



13 July 2021



Tēnā koe 

Thank you for your email of 4 June 2021 to the Ministry of Education requesting information about funding in the Early Learning Sector. Your request is attached as **Appendix A**.

Your request has been considered under the Official Information Act 1982 (the Act). Below, I have attached my response to your request as **Appendix One**.

Please note, the Ministry now proactively publishes OIA responses on our website. As such, we may publish this response on our website after five working days. Your name and contact details will be removed.

Thank you again for your email. You have the right to ask an Ombudsman to review this decision. You can do this by writing to info@ombudsman.parliament.nz or Office of the Ombudsman, PO Box 10152, Wellington 6143.

Nāku noa, nā



Dr Andrea Schöllmann
Deputy Secretary
Education System Policy

Appendix One: Response

My response to each of your questions is outlined below:

Question 1: Qualified Teacher Attestation Rates

- a) **What is the legal requirement or funding rules relating to Government funding to be aligned with increases in Qualified teacher attestation rates?**

Section 548 of the Education and Training Act 2020 sets out the legal framework for funding early childhood services and certified playgroups. This section states that licensed services must be paid general grants and may be paid discretionary grants. It also allows the Minister of Education to set the value of grants and to place any conditions on those grants or set any purposes that the grants must be used for.

- b) **How has ECE Government funding supported the increase in attestation rates over the last 10 years for ECE services.**

The table below shows the increases to funding rates over the last ten years.

Table 1: Changes to main ECE subsidies (under 2s, 2 and over, and 20 Hours ECE) for education and care services, 2011-2021

Year	Funding rate changes
2011	1.1% increase in the rates in funding bands below 80% 100% and 80-99% bands amalgamated into 80%+ funding band
2012	No increase to main ECE subsidies
2013	0.7% increase to main ECE subsidies
2014	0.9% increase to main ECE subsidies
2015	No increase to main ECE subsidies
2016	No increase to main ECE subsidies
2017	No increase to main ECE subsidies
2018	No increase to main ECE subsidies
2019	1.6% increase from January 2019
2020	1.8% increase from January 2020 2.3% increase from July 2020
2021	1.6% increase from January 2021 Reintroduction of 100% certificated teacher funding band 0.15% increase from July 2021
2022	1.2% increase from January 2022 Higher, opt in funding band available

The table below shows the increases to the minimum attestation rates that the Ministry has a record of. **Table 2: increases to the minimum attestation rate**

Qualification	From 1/7/2014	From 1/7/2016	From 1/7/2017	From 1/8/2019	From 1/7/2020	From 1/7/2021
	Salary	Salary	Salary	Salary	Salary	Salary
Q1	\$33,598	\$40,863	\$41,067	\$45,491	\$49,862	\$51,358
Q2	\$36,181	\$40,863	\$41,067	\$45,491	\$49,862	\$51,358
Q3	\$43,934	\$44,817	\$45,041	\$45,491	\$49,862	\$51,358
Q3+	\$45,228	\$46,137	\$46,368	\$46,832	\$49,862	\$51,358

c) **How does this funding movement reflect the rule regarding Government funding awards match the cost models of the various ELS models?**

I have interpreted this part of your request to be about the general assumption that the Government will alter funding responsively as costs change for each Early Learning Service Model.

There is no rule stating that this is the case. Decisions about funding are made within each Budget cycle.

Question 2: 100% Qualified Teacher Ratio Funding Band

a) **Please provide the calculations that support the increase in funding needed to bridge the gap between the 80% and 100% funding band.**

I am refusing this part of your request under section 18(d) of the Act, as the information is already publicly available at the following links:

- education.govt.nz/assets/Uploads/R-1-1201536-ER-Hipkins-Redacted3.pdf
- education.govt.nz/assets/Uploads/R-15-1235460-ER-Hipkins-Redacted.pdf

Question 3: Reconciliation of 2.57% Increase to Match the first 6 steps of the Kindergarten Agreement

a) **Please provide the calculations that show how the 2.57% increase can bridge the current gap between the Qualified teacher's attestation rate and all of the first 6 steps of the kindergarten agreement. (Note reference to the increase assessed as needed to bridge the gap between 80% and 100% funding bands).**

The costing of this initiative had three steps:

Step 1: Calculating the Full Time Equivalent (FTE) of teaching staff in education and care services using the ECE Census 2020 data.

