




4 November 2020



Tēnā koe 

Thank you for your email of 8 September 2020 to the Ministry of Education requesting the following information:

1. *a copy of the Ministry of Education's advice to the Minister of Education on ECE – Budget 2019.*
2. *a copy of Ministry of Education's advice to the Minister of Education on ECE – Budget 2020.*

This includes policy, regulatory, funding, attestation rates and pay parity for teacher-led anything that the minister requested the ministry provide to assist him with information and/or decision-making, or that the ministry provided to the minister as an advisor to him and the government.

3. *I also wish to request any further documents and advice provided by the Ministry of Education to the Minister of Education and/ or to Cabinet in regard to early childhood education and care funding and ECE expenditure between 1 January 2019 and 8 September 2020.*

On 15 September 2020 you clarified your request to be for the following information:

For parts 1 and 2, I am interested in any and all advice provided by the Ministry of Education in respect of early childhood education to the ministry in relation to Budget 2019, Budget 2020. This includes policy, regulatory, funding, attestation rates and pay parity for teacher-led ... anything that the minister requested the ministry provide to assist him with information and/or decision-making, or that the ministry provided to the minister as an advisor to him and the government.

Your request has been considered under the Official Information Act 1982 (the Act).

We are interpreting your request to exclude departmental funding relating to early childhood education (ECE) and to only include substantive advice on ECE funding and expenditure.

We are refusing parts one and two of your request for the Ministry of Education's advice to the Minister of Education on ECE for Budgets 2019 and 2020, under section 18(d) of the Act, as the information requested is publicly available. Details of the documents are contained in Tables 1 and 2 in **Appendix A** to this response.

Due to the passage of time since the Budget 2019 advice was published, we can provide to you further information from four documents as extracts as provided for under section 16(1)(e) of the Act. These extracts are supplied in Table 3 in **Appendix A**.

In relation to part three of the request, we have identified 29 documents within scope. These documents and the decisions on their release are provided in Tables 1 and 2 in **Appendix B**. 14 of these documents have been proactively released on the Government's Unite Against COVID-19 website. Therefore, the release of these documents is refused under section 18(d) of the Act.

Where information has been withheld from these documents it has been done so under the following sections of the Act:

- 9(2)(a), *to protect the privacy of natural persons*
- 9(2)(f)(iv), *to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials*
- 9(2)(j), *to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).*

As required under section 9(1) of the Act, we have had regard to the public interest considerations favouring the release of the information withheld. The Ministry does not consider the public interest considerations favouring the release of this information are sufficient to outweigh the need to withhold it at this time.

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

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 A

Table 1: Budget 19

Date	Type	Ref	Title
16 Aug 18	Education Report	1146546	Budget Strategy 2019
20 Sep 18	Briefing Note	1153234	Update on 2019 Budget Package Development Annex 1 Annex 2
12 Oct 18	Briefing Note	1159716	Budget 2019 – Supporting Information for 15 October Agency Meeting Annex 1 Annex 2
19 Oct 18	Education Report	1157855	Potential Education bids for Budget 2019 Annex 1 and 2 Annex 3 Annex 4
26 Oct 18	Aide Memoire	1162969	First Budget 2019 Bilateral Meeting with Finance Ministers
23 Nov 18	Education Report	1165829	Update on Potential Budget 2019 Package
4 Dec 18	Briefing Note	1170419	Family Violence and Sexual Violence Joint Venture funding package
7 Dec 18	Briefing Note	1170967	Update on Family Violence and Sexual Violence Budget Package
11 Dec 18	Education Report	1170424	Budget 2019: Education Submission
14 Feb 19	Letter		Minister of Education to Minister of Finance - Education portfolio package for Budget 2019
29 Mar 19	Education Report	1181076	Budget 2019: Titles and Descriptions of Initiatives

