



Education Report: Update on improving the flexibility of Kāhui Ako and resolving the funding shortfall

To:	Hon Chris Hipkins, Minister of Education		
Cc:	Hon Kelvin Davis; Hon Aupito William Sio; Hon Jan Tinetti Associate Ministers of Education		
Date:	20 July 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1265372
Drafter:	Tony Turnock	DDI:	463 2831
Key Contact:	Ben O'Meara	DDI:	9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

The purpose of this paper is to update you on:

- The process the Ministry of Education is undertaking to improve the flexibility of the Kāhui Ako model so that participation in a collaborative network becomes the norm for all education providers in the education system.
- How the Ministry intends to manage an ongoing funding shortfall for Communities of Learning | Kāhui Ako (Kāhui Ako). You have been previously advised that we would manage the 2020/21 shortfall from the Primary and Secondary Education Multi-Category Appropriation (MCA) baseline, but for outyears the Kāhui Ako baseline will need to be revisited. The Ministry has explored two options to achieve this either through baselines reprioritisation or seeking additional funding in the context of Budget 2022 cost pressure bids.

Summary

1. The Ministry is working with our Accord partners and Secondary Principals' Association of New Zealand (SPANZ) on identifying potential improvements to the Kāhui Ako model. We are planning to engage with the sector on possible improvements in August this year, although designing an engagement process has been slower than initially hoped.
2. The focus of the engagement is planned to be on seven areas where the model could be improved to enable greater flexibility. These areas have been identified through Kāhui Ako interviews, sector feedback, our work with the Accord Group, and your feedback from the strategy session. The areas are: structure, achievement challenges, leadership role, across and within school teacher roles, Māori medium, early learning involvement, and Iwi partnerships.
3. We will keep you updated with progress and look to come back to you with a set of final recommendations once the engagement has finished and our Accord partners and

SPANZ indicate their support for any proposed changes. It is hoped that this will be achieved by October but is subject to confirmation by the Accord Governance Group.

4. After further analysis of Kāhui Ako expenditure, the latest estimate of the overall shortfall in 2020/21 is \$17.548 million. This shortfall is being managed within the Primary and Secondary Education Multi-Category Appropriation (MCA) baseline which will be underspent by at least that amount.
5. However estimated shortfalls for Kāhui Ako in subsequent years are expected to be slightly higher, and we cannot rely on potential under expenditure elsewhere to offset this. Therefore, there are two strategies to mitigate this funding deficit. Firstly, the recent teacher settlements allocations between general teacher salaries and Kāhui Ako within the Primary and Secondary Education MCA will be updated because the impact of the settlement on Kāhui Ako was not reflected accurately. Secondly, new funding based on a maximum of 220 Kahui Ako, in line with the current moratorium, will be sought as a Budget 2022 cost pressures bid to make up the remainder.
6. It is important to note that under section 579 of the Education and Training Act 2020, the Crown is obligated to pay the salaries of regular teachers and principals employed at payrolled schools. The staffing entitlements and allowances for Kāhui Ako are set out under various teacher and principal collective agreements, so the estimated costs of the approved Communities of Learning, when fully staffed and operational (and any associated shortfall), will need to be addressed.

Recommended Actions

The Ministry of Education recommends that you:

- a. **note** that we are working with our Accord partners and Secondary Principals' Association of New Zealand (SPANZ) on making improvements to the Kāhui Ako model in the seven areas that have been identified, and we will report back once we have an agreed set of changes

Noted

- b. **note** that the Ministry of Education (the Ministry) is forecasting an overspend of up to \$17.548 million for Communities of Learning | Kāhui Ako (Kāhui Ako) in 2020/21 and will manage this cost pressure from baselines

Noted

- c. **agree** that the Ministry manages the Kāhui Ako funding shortfall in 2021/22 and outyears through a combination of:

- I. amending the allocation of the 2019 collective agreement settlement funding between general teacher salaries and Kahui Ako;
- II. submitting a cost pressures budget bid in Budget 2022

Agree / Disagree

Proactive release recommendation

- d. **agree** that this Education Report will NOT be proactively released at this time as the information provided in this paper is budget sensitive.

