



**Education Report: Updating kindergarten funding rates post
KTCA settlement**

To:	Hon Jan Tinetti, Minister of Education		
Cc:	Hon Jo Luxton, Associate Minister of Education		
Date:	03/07/2023	Priority:	High
Security Level:	In Confidence	METIS No:	1312972
Drafter:	Isabel Warden	DDI:	9(2)(a)
Key Contact:	Siobhan Murray	DDI:	9(2)(a)

Purpose of Report

This report seeks your agreement to updated kindergarten funding rates to support kindergarten associations with the increased salary costs resulting from the KTCA settlement. Agreement is sought as soon as possible to enable communication of the updated rates to kindergarten associations.

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to the funding rates in Annex One, which incorporate funding to reflect the new KTCA pay scales

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

03/07/2023


Hon Jan Tinetti
Minister of Education

04/07/2023

Background

1. Certificated teachers employed by Kindergarten Associations to work in free kindergartens are a part of the Education Service. This means the Secretary of Education, under delegation from the Public Service Commissioner, bargains the collective employment agreements on behalf of associations¹.
2. Settlement has been reached for the Kindergarten Teachers, Head Teachers, and Senior Teachers' Collective Agreement (KTCA) with the New Zealand Educational Institute Te Riu Roa (NZEI), and was ratified by members on 12 May 2023.
3. On Monday 26 June, Cabinet agreed to draw down the cost of the KTCA settlement and associated flow ons from the Teacher and Principals 2022 Collective Bargaining Strategy tagged contingency [SWC-23-MIN-0067 refers].
4. 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.
5. We are seeking your agreement to the funding rates outlined in Annex One, which incorporate funding to reflect the new KTCA pay scales.
6. We will provide separate advice on the flow-on costs to adjust base, parity, and extended parity funding rates for education and care services. The full parity rates will be adjusted to match the kindergarten funding rates.
7. The flow-ons for kōhanga reo will be incorporated into their opt in pay scale. This is managed through a contract with Te Kōhanga Reo National Trust.

Updated funding rates to reflect new KTCA pay scales

8. The following provisions within the new collective agreement will be funded through increases to the kindergarten funding rates:
 - Increases to salary rates from 1 December 2022, 1 December 2023, and 1 December 2024.
 - Increase in Head Teacher professional time to 40 hours per calendar year from the start of 2024.
 - An increase in Kindergarten Teachers sick leave from 10 to 15 days from 2024 onwards.
9. The remaining provisions will be paid directly to associations. A full list of provisions is outlined in Annex two.
10. Kindergarten associations have expressed concerns that the full cost of the settlement will not be reflected in the updated funding rates. The section below sets out the

¹ Section 592 of the Education and Training Act 2020

methodology behind our costing to establish how the full cost of the KTCA will be passed on to kindergarten associations.

11. The Ministry's costing assumes that Government covers the full cost of the KTCA increases. However, the increases are calculated at a subsector level – i.e. across all kindergartens as a whole. This means the new funding rates may be higher or lower than the costs faced by individual kindergarten associations, depending on their teacher mix. This is the same problem that exists with the opt in funding rates for education and care services.

Costing methodology

12. In preparation for bargaining, kindergarten associations were asked to provide data on the number and full-time equivalence of their teachers as well as their KTCA pay step. This was requested from and provided by associations prior to bargaining commencing, which assisted the Ministry in determining the size of the bargaining contingency. Further data collection occurred in late 2022 to ensure we had updated information.
13. To calculate the increased rates, we first calculated the existing salary cost using the current full-time teacher equivalents (FTTE) and salary rates. We then calculated the cost of the new salary rates, including the additional FTTE resulting from the increased head teacher professional time and additional 5 days sick leave (the methodology for additional FTTE is outlined in paragraphs 15 and 16 below). Both the cost with existing salary rates and the cost with the new KTCA rates were then scaled to reflect forecast growth in FTTE from the date of the supplied FTTE.
14. The difference between the existing cost and the new cost is the estimated cost of the KTCA settlement. This is expressed in the equation below.

$$\text{Estimated Cost of KTCA} = (\text{Total Cost of FTTE at new salaries}) - (\text{Total Cost of FTTE at current salaries})$$

