



Education Report: Updating kindergarten funding rates for KTCA variation

To:	Hon Jan Tinetti, Minister of Education		
Cc:	Hon Jo Luxton, Associate Minister of Education		
Date:	4/10/2023	Priority:	High
Security Level:	In Confidence	METIS No:	1318256
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Purpose of Report

1. This report seeks your agreement to updated kindergarten funding rates to support kindergarten associations with the increased salary costs resulting from variation to the kindergarten collective. Agreement is sought by Monday 9 October to enable the updated rates to be paid during the November funding round.

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to the funding rates in Annex Two, which incorporate funding to reflect the variation to the KTCA agreed on 18 August 2023

Agree / Disagree

Proactive Release

- b. **agree** that this Education Report is proactively released, with any information needing to be withheld done so in line with the provisions of the Official Information Act 1982.

Agree / Disagree

Siobhan Murray
Senior Policy Manager
Te Pou Kaupapahere

04/10/2023

Hon Jan Tinetti
Minister of Education

08/10/2023

Background

1. The Primary Teachers' Collective Agreement (PTCA) was ratified by members on 12 June 2023. As intended by the provision of a Unified Base Salary Scale (UBSS) for teachers, the Kindergarten Teachers, Head Teachers and Senior Teachers' Collective Agreement (KTCA) has been varied to align base salary rates with those agreed for primary teachers. The variation was agreed by the Secretary and NZEI on 18 August 2023.
2. On Monday 2 October 2023, Cabinet agreed to draw down the cost of the PTCA settlement from the Teacher and Principals 2022 Collective Bargaining Strategy tagged contingency [CAB-23-MIN-0455 refers]. This included the cost of varying the KTCA.
3. Under sections 548(2) and 548(3) of the Education and Training Act 2020, out of money appropriated by Parliament, the Minister of Education has authority to determine the amount of, and means of calculating, grants paid to licensed early childhood services. We seek your agreement to the grant outlined in this paper under this authority. Your decisions will confirm the funding rates published in the ECE Funding Handbook.
4. We are seeking your agreement to the funding rates outlined in Annex Two, which incorporate funding to reflect the variation to the KTCA resulting from the PTCA settlement. Agreement is sought by Monday, 9 October. This timeframe will allow the Ministry to update the funding rates in time for the 1 November funding payment.

Costing methodology and underlying assumptions

5. Increases to the kindergarten funding rates were calculated with the same methodology used to update the rates for the initial KTCA settlement earlier this year [METIS 1312972 refers]. This involved:
 - Calculating the estimated cost of the KTCA variation. This is the difference between the estimated existing salary costs and the estimated new salary costs.
 - Spreading the estimated cost of the variation across the Funded Child Hours (FCH) for the corresponding period in which the new salary rates apply.
 - Counting FCH relating to children under two as double, to reflect that twice the number of staff is required for this age group.
6. The following variations to the KTCA will be funded through increases to the kindergarten funding rates:
 - Salary increases from July 2023 for teachers on steps 7-11, to align base salary rates with those agreed for primary teachers.
 - An increase to the maximum short term reliever rate payable, from step 6 to step 7, effective from 28 January 2024.
 - Salary increases from July 2024 for teachers on steps 7-11, to align base salary rates with those agreed for primary teachers.

- Salary increases from December 2024 for teachers on step 1, to align base salary rates with those agreed for primary teachers. A full list of salary increases is outlined in Annex One.
7. The remaining costs of the variation will be paid directly to kindergarten associations. Namely, the lump-sum payments for teachers.
 8. We have also updated the December 2023, January 2024 and December 2024 funding rates relating to the original KTCA settlement using updated kindergarten teacher data from late 2022. These updates increase the underlying funding rates. The variation to the KTCA is then added to these underlying rates.
 9. Funding rates also increase due to the Budget 2023 cost adjustment (effective 1 January 2024) and the extension of 20 Hours ECE (effective 1 March 2024).

Lack of data on short term relievers

10. The variation to the KTCA includes an increase to the maximum short term reliever rate payable from step 6 to step 7. We requested data on short-term relievers from kindergarten associations in October 2022 and largely did not receive this information.
11. To cost the change to the maximum short-term reliever rate payable, we used the reliever cost for area schools, as they have a similar workforce size. The cost was then doubled to reflect that kindergartens are likely to use more short-term relievers than schools, given the regulated ratio requirements.

Increases to the kindergarten funding rates

12. We have updated the funding rates from 1 July 2023, 1 January 2024, 1 July 2024, and 1 December 2024 to take into account the KTCA variation outlined in paragraph 6.

1 July 2023 increase

13. From 1 July 2023, the funding rates will be updated to account for the increased salary costs of teachers on steps 7-11 as outlined in Annex One. The salaries for teachers on these steps increase by between \$202 (step 7) and \$1,400 (step 11).
14. The funding rates for 20 Hours ECE and the ECE Subsidy for 2 and Overs will increase by \$0.10. The funding rates for the ECE Subsidy for under twos will increase by \$0.21. This is between a 0.6% and 1.3% increase in the funding rates.¹

1 January 2024 increase

15. From 28 January 2024, the maximum short term reliever rate payable will increase from step 6 to step 7. Step 7 is \$4,392 higher than Step 6.
16. During this period, there is also a rate increase on 1 January 2024 for the Budget 2023 cost adjustment and the KTCA provisions for additional sick leave and additional Head Teacher release time. To avoid two rate changes in January, the short-term reliever provision will be paid to associations alongside the Budget 2023 cost adjustment on 1 January 2024.