Table 2: Budget 2020

Date	Type	Ref	Title
16 Aug 19	Education Report	1201536	Advice to support the ECE Strategy Session
27 Sep 19	Education Report	1207116	Parameters for co-design a funding model with Playcentre Aotearoa
9 Oct 19	Briefing Note	1208530	Budget 2020 Strategy Session
31 Oct 19	Education Report	1210549	Submission of Proposed Budget 2020 Cost Pressure Initiatives
28 Nov 19	Briefing Note	1213542	Budget 2020, Bilateral Meeting with the Minister of Finance set for 5 December 2019
2 Dec 19	Education Report	1211614	Submission of Proposed Budget 2020 New Initiatives
5 Dec 19	Education Report	1215341	Amendment to Submission Letter: Budget 2020 New Spending Initiatives
4 Feb 20	Education Report	1219174	Budget 2020, Reprioritisation Initiatives
4 Feb 20	Briefing Note	1219173	Budget 2020: Bilateral Meeting with the Minister of Finance on 12 February 2020
7 Feb 20	Briefing Note	1219184	Meeting with Playcentre Aotearoa
12 Mar 20	Advice	1222952	Meeting with Playcentre Aotearoa
16 Mar 20	Education Report	1223302	Budget 2020: Submission of Education Initiatives Titles and Descriptions
8 Apr 20	Education Report	1225457	Education Report: Budget 2020 Funding for Early Learning Costs and Digital Pressures
9 Apr 20	Education Report	1225533	COVID-19 Budget Initiatives, Tranche One
23 Apr 20	Education Report	1226534	COVID-19 Budget Initiatives, Tranche Three
29 Apr 20	Briefing Note	1226744	Teaching and Learning during Covid-19 response: Next phase of our work programme
4 May 20	Briefing	n/a	Letter to MoF: Impact of COVID
12 May 20	Education Report	1228142	Budget 2020 - Charging of Additional Initiatives against the COVID-19 Response and Recovery Fund

Table 3: Extracts provided under section 16(1)(e) of the Act

Briefing note: Update on 2019 Budget Package Development

Section	Text
Annex 2: Potential Education initiatives as at 18 September 2018	Reinstate Funding for 100% Qualified Teachers Band
Other identified priorities	<p>The funding for this initiative meets the Labour Party's election manifesto commitment to reinstate higher funding for early childhood education (ECE) services with 100 percent certificated teachers. It will reinstate higher hourly funding rates that were a feature of the ECE funding system until February 2011. Different funding rates are paid to licensed teacher-led services depending on what proportion of child contact hours are provided by teachers certificated by the Education Council.</p> <p>Speech from the Throne or other announced commitments: SftT - "fund them to employ qualified and registered teachers"</p> <p>OPEX 4 years (\$millions): 352</p>

Aide Memoire: First Budget 2019 Bilateral Meeting with Finance Ministers

Section	Text
Aide memoire	\$300 million to reinstate higher funding rates for ECE Services with 100% qualified and certificated teachers
A further 25 percent of my proposed package is focused on modernising and improving the Education system to achieve the Government's vision for Education	

Education report: Update on Potential Budget 2019 Package

Section	Text
Education report	Your Office has also indicated that the following are priorities for you and should be prepared for formal submission in December:
Possible additional initiatives	<ul style="list-style-type: none"> Reinstating Higher Funding Rate for ECE Services with 100% Qualified and Certificated Teachers
Annex 3: Initiatives deferred to future Budgets	<p>Reinstating Higher Funding Rates for ECE Services with 100% Qualified and Certificated Teachers</p> <p>This initiative will reinstate higher funding for early childhood education (ECE)</p>

	<p>services with 100 percent certificated teachers. It will reinstate higher hourly funding rates that were a feature of the ECE funding system until February 2011.</p> <p>Opex 5 years (\$ million): 306</p>
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Education Report: Budget 2019 – Education Submission

