 secondary school* or a *junior high school* or a *senior high school*
- **Year 7-13 secondary school** – a school offering at least some classes between years 7 and 8 and at least some classes between years 9 and 13, and no other classes
- **Year 9-13 secondary school** – a school offering at least some classes between years 9 and 13, and no other classes

Detailed explanation of school type information

There are several legislative definitions of school type.

When a new school is established, and it is not a special school, it must be classified under section 145 of the Education Act 1989 as either a primary, intermediate, secondary or composite school. If it is a primary school, it may be further classified as a contributing primary school. The year levels offered by the particular school may be specified (e.g. restricted). Non-special schools established before section 145 was in force are reclassified by section 145(2), to fit within these categories.

There are surviving statutory definitions in section 2 of the Education Act 1964:

- **composite school** means a State school that provides primary education and secondary education

- **contributing school** means a State primary school that is for the time being established under this Act without provision for classes for pupils of forms 1 and 2 or either of those forms
- **intermediate school** means a State primary school to which are admitted, from 1 or more other State primary schools, pupils who belong to the senior division
- **intermediate department** means a department or division, attached to a secondary school or a district high school, to which are admitted, from 1 or more State primary schools, pupils who belong to the senior division
- **primary education** means education for pupils in a primary or intermediate school or department
- **primary school** means a school providing a 6-year course, or an 8-year course, for pupils entering the school between the ages of 5 and 7 years; and includes such a school which in special circumstances approved by the Director-General also provides continuing education
- **secondary education** means full-time education for pupils in a secondary school or department or in a secondary private school registered under section 35A of the Education Act 1989
- **secondary school or department** means a school or department established, or deemed to have been established, as a secondary school under Part 3, and providing full-time and part-time courses beyond the primary school course, and also, in circumstances approved by the Director-General, continuing education and related guidance services
- **senior division**, in relation to a State primary school, includes such classes or forms therein as may from time to time be prescribed by regulations

There are also definitions in the Education Act 1989 of “composite school”, “intermediate school”, “primary school”, and “secondary school”, though these simply refer to the classification of the school when it was established.

A special school is established under section 98 of the Education Act 1964. The terms “special school”, “special class”, “special clinic” and “special service” are defined in section 2 of the Education Act 1989, but only by reference to section 98 of the 1964 Act.

The school staffing orders, which provide the statutory basis for staffing entitlements provided to schools, defines:

- **area school** means a composite school that offers education at a level below Form 1
- **Form 1 to 7 school** means a composite school that offers primary education (as defined in section 2 of the Education Act 1964) to the extent only of the 2 years immediately before secondary education (as defined in section 2 of the Education Act 1964)
- **high school** means a school that is a secondary school or a Form 1 to 7 school
- **primary school** means a school established under section 146 of the Act as a primary school
- **restricted composite school** means an intermediate school that the Minister has authorised to enrol students up to, and including, year 10

- **special school** means a special school established under section 98 of the Education Act 1964

There are also definitions that are used for informational or other administrative purposes (for instance, to create the Schools Directory on educationcounts.govt.nz).

