

# **Regulatory Impact Statement**

## **Changes to enable schools to implement cohort entry arrangements for children first starting school**

### **Agency Disclosure Statement**

This Regulatory Impact Statement (RIS) has been prepared by the Ministry of Education. It provides an analysis of options to enable schools to implement cohort entry arrangements for children first starting school.

This is one of a suite of RISs on amendments to update the Education Act 1989 (the Act). The analysis and resulting policy proposals focus on meeting the needs of schooling and early childhood education now and into the future.

The Ministry undertook a public consultation on the policy proposals for updating the Act between 2 November and 14 December 2015 and received over 1800 submissions. A report on the submissions is available on the Ministry's website.

This RIS analyses a range of options for enabling schools to implement cohort entry. This includes analyses of financial impacts for the Crown and the consideration of impacts on the Ministry of Social Development.

The Ministry considers this document to be a fair representation of available options.



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**Ellen MacGregor-Reid**

**Deputy Secretary, Strategy, Planning and Governance**

**Ministry of Education**

## Executive summary

1. The continuous entry of new entrants into Year 1 throughout the school year is a feature of the New Zealand school system. Some schools are experimenting with enrolling children in groups (a cohort) at designated times of the year, but their ability to do this is limited by the existing legislative framework for schooling which requires a school to accept, on request, the enrolment of a child who has turned five.
2. The flexibility for schools serving low income communities to introduce cohort entry is further limited by the eligibility rules for the Ministry of Social Development childcare subsidy that gives low income families access to additional subsidised hours of childcare. This is only available up to 28 days after a child turns five<sup>1</sup>, constraining the ability of parents to defer enrolment after this point.
3. There is an absence of evidence about the impact of continuous entry versus cohort entry on educational achievement, suggesting a case for schools and communities to have some flexibility to determine the school entry arrangements that best meet the needs of their students.
4. Further, given increased interest in cohort entry and that some schools have, notwithstanding the current framework, introduced cohort entry there is an emerging risk of a change in practice leading to an increase in government expenditure due to children spending longer in early childhood education (ECE).
5. The Ministry of Education (the Ministry) has assessed four options for change:

**Option A:** Amending the Social Security (Childcare Assistance Regulations 2004) to extend the period after a child's fifth birthday that low income families could receive the childcare subsidy, together with disseminating information about the potential benefits of cohort entry.

**Option B:** Allowing schools to introduce and enforce cohort entry with new entrant children only able to start at the start of each term **from the start of the term in which they turn five**.

**Option C:** Allowing schools to introduce and enforce cohort entry with new entrant children only able to start at the start of each term **from the term after they turn five**.

**Option D:** Allowing schools to introduce and enforce cohort entry with new entrant children only able to start at the start of each term **from the start of the term closest to their fifth birthday**.

6. Options B, C and D would also be accompanied by amendments to the Social Security (Childcare Assistance) Regulations 2004 to change eligibility requirements for the MSD childcare subsidy and/or OSCAR subsidy to avoid adverse consequences for families on low incomes that are required to delay or bring forward their child's enrolment.
7. The Ministry recommends Option D. We consider that in practice it would make the greatest contribution to increasing the ability of schools to put in place school entry arrangements that best meet the learning needs of their students, while limiting the increase in ECE costs for some families, and balancing the impact on the ECE sector in terms of a likely reduction in the demand for ECE services.

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<sup>1</sup> Or until 6 years old if the child is eligible for Child Disability Allowance.

8. The impact on government expenditure is subject to particular uncertainty, depending on the extent of uptake of cohort entry under Option D, compared with what might occur under current arrangements. Our recommendation reflects a particular weighting to the flexibility of schools to establish entry arrangements they assess better meet the needs of their students and accounts for the risk of increased expenditure under current arrangements.

## Status quo and problem definition

9. Under the Education Act 1989 (the Act) children have the right to free enrolment and education at a state school from age five, and are required to be enrolled by the time they turn six.
10. Continuous entry of new entrant children into Year 1 throughout the school year is a feature of the New Zealand school system. It is normal practice for children to start school on their fifth birthday, or on the first school day following. At present 90 percent of children start school within two school weeks after turning five. Reasons why children may start outside this period include parental concerns about the school readiness of their child and that starting school immediately before a school holiday break may be disruptive for the child.
11. Increasingly, schools are experimenting with enrolling children for the first time in groups (cohorts) at designated times during the year. However, the ability of schools to implement cohort entry is limited by the current legislative framework. While schools can encourage parents to enrol their child at a particular time, they are obliged to accept the enrolment of a child who has turned five if requested by the parents.
12. For some parents, the current arrangements for childcare subsidies may mean they are financially unable to agree to defer their child's school starting date significantly beyond their fifth birthday. While families can access early childhood education (ECE) subsidies funded through Vote Education until a child is age six, the Ministry of Social Development (MSD) childcare subsidy which enables families on low incomes to access additional hours of subsidised care is only available up to 28 days after a child turns five (unless they receive the Child Disability Allowance).<sup>2</sup> The ECE subsidies funded through Vote Education provide a maximum of 30 hours subsidised care a week. The MSD childcare subsidy enables families to potentially access a maximum of 50 hours of subsidised care.<sup>3</sup>
13. There is an absence of evidence about the impact of continuous entry versus cohort entry on educational achievement, in large part because New Zealand is rare in having continuous entry. This means that we cannot say that continuous entry leads to better educational outcomes than cohort entry, or vice versa.
14. However, there is evidence that successful transition from ECE to school has a positive effect on a child's later social and educational outcomes. Further, research shows that developing and maintaining children's friendships is a key feature of a successful transition to school.<sup>4</sup>