Step 2: Calculating the increase in funding needed for the first year using the distribution of salaries and experience from the ECE Remuneration survey and the relevant KTCA steps.

Step 3: Increasing the funding in the ECE expenditure projections so that the additional funding in the first year matched the figure in step 2.

Step 1: Calculating the FTE

The 2020 ECE Census asked for total working hours of teaching staff. The total hours of certificated teachers in education and care services were extracted. This data reflected working hours in a single week. We assumed that this week reflected working patterns across the whole year. The total working hours were divided by 40 hours to yield a full-time equivalent figure of 8343.

Step 2: Distribution of salaries and experience and the marginal difference to reach the KTCA steps

The table below shows the distribution of salaries of teachers in education and care services from the 2020 Remuneration Survey. This table covers people who were working as a qualified teacher.

Table 3: Salary distribution of qualified teachers in education and care services

Experience	% teachers	Lower Quartile	Median	Upper Quartile
Less than 1 year	19%	49,920	52,250	54,127
1 - 2 years	20%	52,000	53,206	54,803
2 - 5 years**	30%	52,144	54,154	57,186
5 - 8 years	13%	53,248	55,744	58,240
8 - 10 years	5%	54,080	56,160	58,344
10+ years	13%	54,260	57,283	60,522
Total	100%	53,040	55,324	58,240

The information in the above table was used to estimate what proportion of teachers would be eligible for a pay rise based on years of experience and current likely salary (Column B in Table 2 below).

We did not use the salaries in Table 1 to determine the Assumed Salary in Table 2. Instead, we used a more generous approach where we assumed the current minimum salary for those eligible for the first two KTCA pay steps, and thereafter the relevant prior pay step on the KTCA i.e, a teacher eligible for pay step 3 was assumed to be on pay step 2 of the KTCA.

The approach below is iterative. The percentages in Column B do not add to 100% because people are counted in more than one row. For example, 25% of teachers with 10+ years of experience are paid at or below \$54,260 (see Table 1).

If their employers opted into the new higher funding rates, these teachers would need to be paid \$65,776, which is a pay rise of \$11,516 or more. Therefore, teachers with 10+ years of experience are counted in each of the rows relating to the KTCA steps 1-6, to varying degrees.

In the row relating to step 2, we have assumed that 16% of teachers with 10+ years of experience would require a pay rise to reach this step. This reflects that the lower quartile (bottom 25%) for this group is higher than step 2, but there will likely be some teachers in the lower quartile paid below step 2.

Table 4: Key calculations behind total funding required for the first year

KTCA step	KTCA salary (A)	% teachers eligible for KTCA step but currently paid below (B)	Assumed salary (C)	Difference (D) = (A-C)	Total dollars to raise salaries = (D*B*total FTE)
1	\$51,358	15%	\$49,862	\$1,496	\$1,872,169
2	\$53,544	30%	\$49,862	\$3,682	\$9,347,937
3	\$55,948	34%	\$53,544	\$2,404	\$6,751,156
4	\$58,133	37%	\$55,948	\$2,185	\$6,810,476
5	\$61,794	36%	\$58,133	\$3,661	\$11,044,869
6	\$65,776	31%	\$61,794	\$3,982	\$10,251,336
Total required for first year					\$46,077,943

Assumptions to determine percentage of teachers eligible for each KTCA but currently paid below

KTCA Step 1: the lower quartile (bottom 25%) of all qualified teachers are paid at or below \$53,040. We assume that 15% (over half of the lower quartile) are on the minimum attestation rate.