Section	Text
<p>Education report</p> <p>Summary</p>	<ul style="list-style-type: none"> the addition of the...<i>Computers in Homes, Additional Funding for Schools in Lieu of Parental Donations, Gifted Education, Reinstating Higher Funding Rates for ECE Services with 100% Qualified and Certificated Teachers</i> initiatives, which have been identified by Ministers for inclusion in the formal submission
<p>Education report</p> <p>Vote Education initiatives</p>	<p>Since 26 November, the following two components have been added to the <i>Improving and accelerating education outcomes for Pacific Learners</i> initiative:</p> <ul style="list-style-type: none"> Pacific home-based educators – This is in anticipation of agreement from Cabinet to incentivise Level 4 qualification for home-based educators. A proportion of Pacific home-based educators are not proficient in English. The initiative includes an additional \$1 million to translate the level 4 ECE qualification into gagana Samoa and lea faka Tonga to support the current educators to achieve the level 4 qualification.
<p>Education report</p> <p>Other changes</p>	<p>The Education package includes the...<i>Computers in Homes, Additional Funding for Schools in Lieu of Parental Donations, Gifted Education, Reinstating Higher Funding Rates for ECE Services with 100% Qualified and Certificated Teachers</i> initiatives, which have been identified for inclusion in the formal submission.</p>
<p>Education report</p> <p>Education package</p>	<p>The package includes...\$296.281 million for early childhood and schooling forecast changes.</p>
<p>Annex 1A: Education Initiatives for Budget 2019</p> <p>Priority-aligning initiative 30</p>	<p>Reinstating Higher Funding Rates for ECE Services with 100% Qualified and Certificated Teachers</p> <p>This initiative will reinstate higher funding for early childhood education (ECE)</p>

	<p>services with 100 percent certificated teachers. It will reinstate higher hourly funding rates that were a feature of the ECE funding system until February 2011</p>
<p>Annex 2B: Summary of scaling options for the initiatives in the Education package</p>	<p>Reinstating Higher Funding Rates for ECE Services with 100% Qualified and Certificated Teachers</p> <p>This initiative will reinstate higher funding for early childhood education (ECE) services with 100 percent certificated teachers. It will reinstate higher hourly funding rates that were a feature of the ECE funding system until February 2011</p> <p>OPEX 5 yr total (\$millions): 306.316</p> <p>Home-based ECE review - Support for educators to become qualified</p> <p>Funding will also allow changes to Ministry IT systems so that the Ministry of Education can collect information on visiting teachers, educators, and homes.</p>

Appendix B

Table 1: Documents relating to question 3

Doc #	Date	Ref	Title	Decision on release
1	10 Jan 18	1099708	Education Report: Reinstatement of funding for ECE services with 100% certified teachers and other ECE funding system decisions	Release in part Information has been withheld under sections 9(2)(a) and 9(2)(f)(iv) of the Act.
2	29 Jan 19	n/a	Cabinet Paper: Review of Home-based Early Childhood Education: Proposals for change (2018)	Refuse under section 18(d) of the Act.
3	15 Mar 19	1181422	Education Report: Early Learning cost adjustment and Kindergarten Teachers' Collective agreement costs	Withheld in full under section 9(2)(f)(iv) of the Act.
4	10 Apr 19	1183601	Joint Report: Draw-down of contingency for the Wai 2336 Te Kōhanga Reo claim	Withheld in full under section 9(2)(j) of the Act.
5	31 May 19	1191541	Education Report: Approval for draw down of contingency for kohanga reo	Withheld in full under section 9(2)(j) of the Act.
6	2 Aug 19	1193837	Education Report: Options for isolation funding for early childhood education services	Withheld in full under section 9(2)(f)(iv) of the Act.
7	21 Aug 19	190820	Revised annotated agenda for ECE strategy session	Release in part. Information has been withheld under section 9(2)(f)(iv) of the Act.
8	Oct 19	n/a	Cabinet Paper: The Early Learning Action Plan	Refuse under section 18(d) of the Act.
9	2 Dec 19	1208381	Education Report Implementation of Home-Based Review changes	Release in part. Information has been withheld under sections 9(2)(a) and 9(2)(f)(iv) of the Act.
10	5 Dec 19	1215174	Education Report: Extension of Budget 2018 Kōhanga Reo contingency	Withheld in full under section 9(2)(j) of the Act.

Doc #	Date	Ref	Title	Decision on release
11	11 May 20	1226986	Education Report: Options for a funding rate adjustment for certificated playgroups	Release in part. Information has been withheld under section 9(2)(a) of the Act.
12	22 Jun 20	n/a	Cabinet Paper: Implementation of the Home-based ECE Review decisions	Refuse under section 18(d) of the Act.
13	3 Jul 20	1230084	Education Report: Clarification of eligibility for kindergarten funding	Refuse under section 18(d) of the Act.
14	7 Jul 20	1234268	Education Report: Condition assessment funding for playcentre properties	Refuse under section 18(d) of the Act.
15	23 Jul 20	1235460	Education Report: Aligning the premium for the 100% certificated teacher rates	Release in part. Information has been withheld under section 9(2)(a) of the Act.