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<sup>2</sup> Once a child turns five, they become eligible for the Out of School Care and Recreation (OSCAR) subsidy, which subsidises the cost of before and after school care for up to 20 hours a week and school holiday programmes for up to 50 hours a week.

<sup>3</sup> A family cannot claim the MSD subsidy for hours that are covered by the 20 Hours ECE subsidy.

<sup>4</sup> Sally Peters, *Literature review: Transition from early childhood education to school* (Wellington: Ministry of Education, 2010) pp.17-18.

15. Some primary schools consider that continuous entry is limiting their ability to effectively manage the transition process and making it difficult for new entrants to build relationships with their peers. The Advisory Group on Early Learning has recommended amending the Act to enable schools to enrol five year olds on a cohort basis.<sup>5</sup>
16. At the same time, other schools consider that they have developed effective transition arrangements based on continuous entry.
17. We do not have data on the number of schools that are currently using cohort entry, but anecdotal evidence suggests that fewer than five percent of new entrants start school under a cohort entry arrangement. However, anecdotal evidence also suggests increased interest by schools in moving to cohort entry, and that more schools may do so notwithstanding the current legislative framework.
18. To operate cohort entry, schools must defer when children start school. To the extent that this occurs, it marginally increases the overall fiscal cost of ECE and schooling provision. The impact of this is not separately identified but is managed as forecast risk.
19. This dynamic has been facilitated by the Ministry of Education (the Ministry) clarifying that schools can encourage parents to enrol their new entrant children on specific days so that the child starts as part of a group, and to structure transition activities around this. Further sector and public awareness of cohort entry and the extent of flexibility that exists under current law have increased as a result of consultation undertaken in 2015 in regard to the update of the Education Act 1989. Were more schools to implement cohort entry, this would result in increased government expenditure.<sup>6</sup>
20. Further, given current arrangements for MSD childcare subsidies, the ability of schools serving lower socioeconomic communities to implement cohort entry is likely to be more limited.
21. Overall, from an educational perspective there is no evidence to prefer continuous entry to cohort entry or vice versa. This suggests a case for schools and communities to have some flexibility to determine school entry arrangements to best meet the needs of their students and community. The current regulatory framework in respect of schooling arrangements and childcare subsidies impedes this. Further, interest in cohort entry appears to be increasing and there is an emerging risk that current arrangements will lead to increased fiscal costs for the Crown, and inequity between schools and students.

## Objective

22. The objective is to enable schools to put in place school entry arrangements which they consider best allow them to support transitions for new entrant students, are supported by their community, and do not impose undue costs on government or parents.
23. To assess options against the objective we have used the following criteria:

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<sup>5</sup> Advisory Group on Early Learning, *Report of the Advisory Group on Early Learning* (Wellington: Ministry of Education, 2015) p.28.

<sup>6</sup> Under current arrangements cohort entry would involve deferring the date that some children start school, leading to increased expenditure on both ECE and schooling. (This is discussed in more detail on pages 9 and 10).

- Schools are able to implement entry arrangements that meet the learning needs of their students
- Administrative and compliance costs incurred by schools are minimised.
- Cost and disruption to parents is minimised
- Cost and disruption to the ECE sector is minimised
- Fiscal costs are managed