KTCA Step 2 – the following proportions of the pay bands were assumed to be both below step 2 and eligible for step 2:

- 55% of those with 1-2 years' experience
- 44% of those with 2-5 years' experience
- 28% of those with 5-8 years' experience
- 12.7% of those with 8-10 years' experience
- 16.3% of those with 10+ years' experience

KTCA Step 3 – the following proportions of the pay bands were assumed to be both below step 3 and eligible for step 3:

- 65% of those with 2-5 years' experience
- 52% of those with 5-8 years' experience
- 47% of those with 8-10 years' experience
- 39% of those with 10+ years' experience

KTCA Step 4 – the following proportions of the bands were assumed to be both below step 4 and eligible for step 4:

- 83% of those with 2-5 years' experience
- 74% of those with 5-8 years' experience

- 73% of those with 8-10 years' experience
- 57% of those with 10+ years' experience

KTCA Step 5 – the following proportions of the bands were assumed to be both below step 5 and eligible for step 5:

- 33% of those with 2-5 years' experience
- 100% of those with 5-8 years' experience
- 100% of those with 8-10 years' experience
- 88% of those with 10+ years' experience

KTCA Step 6 – the following proportions of the bands were assumed to be both below step 6 and eligible for step 6:

- 100% of those with 5-8 years' experience
- 100% of those with 8-10 years' experience
- 98% of those with 10+ years' experience.

Step 3: Calculating a percentage increase on projected expenditure

In a separate model, percentage increases to education and care funding rates were ascertained that made the first-year cost as close as possible to the first-year cost in step 2. The main cost of the initiative starts in January 2022, which is reflected in the half-year effect in Table 3 below.

The first-year cost of the initiative in table 4 below is \$46.146 million ((\$22.442 million x2) + \$1.272 million for the 1 July 2021 increase). This is \$0.078 million higher than the first-year cost identified in step 2 (\$46.078 million). The July 2021 funding rate increase represents a 0.15% increase to rates. The January 2022 opt in rates are 2.57% higher. The opt in rates also incorporate the 1.2% cost adjustment on the base rate coming into effect in January 2022. The overall impact of this is that the opt in rates are about 3.94% higher, on average, than current funding rates.

Table 5: Projected expenditure on education and care services (the baseline) and the cost of the pay parity budget initiative

Cost (Excluding GST, \$m)	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Ed & Care baseline	1,552.213	1,646.038	1,714.492	1,776.231	1,843.064	8,532.038
Pay parity budget initiative	0.000	23.714	47.116	48.720	50.429	169.979

Question 4: Advise re the CPI Increases and Wage Increases Paid to Primary Schools

- a) Please advise what the rationale and guidance is that calculates the need for CPI adjustments, staff costs, building maintenance and operating costs for Primary schools for the last 10 years.

The two main ways the government funds state and state integrated schools are by paying schools money through the operational grant and by directly paying teacher salaries that are funded through staffing entitlement.

The operational grant is how the government provides state and state integrated schools with funding for operational costs including staff (other than teaching staff employed from schools' staffing entitlement) and maintenance costs. It comprises many funding components, intended to reflect the varied circumstances of schools across New Zealand. Each component has a different formula. Funding rates are typically increased annually to support schools to meet increases in operational costs.

Forecast changes in the Consumers Price Index (CPI) are the starting point for determining the increase. We then consider changes in particular costs for schools and whether they are represented by CPI. For instance, in recent years staff costs for schools have outpaced CPI and we have sought to reflect this in cost adjustments to the operational grant. We sometimes also make targeted adjustments to reflect changes in particular costs, such as additional increases to heat, light and water funding in 2020 and 2021, after a specific shortfall in that area was identified.

Cost adjustments to the operational grant are sought through the Budget process and the final adjustments reflect that the Government must balance competing priorities.