Table 2: Documents available on the Unite against COVID-19 site

Document Title	Date	Type
<u>Funding of Childcare for Essential Workers</u>	3 Apr 20	Decision paper and Minute
<u>Effects of non-payment of Childcare Assistance</u>	3 Apr 20	Joint Report
<u>Application of ECE funding rules</u>	8 Apr 20	Education Report
<u>Alert level 3 and application of ECE funding rules</u>	20 Apr 20	Education Report
<u>Education Report: Options to support ECE providers in lieu of Childcare subsidy</u>	21 Apr 20	Education Report
<u>Essential worker childcare at Alert level 3</u>	23 Apr 20	Cabinet Minute and Paper
<u>Funding for additional temporary hours of ECE due to Alert Level 3 restrictions</u>	29 Apr 20	Education Report
<u>Support for Early Learning Services in Lieu of the Childcare Subsidy</u>	6 May 20	Cabinet Minute and Paper
<u>Funding settings for early learning services until March 2021</u>	14 May 20	Education Report
<u>Further advice on addressing Playcentre Aotearoa's sustainability concerns</u>	29 May 20	Education Report
<u>Next steps for addressing Playcentre Aotearoa's sustainability concerns</u>	5 Jun 20	Education Report
<u>Additional Funding to Support Playcentres</u>	15 Jun 20	Paper
<u>Early Learning network sustainability fund</u>	17 Jul 20	Education Report
<u>Design of an Early Learning Sustainability Fund to Respond to COVID-19 Impacts</u>	10 Aug 20	Minute and paper



Education Report: Reinstatement of funding for ECE services with 100% certificated teachers and other ECE funding system decisions

To:	Hon Chris Hipkins, Minister of Education		
Date:	10 January 2018	Priority:	High
Security Level:	Budget secret	METIS No:	1099708
Drafter:	Graham Bussell	DDI:	463 2835
Key contact and number:	Damian Edwards 9(2)(a) OIA	Round robin:	No
Messaging seen by Communications team:	NA		

Purpose of report

The purpose of this paper is for you to:

- confirm the funding rates and timing for implementing the Government's commitment to reinstate higher funding for teacher-led, centre-based services employing 100% qualified and certificated (registered) teachers
- commission advice on the sequencing of manifesto commitments relating to wider ECE funding issues and the development of the 10 Year Strategic Plan for ECE.

Recommended Actions

The Ministry of Education recommends you:

Timing for reinstatement of 100% certificated teacher funding rates

EITHER

- a. **agree** to reinstatement of the 100% certificated teacher funding rates from January 2019

Agree / Disagree

OR

- b. **indicate** an alternative reinstatement date, potentially 1 July 2018, or one of the four monthly ECE payment 'drops': November 2018 or March 2019

Options for the level of funding rates

EITHER

- c. **agree** that teacher-led ECE services with 100% certificated teachers receive the funding rates they were entitled to until February 2011 and services with 80-99% certificated teachers continue to receive the existing 80%+ funding rates [Option 1]

Agree / Disagree

OR

- d. **agree** that teacher-led ECE services with 100% certificated teachers receive the funding rates they were entitled to until February 2011 and services with 80-99% certificated teachers receive the funding rates they were entitled to until February 2011 [Option 2]

Agree / Disagree

OR

- e. **agree** that teacher-led ECE services with 100% certificated teachers receive the funding rates they were entitled to until February 2011 plus the partial inflation adjustments made to other rates since 2011/12 and services with 80-99% certificated teachers continue to receive the existing 80%+ funding rates [Option 3]

Agree / Disagree

- f. **note** that the estimated four year operating costs of each option are:

	2018/19	2019/20	2020/21	2021/22	TOTAL (\$m)
Option 1	10.915	82.418	113.210	145.895	352.438
Option 2	40.155	128.402	153.519	180.068	502.144
Option 3	14.139	104.591	143.275	184.395	446.400