## Options and impact analysis

24. In developing options we considered mandating a change to school entry arrangements. We discounted this option following public consultation, with fewer than eight percent of submitters agreeing that cohort entry should be mandatory for all schools. The Advisory Group on Early Learning also cautioned against mandatory cohort entry due to the differing impacts on families.
25. We also considered the option that new entrants would only be able to start school at the beginning of the school year. This would have brought New Zealand arrangements in line with many other jurisdictions. We also discounted this option following public consultation. To the extent that submitters commented on the frequency of entry, more than 60 percent thought that entry should be more frequent than once or twice a year.
26. In-depth consultation would have been required on the cut off date prior to which a child would need to have turned five to be able to start school at the beginning of the year. Further, successful implementation would have required a significant investment in change management given the very material impact on the date that some children would start school and the implications for how ECE providers organise their services.
27. We have therefore identified the following four options for achieving the objective:
  - **Option A:** Amend the Social Security (Childcare Assistance Regulations 2004) to extend the period after a child's fifth birthday that low income families can receive the childcare subsidy, together with disseminating information about the potential benefits of cohort entry.
  - **Option B:** Allow schools to introduce and enforce cohort entry with new entrant children only able to start at the start of each term **from the start of the term in which they turn five.**
  - **Option C:** Allow schools to introduce and enforce cohort entry with new entrant children only able to start at the start of each term **from the term after they turn five.**
  - **Option D:** Allow schools to introduce and enforce cohort entry with new entrant children only able to start at the start of each term **from the start of the term closest to their fifth birthday.**
28. Under Options B, C and D, if parents did not wish to enrol their child at the first possible cohort entry point, then they would be able to enrol their child at the start of any following term up until the child turned six, when they would be required to enrol.
29. Options B, C and D would also be accompanied by amendments to the Social Security (Childcare Assistance) Regulations 2004 to change eligibility requirements for the MSD

childcare subsidy and/or Out of School Care and Recreation (OSCAR)<sup>7</sup> subsidy to avoid adverse consequences for families on low incomes that are required to delay or bring forward their child's enrolment.

30. Under Options B, C and D schools would be required to consult with their communities, including prospective parents and ECE providers, prior to implementing cohort entry. Schools would also be required to give parents a period of notice (one term) prior to implementing change.
31. Schools would gain the authority to enforce cohort entry and be able to refuse the enrolment of new entrant children at other times in the term. They would need to specify the rules for where exceptions would be granted.
32. Schools would be able to return to a continuous entry arrangement following consultation with their community and a period of notice of the change.

***Option A: Changing childcare subsidies and dissemination of information***

33. This option involves a change to the Social Security (Childcare Assistance) Regulations 2004 to extend eligibility for the MSD childcare subsidy. This would be supported by information dissemination, including case studies of cohort entry arrangements, designed to improve community understanding of this arrangement. The information dissemination programme would operate within current Ministry resources, and use existing channels to communicate with schools, ECE providers and parents.
34. There would be no change to the legislative provisions for school entry. Schools would continue to have to accept the enrolment of a child who has turned five on the request of their parents.
35. The ability of some schools, particularly those serving low income communities, to implement entry arrangements that meet their needs would be improved marginally. Reducing the financial barrier to particular low income parents agreeing to delay their child's start at school by more than 28 days would improve equity between schools in terms of their ability to implement cohort entry. Where cohort entry is a feature of a school's programme, it would also improve equity for individual students to be able to start as part of a group. Principals of a number of low decile schools have indicated that they consider that cohort entry would enable better outcomes for their students.
36. As is the case with the status quo, schools would need to engage with parents to secure their co-operation. This involves ongoing parental engagement by schools, with schools having to demonstrate why cohort entry would be more beneficial for students.
37. This option would involve additional childcare costs for parents. However, parents would be able to individually decide whether to accept this cost or require the school to accept their child's enrolment before the cohort entry date.
38. Overall, we assess that this option is likely to marginally increase the uptake of cohort entry compared to the status quo and would lead to an increase in government expenditure. Increased expenditure on the MSD childcare subsidy is a relatively small driver of this cost.

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<sup>7</sup> The OSCAR subsidy, subsidises the cost of before and after school care for up to 20 hours a week and school holiday programmes for up to 50 hours a week. Children under the age of five are not eligible to receive the subsidy.

The more significant driver is the additional expenditure on ECE subsidies funded from Vote Education.

**Options B, C and D: Allowing schools to introduce and enforce cohort entry**

39. Compared to the status quo and Option A, allowing schools to introduce and enforce cohort entry would increase their ability to effectively implement new entry arrangements.
40. Implementing cohort entry would involve specific administrative and compliance costs in terms of the requirement to consult with communities. However, as discussed above, under the status quo and Option A schools need to expend ongoing effort engaging with parents in order to implement cohort entry.
41. However, these options would require members of boards of trustees, who are volunteers, to manage a potentially sensitive issue within their community, given that cohort entry becomes binding on parents.
42. Enforcing cohort entry would also involve administrative costs for schools. Schools would need to establish policies to manage situations where parents miss the enrolment date or window and establish rules for where exceptions would be granted. It is also a situation where decisions might be contested in regard to whether the school has acted reasonably.
43. Associated with this is a risk that priority learners would be disadvantaged if, because of poor planning or adverse circumstances, parents did not enrol their child at the required time. This risk is likely to be greatest for children who are not actively participating in early childhood education. Where this occurs it could work against the school establishing a constructive relationship with families and whānau.
44. Options B, C and D each have different impacts in terms of the learning needs of children, the impacts on families (particularly their childcare costs), on the ECE sector and on overall government expenditure. Critical to these impacts is how each option affects the possible school start date of a child. This is set out in Table 1 below.