15. GST was then added to the estimated cost of the KTCA. GST is not included in salaries, but all ECE funding rates include GST because services have to pay GST.
16. The estimated cost was then spread across Funded Child Hours (FCH) for the corresponding period in which the new salary rates applied. We did this by dividing the estimated cost by the total estimated FCH for kindergartens. FCH relating to children under two counted for double the FCH for children aged 2 years and over. This reflects that twice the number of staff is required for children under 2 compared to children 2 and over. This is expressed in the equation below.

$$\text{Dollar increase} = \frac{((\text{Estimated Cost of KTCA}) + \text{GST})}{((\text{FCH for 2\&overs}) + 2 \cdot (\text{FCH for under 2s}))}$$

17. Even though the funding rates for 20 Hours ECE is higher than the ECE Subsidy rates for 2 and overs, the rates for both subsidies were treated the same in the calculation. This is based on the assumption that government covers the full cost of the KTCA increases, so both these funding rates should receive the same absolute increase.
18. The funding rates for 20 Hours ECE and the ECE Subsidy for 2 and Overs are increased by the dollar increase yielded by the equation above. The funding rates for the ECE Subsidy for under 2s are increased by the dollar increase multiplied by two –

to reflect that twice the teaching staff is required for this age group. For example, for the December 2022 increase, 20 Hours ECE and 2 and Overs funding rates increase by \$0.42 per FCH, and Under 2s increase by \$0.83 per FCH.

Increases to FTTE resulting from the KTCA settlement

19. Increases to head teacher professional time is calculated to add 5.79 FTTE across all kindergartens. Based on information provided by associations this provision requires a total of 12,040 additional hours, which is equivalent to 5.79 FTTE when divided by the total hours per FTTE per year (2080). The cost of which has been calculated at the applicable Head Teacher rate, taking account of the increases to the rate in the settlement.
20. Increases to sick leave from 10 to 15 days is calculated to add 59.08 FTTE across all kindergartens. This was calculated using the total FTTE and the divisor for day relief to provide the total additional FTTE of this provision. The rate used is the average rate across the whole workforce cost. For example, \$89,364 from 1 Jan 2024 increasing to \$91,864 from 2 Dec 2024.

Percent increases to the kindergarten funding rates

21. The table below outlines the percent increases to funding rates in the 100% and 80-99% certificated teacher funding bands from the new KTCA pay scales and increases in FTTE. The majority of kindergarten funding is derived from 20 Hours ECE at the 100% certificated teacher funding band.
22. As outlined above, the dollar increase for the 20 Hours ECE and 2 and overs funding rates are the same. This means the lower 2 and overs rate increases by a greater percentage than the 20 Hours ECE rate. The funding rates for different certificated teacher funding bands also increase by the same dollar amount.
23. During this period, there are additional rate increases from 1 January 2023, 1 January 2024, and 1 March 2024. The January increases are due to the Budget 2022 and Budget 2023 cost adjustments. The March 2024 increase relates to the Budget 2023 20 Hours ECE initiative. The funding rates are outlined in annex one.

Table 1: Percent increases to kindergarten funding rates post KTCA settlement

Funding rates per Funded Child Hour (GST inclusive)		Rate prior to update	Updated Rate	Increase \$	Increase %
Rates from 1 December 2022					
100% certificated teacher funding band	20 hours ECE	15.05	15.47	0.42	2.8%
	2 and overs	9.23	9.65	0.42	4.4%
	Under 2s	15.76	16.59	0.83	5.1%
80-99% certificated teacher funding band	20 hours ECE	14.31	14.73	0.42	2.9%
	2 and over	8.45	8.87	\$0.42	4.8%
	Under 2s	15.17	16.00	0.83	5.3%
Rates from 1 December 2023					
100% certificated teacher funding band	20 hours ECE	15.88	16.30	0.42	2.6%
	2 and overs	9.90	10.32	0.42	4.2%
	Under 2s	17.02	17.87	0.85	4.9%
80-99% certificated teacher funding band	20 hours ECE	15.12	15.54	0.42	2.7%
	2 and overs	9.10	9.52	0.42	4.5%
	Under 2s	16.42	17.27	0.85	5.0%

Funding rates per Funded Child Hour (GST inclusive)		Rate prior to update	Updated Rate	Increase \$	Increase %
Rates from 1 December 2024					
100% certificated teacher funding band	20 hours ECE	17.34	17.61	0.27	1.5%
	2 and overs	10.54	10.81	0.27	2.5%
	Under 2s	18.26	18.80	0.54	2.9%
80-99% certificated teacher funding band	20 hours ECE	16.54	16.81	0.27	1.6%
	2 and overs	9.73	10.00	0.27	2.7%
	Under 2s	17.65	18.19	0.54	3.0%