Other ECE funding system decisions

- g. **direct** the Ministry to provide advice, at dates to be agreed with your Office, on the sequencing of manifesto commitments relating to ECE funding and the development of the proposed 10 Year Strategic Plan for ECE

9(2)(i)(iv) OIA

Agree / Disagree



Damian Edwards
Associate Deputy Secretary
Education System Policy

10/1/18



Hon Chris Hipkins
Minister of Education

21/1/18

Background

Funding rates for higher levels of qualified teachers changed in March 2011

1. Until February 2011, licensed teacher-led centre-based ECE services¹ providing regulated ratio² hours with 100% certificated (registered and qualified) teachers received different funding rates to other services. After that date, all ECE services with 80% or more certificated teachers in ratio were paid the same rates (the 80%+ band). This change is shown in Table 1. Funding rate details are provided in Annex 1.

Table 1: Funding bands based on certificated teacher proportions pre and post 2011

Pre-March 2011 bands	Post-March 2011 bands
100%	80%+
80-99%	
50-79%	50-79%
25-49%	25-49%
0-24%	0-24%

2. The 80%+ band rates were set about six percent lower than the 80-99% band rates. The 80-99% band linked the funding rates to costs incurred by ECE services with 90% certificated teachers, while the 80%+ band linked to the costs incurred by ECE services employing 80% certificated teachers.

There is a range of funding rates paid to ECE services

3. ECE services are paid on the basis of funded child hours (FCHs) for occupied child places. The FCHs for teacher-led services are paid at different rates depending on:
 - whether the ECE Funding Subsidy or the 20 Hours ECE subsidy applies
 - the proportion of certificated teachers contributing to the regulated teacher [adult] to child ratio
 - whether the hours relate to all day or sessional ECE (children attend no more than 4 hours per day in an ECE service offering sessional provision)
 - whether the FCHs relate to children aged under 2 or 2 and over.
4. The factors above result in different costs. The level of these costs has been informed by surveys of average ECE service costs carried out periodically over the last 10-15 years.

¹ We use the term ECE services in this report to refer to teacher-led education and care centres and kindergartens, not parent/whānau-led playcentres and kōhanga reo, or teacher-led home-based services.

² The Education (Early Childhood Services) Regulations 2008 regulates minimum adult-to-child ratios for ECE services. ECE services may also employ additional uncertificated teachers over and above the regulated ratios even if using 100% certificated teachers for ratio purposes. This does not impact on the funding rates they receive.

Confirmation of reinstated rate parameters

Reinstatement date

5. We seek your confirmation that reinstatement of the 100% funding band rate would occur from January 2019. We have provided costings based on this date, which is consistent with the half year effect shown in Labour's Fiscal Plan costing for the policy.
6. You could either defer or bring forward the initiative from January 2019. For example, funding could be available from 1 July 2018. Alignment with the four monthly ECE payment cycle is also possible – these fall in November 2018 and March 2019. We can confirm a revised cost profile arising from an alternative start date.

Options for 100% band funding rates

7. We need your agreement about how reinstatement of funding rates for ECE services with 100% certificated teachers is defined. There are three options we suggest you consider in the first instance.

Option 1: Reinstatement of the 100% band as set in July 2010

8. This approach would fund ECE services at the rates for 100% certificated teacher provision last set in July 2010. Entitlement to these rates ceased in March 2011.
9. Services that had between 80-99% certificated teachers meeting the regulated ratios would continue to receive the existing 80%+ rates.
10. This option is the least expensive of the three at \$352.438 million over four years and would create a noticeable gap between the 100% and 80-99% bands.³

Option 2: Reinstatement of the 100% and 80-99% rates as set in July 2010

11. As with Option 1, ECE services would be paid the 100% rates last set in July 2010 and stopped in March 2011. However, ECE services with 80-99% qualified teachers would be paid the 80-99% rates last set in July 2010 and for which eligibility ceased in February 2011. This means ECE services with 80-99% qualified teachers will generally receive higher funding rates than they do now because most of the 80-99% rates are still higher than the current 80%+ rates.
12. Two of the 80%+ kindergarten rates are now higher than the previous 80-99% rates. This is a result of increases to pay for kindergarten teachers and partial inflation adjustments made since 2011. The higher existing rates would be retained under this option.
13. This option is the most expensive of the three at \$502.144 million over four years.