*Table 1: Impact of Options B, C and D on school start date*

	Potential change in school start date
<b>Option B:</b> Start of the term in which the child turns five	Children could start school up to 10 weeks before their fifth birthday.
<b>Option C:</b> Start of the term after the child's fifth birthday	Start date could be delayed up to 10 weeks in terms 1, 2 and 3; and up to 15 weeks in term 4.
<b>Option D:</b> Start of the term closest to the child's fifth birthday	Some children could start school up to 6 weeks before their fifth birthday in terms 1, 2 and 3, and up 8 weeks in term 4. The start date for some children could be delayed up to 6 weeks in terms 1, 2 and 3; and up to 8 weeks in term 4.

**Possible impacts on teaching and learning**

45. Option B (at the start of the term in which a child turns five) and Option D (the start of the term closest to a child's fifth birthday) would mean that some children could start school before their fifth birthday.
46. By international standards, New Zealand children start school comparatively young, and these options would increase this. This may influence the likelihood of schools considering

cohort entry and community support for change. For example, the ECE Advisory Group on Early Learning cautioned against a downward push on the school starting age due to the importance of a play-based curriculum for early years learning. However, under Options B and D, parents would continue to have flexibility to defer the enrolment of their child to the next or subsequent terms, should they have concerns about their maturity and readiness for school.

47. Under Option B and less so D, there can be expected to be a small increase in the variability of learning needs upon school entry compared to the status quo and Options A and C (although under current arrangements a wide variability in maturity and school preparedness is already observed). To the extent this occurs, it may require schools to adjust teaching practice.
48. Under Option C (at the start of the term after a child's fifth birthday) and Option D some ECE service providers would need to adjust their practice to meet the needs of slightly older children.

### **Impacts on families**

49. Restricting when children could enrol in school would impact on families' childcare arrangements, including ECE costs, and decisions on labour market participation.
50. In terms of ECE costs, we estimate that the value of the saving or additional cost ranges from \$35 to \$68 per week on average, depending on the nature of the ECE the child attends.<sup>8</sup> The potential impacts are shown in Table 2 below.
51. Option B (start of the term in which the child turns five) leads to savings in childcare costs for parents, if parents enrol their child at the first opportunity. Option C (start of the term after the child's fifth birthday) leads to increased costs for parents. Under Option D (start of the term closest to the child's fifth birthday) some parents face increased costs, and others reduced. The extent of this increase or saving is less than under Options B or C.
52. The increased ECE costs for parents under Option C may limit the spread of cohort entry.

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<sup>8</sup> The difference between the 30 hour school week and 20 Hours ECE means parents would be paying for an additional 10 hours of care per week. 17.6% of children starting school in 2015 had attended ECE for 30 or more hours per week. The average per hour fees for two to five year olds enrolled in an education and care service on top of their 20 Hours ECE (as measured by the *2013 Survey of Income, Expenditure and Fees of Early Childhood Education Providers*, adjusted by 4.4% to account for inflation in ECE costs between 2013Q2 and 2015Q4) is \$6.84. Enrolment in education and care services made up 57% of four year olds' ECE enrolments in 2014. The average per hour fees for kindergartens (31% of enrolments) is \$3.50. For home-based care (5% of enrolments), it is \$5.79.



Table 2: Impact of Options B, C and D on ECE costs for parents

Option	Service Type	Average increase/reduction in ECE costs for maximum length of time between fifth birthday and cohort entry point	
		<i>Children with birthday in terms 1, 2 or 3</i>	<i>Children with birthday in term 4</i>
<b>Option B:</b> Start of the term in which the child turns five	Education and Care	Reduction of \$684	Reduction of \$684
	Kindergarten	Reduction of \$350	Reduction of \$350
	Home-based service	Reduction of \$579	Reduction of \$579
<b>Option C:</b> Start of the term after the child's fifth birthday	Education and Care	Increase of \$684	Increase of \$684
	Kindergarten	Increase of \$350	Increase of \$350
	Home-based service	Increase of \$579	Increase of \$579
<b>Option D:</b> Start of the term closest to the child's fifth birthday	Education and Care	Reduction of \$410 Increase of \$410	Reduction of \$547 Increase of \$547
	Kindergarten	Reduction of \$210 Increase of \$210	Reduction of \$280 Increase of \$280
	Home-based service	Reduction of \$348 Increase of \$348	Reduction of \$464 Increase of \$464