¹ Relates to funding rates in the 100% certificated and 80-99% certificated funding bands.

17. The funding rates for 20 Hours ECE and the ECE Subsidy for 2 and Overs will increase by \$0.03 to account for the KTCA variation. The funding rates for the ECE Subsidy for under twos will increase by \$0.07.

1 July 2024 increase

18. From 1 July 2024, the funding rates will be updated to account for the increased salary costs of teachers on steps 7-11 as outlined in Annex One. The salaries for teachers on these steps increase by between \$209 (step 7) and \$1,412 (step 11).
19. The funding rates for 20 Hours ECE and the ECE Subsidy for 2 and Overs will increase by \$0.11. The funding rates for the ECE Subsidy for under twos will increase by \$0.20. This is between a 0.6% and 1.1% increase in the funding rates.²

1 December 2024 increase

20. From 1 December 2024, the funding rates will be updated to account for the salary increase of \$2,230 for teachers on step 1. During this period, there is an additional increase due to the salary provisions of the initial KTCA settlement.
21. The funding rates for 20 Hours ECE and the ECE Subsidy for 2 and Overs will increase by \$0.03 to account for variation to the KTCA. The funding rates for the ECE Subsidy for under twos will increase by \$0.07.

Next steps

22. The funding rate changes will be communicated to kindergartens by email as soon as practicable after your decision. The updated rates will then be communicated to the wider sector through the early learning bulletin on 12 October 2023.
23. The ECE Funding Subsidy and 20 Hours ECE are paid to kindergarten associations through three funding rounds in March, July, and November. The Ministry will begin paying the updated funding rates, including the relevant backpay, to kindergarten associations in the November 2023 funding round.

Annexes

The following are annexed to this paper:

Annex One: Updated salary scales for KTCA variation

Annex Two: Updated funding rates to reflect the new kindergarten pay scale

² Relates to funding rates in the 100% certificated and 80-99% certificated funding bands.

Annex One: Updated salary scales for PTCA-related variation to the KTCA

	KTCA	PTCA Variation	KTCA	PTCA Variation	KTCA	PTCA Variation
Step	1-Dec-22	3-Jul-23	1-Dec-23	3-Jul-24	2-Dec-24	2-Dec-24
1	\$55,358		\$57,358		\$58,505	\$60,735
2	\$57,544		\$59,544		\$60,735	
3	\$59,948		\$61,948		\$63,187	
4	\$62,133		\$64,133		\$65,416	
5	\$65,794		\$67,794		\$69,150	
6	\$69,776		\$71,869		\$73,307	
7	\$74,040	\$74,242	\$76,261	\$76,470	\$77,786	
8	\$79,190	\$79,701	\$81,566	\$82,092	\$83,197	
9	\$83,413	\$84,178	\$85,915	\$86,703	\$88,000	
10	\$89,490	\$90,619	\$92,175	\$93,338	\$94,500	
11	\$94,000	\$95,400	\$96,850	\$98,262	\$100,000	

Annex Two: Updated kindergarten funding rates

Rates shaded green relate directly to the recent KTCA variation. Subsequent rates have also been updated to take into account these increases.

Funding rates per Funded Child Hour (GST inclusive)	Rates prior to update			Rates from 1 July 2023			Rates from 1 December 2023		
	Under 2	2 and over	20 hours ECE	Under 2	2 and over	20 hours ECE	Under 2	2 and over	20 hours ECE
100% certificated teachers	17.02	9.90	15.88	17.23	10.00	15.98	17.97	10.37	16.35
80-99% certificated teachers	16.42	9.10	15.12	16.63	9.20	15.22	17.37	9.57	15.59
50-79% certificated teachers	14.92	7.89	13.79	15.13	7.99	13.89	15.87	8.36	14.26
25-49% certificated teachers	12.15	6.35	12.10	12.36	6.45	12.20	13.10	6.82	12.57
0-24% certificated teachers	10.46	5.31	11.05	10.67	5.41	11.15	11.41	5.78	11.52
Sessional - 100% certificated teachers	17.34	8.71	10.33	17.55	8.81	10.43	18.29	9.18	10.80
	Rates from 1 January 2024			Rates from 1 March 2024			Rates from 1 July 2024		
	Under 2	2 and over	20 hours ECE	Under 2	2 and over	20 hours ECE	Under 2	2 and over	20 hours ECE
100% certificated teachers	18.43	10.62	16.70	18.43	10.62	17.53	18.63	10.73	17.53
80-99% certificated teachers	17.82	9.81	15.93	17.82	9.81	16.73	18.02	9.92	16.73
50-79% certificated teachers	16.30	8.58	14.58	16.30	8.58	15.32	16.50	8.69	15.32
25-49% certificated teachers	13.48	7.01	12.86	13.48	7.01	13.52	13.68	7.12	13.52
0-24% certificated teachers	11.76	5.95	11.79	11.76	5.95	12.40	11.96	6.06	12.40
Sessional - 100% certificated teachers	18.76	9.41	11.06	18.76	9.41	11.63	18.96	9.52	11.63
	Rates from 1 December 2024								
	Under 2	2 and over	20 hours ECE						
100% certificated teachers	19.01	10.91	17.71						
80-99% certificated teachers	18.40	10.10	16.91						
50-79% certificated teachers	16.88	8.87	15.50						
25-49% certificated teachers	14.06	7.30	13.70						
0-24% certificated teachers	12.34	6.24	12.58						
Sessional - 100% certificated teachers	19.34	9.70	11.81						