MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

# Education Report: Boarding allowance rates increase

| | | | |
|---|---|---|---|
| **To:** | Hon Grant Robertson, Minister of Finance<br>Hon Chris Hipkins, Minister of Education | | |
| **Date:** | 31 March 2022 | **Priority:** | Medium |
| **Security Level:** | In Confidence | **METIS No:** | 1284907 |
| **Drafter:** | Gerald Dreaver | **DDI:** | 9(2)(a) |
| **Key contact and number:** | Joshua Thurston | **DDI:** | |
| **Messaging seen by Communications team:** | No | **Round robin:** | Yes |

## Purpose of report

This paper seeks Joint Ministers' agreement to increase boarding allowance rates by 8% from 2023, using projected baseline underspends.

## Summary

An 8% increase to boarding allowances would improve wellbeing and learning outcomes for remote and at-risk students who could not otherwise afford boarding fees.

Allowance rates were last fixed in 2014. Three-yearly reviews have shown their declining purchasing power. Boarding fees at state and state integrated schools have increased by around 3.5% annually. This has contributed to a decline in demand in recent years, and to underspends that could be used to partially restore the value of the allowances.

Proactively Released

## Recommended Actions

The Ministry of Education recommends you:

a. **agree** that boarding allowance rates be increased by 8% from 2023, funded from forecast underspends of the current funding pool

**Agree** / **Disagree**

Hon Chris Hipkins
**Minister of Education**

**Agree** / **Disagree**

Hon Grant Robertson
**Minister of Finance**

b. **agree** this report is not proactively released as it contains Budget sensitive information

**Agree** / **Disagree**



Hon Chris Hipkins
**Minister of Education**

31 / 3 / 2022



Hon Grant Robertson
**Minister of Finance**

6 / 4 / 2022



John Brooker
**Group Manager, Te Puna Kaupapahere | Policy**

31/03/2022

Proactively Released

## Background

1. Boarding is an important alternative schooling option for remote and at-risk students, especially at secondary level where schools need a larger population to be viable.

2. In principle, remote students such as those on the Chatham Islands can attend Te Aho o Te Kura Pounamu (Te Kura). However, some important learning experiences are difficult to replicate through distance learning, and supervising home learning may be challenging or a burden for some families – especially if it is required for many years. These students can receive an access barrier allowance of $3,200 towards boarding fees. Around 745 students received an access barriers allowance at any time during 2021 (a small proportion start or finish receiving the allowance as the year progresses).

3. The multiple barriers allowance provides $7,500 for boarding at a hostel, $4,000 for boarding privately, and an additional $500 towards additional costs such as uniforms and stationery. The higher rate for the multiple barriers allowance reflects the needs of eligible students. The allowance targets students at risk of not accessing effective schooling due to a range of factors including home environment. Applicants must be referred by a person independent of the family with knowledge of the student and their circumstances – such as a teacher or social worker. Boarding may be a refuge for some of these students. Around 930 students received a multiple barriers allowance in 2021.

4. Boarding allowance rates have been fixed since 2014. Three-yearly reviews (the last in 2020) and recent tracking of fees have shown a marked decline in the allowances' purchasing power. Boarding fees, which have a wide range but average over $12,000 per year, have increased by around 3.5% annually (similar to residential rent). This makes boarding unaffordable for many families with average or lower incomes. A number of stakeholders such as Federated Farmers have raised this with the Minister of Education, the Ministry and in a petition to Parliament. A Budget 2022 bid to increase the allowances has been unsuccessful.

## Boarding allowance rates could be increased within the existing appropriation

5. There is a persistent underspend of the boarding allowances funding pool of around $1.3m to $1.6m, and declining volumes suggest this will continue – especially if allowance rates are not increased and boarding becomes increasingly unaffordable.

6. This provides an opportunity to make a meaningful increase to allowances without increasing the appropriation. An 8% increase in allowance rates can be funded from the current pool, while allowing headroom for a potential 10% increase in volumes relative to 2021 and a small additional buffer. Any residual risk of an overspend can be managed operationally by adjusting eligibility thresholds to target those students with the highest and most urgent needs.

7. The trade-off for this increase is that half or more of the underspend will no longer be returned to the centre at the end of each financial year. We estimate this to be between $0.6m and $1.6m, depending on future demand with and without the rates increase. As the allowances are demand driven, the underspend is difficult to predict more precisely.

8. This initiative will not fully meet the wishes of all stakeholders. Rural stakeholders have long advocated raising the access barriers rate to match the multiple barriers rate. It will, however, contribute to the affordability of boarding for those students who most need it. It is aligned with our priorities of promoting wellbeing and meeting the needs of Māori, who make up over a quarter of access barrier recipients and over 70% of multiple barriers allowance recipients.

Proactively Released