### Fiscal cost

53. We have undertaken indicative modelling to get insights into the impact of Options B, C and D, using data about the pattern of school entry. The modelling takes into account government expenditure on ECE subsidies funded through Vote Education, on MSD childcare and OSCAR subsidies, and on schooling.
54. The modelling is based on 2014 roll data, adjusted to reflect projected changes to ECE enrolments in 2018, and 100 percent uptake of cohort entry. We have assumed that under each option parents enrol their children at the first opportunity.
55. For Options C and D, the impact on government expenditure changes between the first and subsequent years. This is because of the particular arrangements for funding state and state-integrated schools.<sup>9</sup> The impact on government expenditure is shown in the table

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<sup>9</sup> Primary schools are funded for their expected roll as at October. Under Options B and D the size of the cohort funded at the Year 1 funding levels increases for the second and subsequent year, with this only partially offset by savings from the smaller cohort of students initially at Year 2 and then progressing up year levels.

below. More detail, showing the separate impact on expenditure on ECE subsidies, MSD childcare and OSCAR subsidies, and schooling are provided in Appendix A.

56. The actual impact on government expenditure will depend on the level of uptake of cohort entry, which we expect to vary depending on the option chosen. Further, irrespective of the option, we expect uptake to increase over time. We have not attempted to model all these impacts.

*Table 3: Fiscal impact of Options B, C and D*

	100 percent uptake of cohort entry			10 percent uptake of cohort entry		
	<b>Option B:</b> Start of the term in which the child turns five	<b>Option C:</b> Start of the term after the child's fifth birthday	<b>Option D:</b> Start of the term closest to the child's fifth birthday	<b>Option B:</b> Start of the term in which the child turns five	<b>Option C:</b> Start of the term after the child's fifth birthday	<b>Option D:</b> Start of the term closest to the child's fifth birthday
	\$m	\$m	\$m	\$m	\$m	\$m
<b>First year impact</b>	0.2	24.1	-0.3	0.02	2.41	-0.03
<b>Second and third year impact</b>	-0.2	42.8	4.7	-0.02	4.28	0.47
<b>Fourth and fifth year impact</b>	-0.4	50.3	8.3	-0.04	5.03	0.83

57. The expenditure impacts for Options B and D are sensitive to the accuracy of the assumption that parents would enrol their child at the first opportunity. If some parents choose to delay enrolment because of concern that the child is not sufficiently mature to start school under the age of five, expenditure would be higher than the estimated amount. In the case of Option D, the expenditure impacts are also sensitive to the particular cut off dates for enrolment. Changing these by a week materially affects expenditure.
58. The expenditure impacts for Option C are sensitive to the assumed behaviour of the parents of children who in 2014 were five at the start of a term and who enrolled later in the term. As a result, the estimate may overestimate the level of additional government expenditure.
59. In terms of uptake, our assessment is that this is likely to be higher under Option D – start of the term closest to the child's fifth birthday. This is based on a judgement that uptake of cohort entry would be lower under Option B because of sector and community concern about children starting school before the age of five. Under Option D fewer children would be in this situation, and, for those that are, the difference in age is relatively small. Similarly, we think that uptake of Option C could be constrained by families' concerns about the additional cost of childcare.

60. Overall, given feedback from the consultation, particularly from the New Zealand Principals' Federation and the New Zealand School Trustees Association (NZSTA), we think that initial uptake for all three options would be relatively low - in the order of ten percent over the first two years. However, once a critical mass of schools adopts cohort entry, uptake could increase sharply.

### Impact on ECE sector

61. Under all three options the impact on individual providers will depend on the extent to which the individual centre 'feeds' into single or multiple schools, and whether the schools adopt cohort entry. To the extent that schools adopt cohort entry, ECE providers would need to adjust their business model to manage the loss of a larger group of students at one time, compared to the present.
62. Under Option B, ECE hours would tend to be reduced. This would enable higher participation by reducing waiting times for providers where demand currently exceeds supply.<sup>10</sup> However, it would also reduce profitability and viability of those providers currently operating below capacity.
63. In comparison, Option C would put some additional pressure on the capacity of the ECE sector. This would help improve the profitability and sustainability of providers currently operating below capacity, but could lead to longer waiting times where providers are already operating at capacity, until the ECE sector grows to meet this increase in demand.
64. Modelling suggests that overall Option D would lead to a reduction in the demand for ECE hours, with this occurring because more children would leave ECE earlier than otherwise in term 4, compared to those whose departure is delayed because of the impact of the summer holiday break.
65. As an indicator of the magnitude of impact on the ECE sector, Table 4 below provides our modelled estimate of the impact on the total value of government subsidies to the ECE sector.<sup>11</sup> This modelling is described in paragraphs 53 to 56 above.

*Table 4: Impact of Options B, C and D on the ECE sector*

100 percent uptake of cohort entry			10 percent uptake of cohort entry		
Option B: Start of the term in which the child turns five	Option C: Start of the term after the child's fifth birthday	Option D: Start of the term closest to the child's fifth birthday	Option B: Start of the term in which the child turns five	Option C: Start of the term after the child's fifth birthday	Option D: Start of the term closest to the child's fifth birthday
\$m	\$m	\$m	\$m	\$m	\$m
-42.7	57.8	-11.2	-4.27	5.78	-1.1

<sup>10</sup> In 2014, 30.5 percent of ECE providers had a waiting time of more than a month.