- b) Please provide a list of the adjustments made to Primary school funding rates in response to the CPI, including details of CPI movements, staff costs, building maintenance and operating costs for Primary schools over the last 10 years.**

Table 6: CPI and cost adjustments to the operational grant 2010–2021

Year	Overall increase	How the increase was applied	CPI ¹
2010	1.95%	All components	4.0%
2011	4.0%	All components	1.8%
2012	2.92%	Targeted on per-pupil, base, ICT and HLW ²	0.9%
2013	2.0% ³	Targeted on per-pupil component only	1.6%
2014	1.9%	All components	0.8%
2015	2.0%	All components	0.1%
2016	1.0%	All components	1.3%
2017	1.0%	To establish TARG ⁴ only	1.6%
2018	1.31%	1.3% all components but 4% for TARG	1.9%
2019	1.6%	All components	1.9%
2020	1.8%	1.8% all components + \$5m for HLW	1.4%
2021	1.6%	All components + \$6.549m for HLW	-

Notes

1. Change in consumers price index for year to December. Source: HYEFU20.

2. Base rates only increased for composite and Y9–13 secondary schools. HLW stands for heat, light, and water.
3. Excludes one-off increase to relief teacher funding and funding to establish secondary-tertiary partnerships.
4. Targeted at-risk funding.

Question 5: 20 Hours funding to cover full cost of Providing this service

- a) Please provide the workings; history etc that show that the 20 Hours funding actually meets this funding handbook rule that Government funding will meet the FULL COSTS of providing this service.**

The 20 Hours ECE was originally set to meet the average costs rather than the costs of each individual service. 20 Hours ECE is also voluntary – services can choose whether to offer 20 Hours ECE or not.

The Funding Handbook outlines funding conditions set by the Minister under s548. These conditions apply to early learning services in receipt of government funding.

The ECE Funding Handbook states (Chapter 4 – Overview) - the 20 hours ECE funding is a higher rate of funding than the ECE subsidy. It enables services to provide early childhood education for 3 – 5-year olds for up to a maximum of six hours per day for 20 hours per week per child without charging fees.

Therefore, I refuse your request for the workings and history that shows that the 20 hours funding meets the full costs of providing the service under section 18(e) of the Act, as the requested information does not exist.

Question 6: Pay Parity with Kindergarten

- a) Please advise the definition of pay parity that is being applied when there is a clear disparity of the workloads between kindergartens and other ELS, and the kindergartens enjoy much better pay and work conditions which are funded by the Government.**

The definition of pay parity is the same pay for same or very similar work. The Ministry disagrees that the work in education and care services is fundamentally different from the work in kindergartens given that these are both legally teacher-led, centre-based services.

More information about Pay Parity can be found at the following links:

<https://mailchi.mp/education/early-learning-bulletin-27-may-716190>

<https://www.education.govt.nz/early-childhood/employment/pay-parity-for-certificated-teachers-in-education-and-care-services/>

- b) Please advise what the share of Government Early childhood education funding is assessed as relating to the cost of staff wages and staff support costs (noting the info provided in point 4).**

The early learning sector is funded through bulk grants that are not tagged to specific expenses. The early learning sector has discretion over what proportion of their funding is spent on staff wages.

As such I am refusing this part of your request under section 18(e) of the Act as the information requested does not exist.

Question 7: Automatic Application of the Six pay levels

In the explanations provided in the 25 May bulletin the following statement is made in response to their question of – How would a teacher move from one step to another?

“a teacher would be able to move to the next salary step on completion of 2080 hours of work which is the total hours worked in a 40-hour-per week year. The Ministry would not place performance requirements on teachers as a condition of receiving higher funding rates.”

Please confirm if the Ministry is mandating that the teachers progress through the steps is automatic and not subject to performance criteria.

In doing so please note that para 3.6 of the Kindergarten Agreement details the provisions relating to salary progression and under these provisions, progress is subject to achieving performance standards.

Because the Education and Training (Grants – Budget Matters) Amendment Bill has now passed, the Minister can now confirm the final funding conditions for this initiative. Once the funding conditions have been confirmed, they will be in the ECE Funding Handbook and will also be communicated to the sector through the Early Learning Bulletin.

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