Next steps

24. The funding rate changes will be communicated to the sector through the Early Learning Bulletin on 6 July.
25. On 20 July 2023, the Ministry will pay kindergarten associations the difference between the new funding rates and the funding they have already been paid. After which, payments will be made using the new rates when any future funding payments are made.
26. Kindergarten teachers have a unified base salary scale with primary teachers. If a variation to the KTCA is required as a result of settlement of the Primary Teachers' Collective Agreement, the additional cost will be sought as a flow-on impact of the primary settlement. Once Cabinet has agreed to draw down the funding, we will seek your agreement to updated kindergarten funding rates.

Annexes

The following is annexed to this paper:

- Annex 1: Updated funding rates to reflect the new KTCA pay scales
- Annex 2: Provisions of the Kindergarten Teachers, Head Teachers, and Senior Teacher' Collective Agreement 2023-2026 settlement

Annex 1: Updated funding rates to reflect the new KTCA pay scales

Funding rates per Funded Child Hour (GST inclusive)	Rates from 1 December 2022			Rates from 1 January 2023		Rates from 1 December 2023	
	Under 2	2 and over	20 hours ECE	Under 2	2 and over	Under 2	2 and over
100% certificated teachers	16.59	9.65	15.47	17.02	9.90	17.87	10.32
80-99% certificated teachers	16.00	8.87	14.73	16.42	9.10	17.27	9.52
50-79% certificated teachers	14.54	7.69	13.43	14.92	7.89	15.77	8.31
25-49% certificated teachers	11.85	6.19	11.79	12.15	6.35	13.00	6.77
0-24% certificated teachers	10.20	5.18	10.77	10.46	5.31	11.31	5.73
Sessional - 100% certificated teachers	16.90	8.49	10.06	17.34	8.71	18.19	9.13
Rates from 1 January 2024							
	Under 2	2 and over	20 hours ECE	Under 2	2 and over	Under 2	2 and over
	Under 2	2 and over	20 hours ECE	Under 2	2 and over	Under 2	20 hours ECE
100% certificated teachers	18.26	10.54	16.62	18.26	10.54	18.80	10.81
80-99% certificated teachers	17.65	9.73	15.85	17.65	9.73	18.19	10.00
50-79% certificated teachers	16.13	8.50	14.50	16.13	8.50	16.67	8.77
25-49% certificated teachers	13.31	6.93	12.78	13.31	6.93	13.85	7.20
0-24% certificated teachers	11.59	5.87	11.71	11.59	5.87	12.13	6.14
Sessional - 100% certificated teachers	18.59	9.33	10.98	18.59	9.33	19.13	9.60
							11.71

Annex 2: Provisions of the Kindergarten Teachers', Head Teachers', and Senior Teacher' Collective Agreement 2023-2026 settlement

The new Collective Agreement 2023-2026 provides the following conditions through increases to the kindergarten funding rates:

- Remuneration increases of:
 - 1 December 2022 - \$4,000 flat rate adjustment
 - 1 December 2023 - \$2000 or 3% (whichever is greater)
 - 2 December 2024 - 2% - 3.3% lifting top of scale to \$100,000
- Sick leave entitlement to increase from 10 days per year to 15 days per year.
- Additional professional time will mean all head teachers will be entitled to an additional 40 hours per annum over and above the professional time of teachers (up till now the number of hours has varied depending on the type of kindergarten service).

The remaining provisions outlined below will be paid directly to associations:

- A one-off gross payment of \$710 to all teachers who are NZEI Te Riu Roa members when the collective agreement is signed.
- The central payment of the Teaching Council of Aotearoa New Zealand fee when beginning teachers apply for full certification.
- For the first time, 20 sabbaticals each of 10 weeks to be made available for Head Teachers every year. These sabbaticals will enable Head Teachers to take time for professional learning and refreshment.
- 100 Cultural Leadership allowances, each of \$5,000 per annum will be introduced to recognise individual teachers' leadership and expertise in Te Ao Māori and Te Reo Māori. These allowances will complement existing arrangements within kindergartens and/or Associations.