<sup>11</sup> ECE subsidies through Vote Education and MSD childcare subsidy.

Table 5: Summary of options analysis

Criteria	Status quo	Option A: Change eligibility requirements for MSD childcare subsidy and provide information	Schools able to establish and enforce cohort entry after consultation with community		
			Option B: Start of the term in which the child turns five	Option C: Start of the term after the child's fifth birthday	Option D: Start of the term closest to the child's fifth birthday
<b>Schools are able to implement entry arrangements that meet the learning needs of their students</b>	Requires co-operation of all parents to effectively implement cohort entry More difficult for low decile schools to implement arrangements that defer child start date beyond four weeks	Requires co-operation of all parents to effectively implement cohort entry. More flexibility for low decile schools to implement arrangement that defers start date beyond four weeks	Mechanism provided to facilitate establishment of new arrangement and enforce entry Risk that concern about reduced starting age means that this form of cohort entry is not acceptable to schools and communities	Mechanism provided to facilitate establishment of new arrangement and enforce entry But risk that concerns about the cost to families means community agreement is not secured	Mechanism provided to facilitate establishment of new arrangement and enforce entry Less risk in relation to the acceptability of the form of cohort entry for schools/communities
<b>Administrative and compliance costs incurred by schools are minimised</b>	No specific requirement to consult but requires ongoing engagement with parents to secure co-operation	No specific requirement to consult but requires ongoing engagement with parents to secure co-operation	One off compliance costs associated with community consultation	One off compliance costs associated with community consultation	One off compliance costs associated with community consultation

Criteria	Status quo	Option A: Change eligibility requirements for MSD childcare subsidy and provide information	Schools able to establish and enforce cohort entry after consultation with community		
			Option B: Start of the term in which the child turns five	Option C: Start of the term after the child's fifth birthday	Option D: Start of the term closest to the child's fifth birthday
<b>Cost and disruption to parents is minimised</b>	Increased ECE cost potentially to the same level as Option C, but can be avoided by individual parents	Increased ECE cost potentially to the same level as Option C, but can be avoided by individual parents	Reduced ECE cost	Increased ECE cost	Increased ECE cost for some parents, reduced for others. Extent of decrease/increase less than under Option B and C
<b>Cost and disruption to ECE sector is minimised</b>	Potential for incremental increase in uptake of cohort entry Where occurs, an increase in ECE hours, and need to adjust to a cohort leaving at one time	Potential for incremental increase greater than status quo Where occurs, an increase in ECE hours, and need to adjust business model to a cohort leaving at one time	Gradual uptake of cohort entry expected, at least in first two years Reduction in ECE hours, and need to adjust to a cohort leaving at one time	Gradual uptake of cohort entry expected, at least in first two years Increase in ECE hours, and need to adjust to a cohort leaving at one time	Gradual uptake of cohort entry expected, at least in first two years Reduction in ECE hours but less than Option C; need to adjust to a cohort leaving at one time
<b>Fiscal costs are minimised</b>	Incremental increase in uptake of cohort entry leads to higher government expenditure	Incremental increase in uptake of cohort entry results in higher government expenditure	Broadly fiscally neutral	Greatest increase in expenditure	Increase in expenditure, especially after first year; less than C

## Consultation

66. The Ministry consulted on the possibility of schools and kura having the flexibility to introduce cohort entry arrangements as part of the public consultation on the update of the Act. The consultation occurred between 2 November and 14 December 2015. The public were invited to respond to a discussion document, and Directors of Education ran a series of workshops and hui across New Zealand. In relation to cohort entry, the discussion document asked:

*“What do you think about schools and kura having the flexibility to introduce cohort or group entry?”*