Agree Disagree



Dr Andrea Schöllmann
Deputy Secretary
Education System Policy
20/07/2021



Hon Chris Hipkins
Minister of Education

11/ 8/ 2021

Proactively Released

Background

1. The Government's response to the Tomorrow's Schools Review focuses on building a more networked, responsive and supported education system. As part of this commitment, Cabinet invited the Minister of Education to report back in December 2020 on reform options to strengthen collaborative networks across the system, including any recommended changes to Communities of Learning | Kāhui Ako [SWC-19-MIN-0153 refers].
2. In December 2020 we provided you a briefing note titled "Update on using networks and collaboration to support system transformation, including work on Communities of Learning | Kāhui Ako" [METIS 1245237]. This provided advice about why networking and collaboration are important for a strong and thriving education system. It outlined areas of the Kāhui Ako model that could be improved to make it more flexible and fit for purpose and the work we have started with the Accord group.
3. The briefing also discussed an apparent funding shortfall for the model. At that time the predicted shortfall in the 2020/21 Kāhui Ako budget was up to \$17.653 million. This forecast has recently (June 2021) been revised to \$17.548 million.
4. At a strategy meeting on 7 April 2021, you signalled an interest in exploring changes and improvements that could make the Kāhui Ako model more inclusive and enable as many education providers as possible to become involved in collaborative networks.

Update on making improvements to the Kāhui Ako model

Background and context

5. The Kāhui Ako model has resulted in 220 communities comprising 1,875 (77%) State and State-integrated schools and kura and 1,572 (34.6%) early learning services, together supporting 704,684 children and young people. Implementing changes to such a widely utilised model needs to be carefully considered.
6. During the strategy meeting about collaboration in the education system, including Kāhui Ako, you indicated that ideally the Kāhui Ako model:
 - a. should be broadened and become more flexible to enable the 23% of schools not in a Kāhui Ako to form clusters, as well as allowing those schools already in a Kāhui Ako to reorganise themselves should they choose. This is particularly so in Māori medium settings as uptake has been lower than anticipated and we have heard that the model doesn't work as well for Māori medium kura and wharekura as for other schools;
 - b. 9(2)(f)(iv)

 - c. would need to be flexible enough so that challenges, and the approaches to resolving them, can be determined and agreed to at a local level and needs to include some form of accountability for receiving additional resources as well as nationally set parameters.

7. The Ministry is working with our Accord partners (NZEI Te Riu Roa and PPTA Te Wehengarua) and the Secondary Principals' Association of New Zealand (SPANZ) to explore and agree where greater flexibility could be introduced to improve the Kāhui Ako model. However, progress has been slower than initially hoped as we work through differences in what should be considered as part of an engagement process with the sector.