67. While the example of children starting in groups at the start of a term was used to illustrate the concept of cohort entry, detailed proposals were not presented.
68. 1,852 submissions were received, 1,117 of which responded to this question. 734 submitters (66 percent) supported the proposal to allow schools to implement cohort entry arrangements. Eighty-seven respondents (7.8 percent) thought that cohort entry should be mandatory for all schools. 168 respondents (15 percent) opposed any changes to the current legislation on school entry.
69. Submitters disagreed on whether cohort entry would improve transitions for new entrants. While those who supported the proposal commented that continuous entry was disruptive for both students and teachers, those who did not argued that it allowed the transition to be tailored to the needs of the individual child.
70. New Zealand Educational Institute Te Riu Roa and NZSTA opposed the proposal on the basis that there is no evidence that cohort entry benefits students.
71. The New Zealand Principals’ Federation did not support the proposal, commenting that the current legislation on school entry already provides for schools to enrol children in cohorts, in consultation with their community.
72. The ECE sector was mixed in its response. Just over half of the Early Childhood Council’s members thought that cohort entry for primary schools could work. The New Zealand Kindergarten Association also supported the idea, but cited concerns on the impact on transitions for children with additional needs and on ECE rolls. The New Zealand Playcentre Federation opposed the proposal.
73. While we did not specifically ask about frequency of intakes, many submitters commented on this issue. 154 suggested intakes at the start of each term, 14 suggested more frequent intakes, and 99 suggested annual or biannual intakes.
74. Fifty-seven respondents said that they would only support cohort entry for children after they had turned five. However, around 40 suggested that they would support cohort entry arrangements in which four year olds could start school. Twenty-two thought that the school starting age should be raised to six or seven.
75. The Ministry has advised MSD of the proposals, and the implications for MSD subsidies for childcare and OSCAR. Estimates of the impact of alternative cohort entry arrangements on the level of government expenditure on MSD subsidies for childcare and OSCAR were provided by MSD. Further consultation will be required to implement changes to these subsidies.

## Conclusions and recommendations

76. Our assessment is that Option D would in practice make the greatest contribution to increasing the flexibility for schools to put in place school entry arrangements that best meet the needs of their communities and students. While Options B and C would also enable schools to introduce cohort entry in a way that does not rely on the ongoing co-operation of individual parents, our assessment is that there is a greater likelihood that the specific rules for the date that children can start school would be less acceptable to individual schools and their communities than is the case with Option D.
77. We also consider that the benefits of this additional flexibility for schools provided by Option D outweigh the impacts of the marginal increase in childcare costs for some (but not all) parents.
78. However, Option D results in a reduction in demand for ECE hours and an increase in government expenditure. The extent of disruption to the ECE sector will depend on the scale and speed of uptake of cohort entry, as does the impact on government expenditure.
79. In regard to government expenditure, under the status quo there is a risk of increased expenditure as a result of the increased interest by schools in introducing cohort entry under current arrangements. Comparable levels of uptake of cohort entry under the current framework, particularly if schools adopt a single entry point at the start of each term, would impose higher costs on the Crown than Option D. In terms of the impact on the ECE sector, expansion of cohort entry under the current framework would lead to an increase in ECE hours.
80. On balance we therefore recommend Option D. This recommendation gives a particular weighting to the flexibility of schools to establish entry arrangements that they assess better meet the needs of their students, and also takes into account the risk of increased government expenditure under current arrangements.

## Implementation plan

81. The Social Security (Childcare Assistance) Regulations will be amended to enable families to access MSD childcare subsidies during the period between a child's fifth birthday and when they can enrol in a school with cohort entry arrangements, and to access OSCAR subsidies where a child starts school before their fifth birthday. The Ministry will work with the Ministry of Social Development to ensure that this change is made as soon as practicable.
82. This change will also require changes to MSD systems for the payment of these subsidies, which would need to be completed prior to the new regulations coming into effect. The change has not yet been costed, but as the subsidy payments are made using an old platform the costs are likely to be significant.
83. The Ministry will communicate changes to school entry arrangements and to MSD childcare and OSCAR subsidies to stakeholders, including through the Ministry Bulletin for School Leaders and the Early Learning Bulletin, and Ministry information on [parents.education.govt.nz](https://www.govt.nz/parents-education) on starting school. MSD will also communicate the changes to childcare and OSCAR subsidies to their staff and clients.
84. The Ministry will work with NZSTA, Ngā Kura ā Iwi o Aotearoa, and Te Rūnanga Nui o Ngā Kura Kaupapa Māori to provide guidance to boards of trustees on processes for consultation and managing cohort entry.

85. The Ministry will also review the current Year 1 resourcing arrangements and develop new business rules for resourcing schools with cohort entry to ensure that there is no financial incentive for schools to choose certain entry arrangements.

### **Monitoring, evaluation and review**

86. The Ministry will monitor uptake of cohort entry on an ongoing basis.
87. The policy will be evaluated two years after the first schools implement cohort entry arrangements. The evaluation will consider how the policy is working for school boards, principals, teachers, new entrants, parents and affected ECE providers.



## Appendix A – Detailed fiscal impacts

**Option B:** Cohort entry at the start of each term from the start of the term in which the child turns five

*Table 1: First year impact of cohort entry where children start school at the start of the term in which they turn five<sup>12</sup>*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	-\$4,060,000	\$4,231,000	-\$213,000	\$61,000	\$19,000
30%	-\$12,180,000	\$12,694,000	-\$639,000	\$184,000	\$59,000
50%	-\$20,300,000	\$21,157,000	-\$1,065,000	\$307,000	\$99,000
100%	-\$40,600,000	\$42,313,000	-\$2,130,000	\$615,000	\$198,000

*Table 2: Second and third year impact of cohort entry where children start school at the start of the term in which they turn five*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	-\$4,060,000	\$4,192,000	-\$213,000	\$61,000	-\$20,000
30%	-\$12,180,000	\$12,577,000	-\$639,000	\$184,000	-\$58,000
50%	-\$20,300,000	\$20,962,000	-\$1,065,000	\$307,000	-\$96,000
100%	-\$40,600,000	\$41,923,000	-\$2,130,000	\$615,000	-\$192,000

*Table 3: Third and fourth year impact of cohort entry where children start school at the start of the term in which they turn five*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	-\$4,060,000	\$4,176,000	-\$213,000	\$61,000	-\$36,000
30%	-\$12,180,000	\$12,528,000	-\$639,000	\$184,000	-\$107,000
50%	-\$20,300,000	\$20,881,000	-\$1,065,000	\$307,000	-\$177,000
100%	-\$40,600,000	\$41,761,000	-\$2,130,000	\$615,000	-\$354,000

<sup>12</sup> Excludes departmental operational costs. Modelling is based on 2014 rolls adjusted to reflect projected changes in ECE enrolments in 2018, and 2015 funding rates and staffing costs.

**Option C: Cohort entry at the start of each term from the term after the child turns five***Table 4: First year impact of cohort entry where children start school at the start of the term after they turn five*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	\$5,500,000	-\$3,293,000	\$281,000	-\$81,000	\$2,407,000
30%	\$16,500,000	-\$9,879,000	\$843,000	-\$243,000	\$7,221,000
50%	\$27,500,000	-\$16,465,000	\$1,405,000	-\$405,000	\$12,035,000
100%	\$55,000,000	-\$32,929,000	\$2,810,000	-\$811,000	\$24,070,000

*Table 5: Second and third year impact of cohort entry where children start school at the start of the term after they turn five*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	\$5,500,000	-\$1,422,000	\$281,000	-\$81,000	\$4,278,000
30%	\$16,500,000	-\$4,265,000	\$843,000	-\$243,000	\$12,835,000
50%	\$27,500,000	-\$7,108,000	\$1,405,000	-\$405,000	\$21,392,000
100%	\$55,000,000	-\$14,216,000	\$2,810,000	-\$811,000	\$42,783,000

*Table 6: Fourth and fifth year impact of cohort entry where children start school at the start of the term after they turn five*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	\$5,500,000	-\$667,000	\$281,000	-\$81,000	\$5,033,330
30%	\$16,500,000	-\$2,000,000	\$843,000	-\$243,000	\$15,010,000
50%	\$27,500,000	-\$3,333,000	\$1,405,000	-\$405,000	\$25,167,000
100%	\$55,000,000	-\$6,667,000	\$2,810,000	-\$811,000	\$50,332,000

**Option D: Cohort entry at the start of each term from the start of the term closest to the child's fifth birthday***Table 7: First year impact of cohort entry where children start school at the start of the term closest to their fifth birthday*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	-\$1,110,000	\$1,087,000	-\$12,000	\$4,000	-\$32,000
30%	-\$3,330,000	\$3,260,000	-\$37,000	\$11,000	-\$97,000
50%	-\$5,550,000	\$5,433,000	-\$62,000	\$19,000	-\$161,000
100%	-\$11,100,000	\$10,866,000	-\$124,000	\$36,000	-\$322,000

*Table 8: Second and third year impact of cohort entry where children start school at the start of the term closest to their fifth birthday*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	-\$1,110,000	\$1,592,000	-\$12,000	\$4,000	\$473,000
30%	-\$3,330,000	\$4,776,000	-\$37,000	\$11,000	\$1,420,000
50%	-\$5,550,000	\$7,961,000	-\$62,000	\$19,000	\$2,367,000
100%	-\$11,100,000	\$15,921,000	-\$124,000	\$36,000	\$4,733,000

*Table 9: Fourth and fifth year impact of cohort entry where children start school at the start of the term closest to their fifth birthday*

<b>Uptake</b>	<b>ECE</b>	<b>Schooling</b>	<b>Childcare</b>	<b>OSCAR</b>	<b>Total</b>
10%	-\$1,110,000	\$1,951,000	-\$12,000	\$4,000	\$832,000
30%	-\$3,330,000	\$5,852,000	-\$37,000	\$11,000	\$2,496,000
50%	-\$5,550,000	\$9,754,000	-\$62,000	\$19,000	\$4,160,000
100%	-\$11,100,000	\$19,507,000	-\$124,000	\$36,000	\$8,319,000

These costs are sensitive to the specific cut off date used. We have also modelled the impact of using a cut off at the midpoint between the start and end of each term. This would result in additional costs of \$7,899,000 in the first year, \$15,014,000 in the second and third years, and \$19,693,000 in subsequent years (100 percent uptake).