Areas identified for improvement

8. From our analysis of information obtained through in-depth interviews with 13 Kāhui Ako last year, sector feedback through various groups that have conducted their own surveys and workshops, our work with the Accord Group, and your feedback from the strategy session, there are seven general areas where the model could be improved to enable greater flexibility. These areas are:
 - **Structure** - the way Kāhui Ako are expected to form and who can collaborate with whom. Currently, Kāhui Ako form around the learner's 0-18 education pathway in order to support stronger transitions as learners move from one education organisation to another.
 - **Achievement challenges** - All Kāhui Ako are expected to identify a set of common challenges, set goals and then put in place strategies and processes for tackling the challenges and measuring their progress. The goals need to be able to show the impact they are having on raising akonga/learner achievement. Despite considerable flexibility now being available for what people can focus on there are some who still see a focus on achievement as being restrictive. They would like to be able to singularly focus on other areas such as retention, engagement and well being.
 - **Leadership role** - Kāhui Ako are expected to appoint a leader. Initially this role was envisaged as being held by one principal. However, over time a number of Kāhui Ako have been permitted to appoint several leaders who share the role or someone other than a principal. But there are some who want even greater flexibility than the collective agreements currently allow.
 - **Across and within school teacher roles** – These roles include a salary allowance and classroom release time which are embedded in the teacher collective agreements. Some feel that the requirements and conditions for holding these roles are too restrictive.
 - **Māori medium** – 49% of Māori medium kura participate in Kāhui Ako. There are a number of voices in this sector who feel the model does not fit a Māori medium context adequately and needs to be adjusted. In particular Tumuaki have indicated that the pathway requirement does not work for them as they would prefer to cluster around their schooling approach (eg, where there is often not a 0 – 18 education pathway).
 - **Early learning involvement** – While early learning services are encouraged to join Kāhui Ako, none of the current resources available in the model can be accessed by them. This is partly due to the original design of the model only being concerned with collaboration between schools. The lack of formal access to Kāhui Ako resources for early learning services creates inequities for participation.
 - **Iwi partnerships** – In a recent survey, iwi that have received time bound funding to support their work with Kāhui Ako were positive of the work they had done

together and of the benefits that came from it. However, iwi feel that they cannot continue to do this work without ongoing financial support.

9. The Ministry supports the aim of finding flexibility in these areas of the Kāhui Ako model so that participation in a collaborative network becomes the norm for all education providers in the education system.
10. The areas vary in the time each will take to resolve, the possibility of additional funding being required, the possible impact on teachers' employment terms and conditions, and the potential for detrimental impact on existing Kāhui Ako. These considerations add to the debate as the parties prepare to engage with the sector.
11. As a result, the sector engagement process is not likely to commence until August 2021 at the earliest (we are still working with Accord partners to confirm a final date). It is anticipated that engagement will be targeted and utilise online mediums for people to be able to provide their feedback where possible. This will be contingent on being able to get to a place where all parties can come to agreement.
12. We will provide you with updates on progress using the Education Weekly Update and a final report on the findings of the engagement process and proposals for making improvements to the model, which at this stage is anticipated to be in November/December this year.

Kāhui Ako financial situation

Original investment in Kāhui Ako

13. In January 2014, the National Government, announced a funding contingency of \$359.246 million over four years for Investing in Educational Success¹ (with approximately \$155 million for outyears) [CAB Min (14) 1/14 refers].
14. Due to the voluntary nature of the Kāhui Ako initiative (education providers could choose if and when they wanted to form a Community of Learning), coupled with delays in implementation, particularly the time it takes for developing achievement challenges (these unlock the majority of resources that Kāhui Ako are eligible to receive), there has been a history of underspends and rephasing of baselines. This has included reprioritising underspend to support the development of Kāhui Ako and to meet other education initiatives. However, as more Kāhui Ako have begun to fill the principal and teacher roles released to them the recent spend has increased significantly.

¹ The policy was comprised of three elements, Communities of Schools (now Communities of Learning | Kāhui Ako), the Teacher-Led Innovation Fund (now ceased) and the Principal Recruitment Allowance.

15. In June 2019, Cabinet agreed to place a moratorium on establishing new Kāhui Ako and reprioritised funds from Kāhui Ako baselines to partly fund the settlement of the teachers' and principals' collective agreements [CAB-19-MIN-0276 refers]. Details of the reprioritised funds are set out in Table 1 below. The reprioritisation ultimately reduced outyears funding from \$155 million to \$103.355 million per annum².

Table 1: Reprioritisation of Investing in Educational Success funding

\$m – increase/(decrease)	2019/20	2020/21	2021/22	2022/23	2023/24& out years
Investing in Educational Success (IES) original baseline (net of Ministry implementation costs)	157.31	152.86	152.86	152.86	152.86
Reprioritisation of IES forecast underspend [CAB-19-Min-0174.13]	(29.50)	(29.50)	-	-	-
Transfer from IES to Teacher and Principal Bargaining Contingency	(10.00)	(20.00)	(49.50)	(49.50)	(49.50)
IES ongoing balance	117.81	103.36	103.36	103.36	103.36

Projected funding shortfalls

16. In December 2020, we advised you of a possible funding shortfall in the Kāhui Ako baseline for 2020/21 of up to \$17.653 million, although the estimate has now been revised to \$17.548 million. Slightly larger shortfalls are forecast for subsequent years.
17. The estimated funding shortfall is due to several factors, including:
- the reallocation of \$49.5 million per annum from the Kāhui Ako baseline to partly fund the 2019 settlement of the teachers' and principals' collective agreements [CAB-19-MIN-0276 refers]. Within the context of broader cost pressures at the time, the reprioritisation appeared reasonable because of the significant and persistent underspends against Kāhui Ako, the take-up of Kāhui Ako having slowed and Kāhui Ako leadership and teaching roles remaining unallocated. But this is no longer the case;
 - no subsequent reduction in the number of within school teacher roles as had been expected and no consequential cost savings. Reducing the overall number of within school teacher roles would require agreement with the NZEI and PPTA; and
 - increased costs of teacher release time (i.e. backfilling roles) due to salary increases driven by teacher and principal collective agreement settlements since 2014 when the original Kāhui Ako costings were completed. This funding has not been specifically updated for any subsequent changes to collective agreements.
18. The estimated shortfall assumes 204 of the current 220 Kāhui Ako have their achievement challenges endorsed. Endorsement enables a Kāhui Ako to access the full range of resources available to them. If the remaining 16 Kāhui Ako had their achievement challenges endorsed, then the additional cost would be approximately \$5.581 million in a full year. This would increase the estimated annual shortfall to \$23.129 million in outyears.

² Outyears funding includes \$1.75 million per annum for the principal recruitment allowance (PRA)

Impact of 2019 teachers' and principals' collective agreement settlements

19. We have reviewed the costings for the 2019 teachers' and principals' collective agreement settlements to determine the amounts included related to Kāhui Ako. Backfilling Kāhui Ako role release was included in settlement calculations but money attributable to Kāhui Ako has been allocated to general teacher salaries. Table 2 shows that the Kāhui Ako baseline for 2020/21 should have been increased by \$8.401 million due to the settlements - increasing to \$10.829 million by 2022/23.
20. There will consequently need to be a fiscally neutral adjustment between teacher salaries and Kāhui Ako funding to correct this oversight. The adjustment for outyears will be reflected in the upcoming October Baseline Update.

Table 2. 2019 updated settlement costs apportionment to Kāhui Ako

\$ million	2020/21	2021/22	2022/23
Primary Teachers	4.421	5.665	5.714
Secondary Teachers	3.526	4.447	4.523
Area Teachers	0.454	0.581	0.592
Total	8.401	10.694	10.829

21. We also reviewed estimated Kāhui Ako expenditure based on timing of all roles being filled to confirm the upper limit of cost pressures in outyears.
22. From this analysis we can confirm that the total Kāhui Ako budget shortfall for 2020/21 would be \$9.147 million, \$12.435 million in 2021/22 and \$12.300 million in outyears as shown in Table 3 below.

Table 3. Kāhui Ako costs apportioned to teacher collective increases in salary.³

Current COL shortfall (\$M)	2020/21	2021/22	2022/23	2024/25	2025/26
Resourcing predicted overspend	17.548	17.548	17.548	17.548	17.548
Additional endorsement of existing Kāhui Ako		5.581	5.581	5.581	5.581
Apportioning funding from settlements	(8.401)	(10.694)	(10.829)	(10.829)	(10.829)
Total Overspend	9.147	12.435	12.300	12.300	12.300

Plan for managing the funding shortfall in Kāhui Ako for future years

23. The estimated funding shortfall of \$17.548 million in 2020/21 will be offset by the apportioned funding from teacher and principal settlements (\$8.401 million) and underspends elsewhere in the Primary and Secondary Education MCA.
24. Our analysis for resolving the shortfall in outyears explored two possible options. The first option was to acknowledge the funding shortfall and continue to try and manage it within baselines until such time that the Accord process has run its course and we are able to present options for the future of Kāhui Ako that may include additional funding.

³ This assumes all 220 Kāhui Ako have had their achievement challenges endorsed

25. While there is some merit in this approach it is reliant on using underspends within the Primary and Secondary Education MCA baseline. Historically there has been some underspend in this appropriation but the aim for any year is to optimise the forecasts and keep any underspends low. Therefore, there is no certainty of any underspends being available. Also, the teacher salaries is a forecasting item that would not be available for managing the expected Kāhui Ako shortfall.
26. The Ministry's preferred option is therefore to develop a cost pressure budget bid for consideration in Budget 2022. This would propose a baseline increase of \$12.435 million for 2021/22 and \$12.300 million per annum ongoing. We would also propose that Kāhui Ako becomes a standard forecast item from that point onward so that it could be adjusted automatically for changes in cost drivers should they arise as part of the standard baseline updates along with other teachers' and principals' salaries components.
27. The proposed funding above provides for any additional costs arising from the remaining 16 Kāhui Ako accessing the full range of entitlements when their achievement challenges are endorsed. It also assumes the current moratorium continues – providing for a maximum of 220 Kāhui Ako. If there was any interest in lifting the moratorium and reverting to the original 250 Kāhui Ako, preliminary estimates suggest the programme cost could increase up to \$184 million per annum. Any increase in required funding would need to be sought separately.

Risks

28. The initial Investing in Educational Success policy and budget of \$152.86 million per annum was to support up to 250 Kāhui Ako. The reduction in the baseline to \$103.36 million per annum means it is highly unlikely that more clusters will form if the current allocation of resources continues.
29. Using possible underspend to manage Kāhui Ako overspend has a significant risk as underspend can be targeted for reprioritisation and may then not be able to be committed to address Kāhui Ako overspend depending on priorities. Managing potential Kāhui Ako overspends from current baselines has significant risks as future underspends are unknown and uncertain. Most underspends also arise from demand-driven programmes (e.g. teacher salaries) that cannot usually offset costs in discretionary programmes. Therefore, this is not the Ministry's preferred option for managing the overspend in Kāhui Ako. If a cost pressure Budget bid was successful, the additional funding would ensure that the baseline was sufficient for the Ministry to meet its ongoing obligations in paying teachers and principals.
30. A budget cost pressure bid could resolve the current Kāhui Ako overspend issue, but the outcomes of the Accord Group engagement process may propose changes that require additional funding. If supported, these proposals could lead to further Budget bids or a wider consolidated bid.

Financial Implications

31. The option of pursuing a cost pressure Budget bid has been costed using the following assumptions:
 - a. the funding from the latest teacher settlements related to Kāhui Ako has been moved from general salaries to the Kāhui Ako baseline across the forecast period;
 - b. the moratorium will continue and the number of Kāhui Ako will remain at 220;

- c. no new money will be available for any changes that may be proposed to make Kāhui Ako more flexible i.e. any recommended changes will have to be fiscally neutral; and
 - d. changes in flexibility that may result from the accord or any other policy changes have not been included.
32. If there is an interest in removing the moratorium and reinstating the maximum number of possible Kāhui Ako, or similar collaborative clusters, to 250, then further modelling and costings will be needed.
33. As noted under section 579 of the Education and Training Act 2020, the Crown is obligated to pay the salaries of regular teachers and principals employed at payrolled schools. The staffing entitlements and allowances for Kāhui Ako are set out under various teacher and principal collective agreements, so the estimated costs of the currently approved Communities of Learning, when fully staffed and operational (and any associated shortfall) will need to be addressed.