Option 3: Reinstatement of the 100% rate as set in July 2010 with partial inflation adjustment

14. Option 3 would involve paying ECE services the 100% rate as at July 2010 but partially adjust it for inflation. The partial adjustments have already been made to existing funding rates between July 2011 and now. ECE services with 80-99% qualified teachers would

³ For example, the rates for education and care services qualifying for the 100% band would be, on average, about 18% higher than the current 80%+ rates.

continue to be paid the existing 80%+ rates. The option would cost \$443.686 million over four years.

15. This option would partly respond to concern that the 100% rates are insufficient.
16. The partial adjustment involves applying the three percentage increases (2.92%, 2.0% and 2.5%) made in 2011/12, 2012/13, and 2013/14 to part of each funding rate. This part (roughly 35%) reflects the non-salary component of total costs faced by ECE services.

Other options are possible

17. We consider these options are most consistent with the intent of reinstating 100% certificated teacher funding. However, other options are possible. For example, partially inflation adjusting the 80-99% rate, as well as the 100% rate.

Financial implications

18. Table 2 shows the four year funding required under each scenario.

Table 2: Funding requirements for the 3 options

	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	TOTAL (\$m)
Option 1	10.915	82.418	113.210	145.895	352.438
Option 2	40.155	128.402	153.519	180.068	502.144
Option 3	13.982	103.915	142.427	183.363	443.686

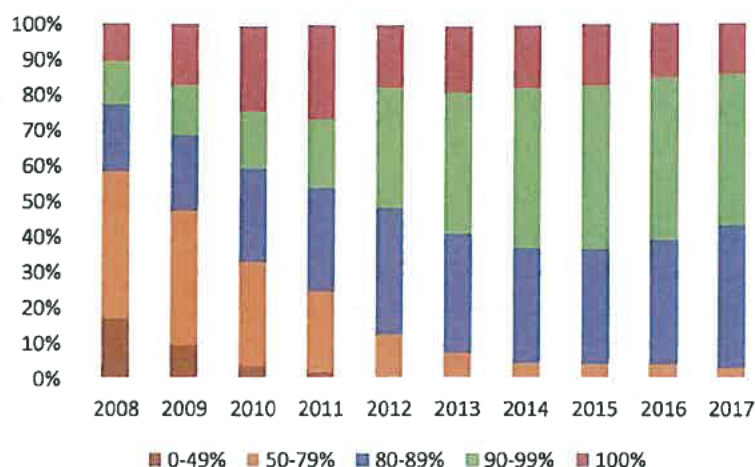
19. We will still need to confirm the departmental costs of system changes to ensure the funding can be disbursed. These costs will be included in the Treasury Budget template and are expected to be no more than \$250,000.

Assumptions about the movement of services towards the 100% band

20. Besides the increased funding rates, the main driver of cost is the movement of ECE services onto the highest 100% band over time. We have included a projection of this movement in our modelling.
21. The projection relies on analysis of the distribution of services by percentage of qualified teachers prior to when the 100% rate was discontinued and in the period shortly afterwards. This analysis indicates that a significant one-off increase in services moving to 100% funding is likely to occur within a year of the new rate becoming available. Steady movement of services onto the 100% rate will continue after this one-off increase.
22. As shown in Figure 1, there is now a much greater proportion of ECE services with at least 80% certificated teachers compared to 2011.⁴

⁴ Almost 40% of services were below 80% in 2010 while just 3% were in 2017.

Figure 1: Proportion of services by level of certificated teachers



23. Because there are two and a half times more ECE services in the 90-99% band than in 2010, we consider many services are likely to move quickly onto the 100% band. Table 3 shows the estimated change in the proportion of ECE services on the 100% band used in the costings.

Table 3: Proportion of ECE services estimated to receive 100% funding rate

2018/19	2019/20	2020/21	2021/22
15%	43%	55%	64%

24. The projection assumes that suitable numbers of certificated teachers are available for ECE services to employ in place of non-certificated teachers. We consider that certificated teacher supply could be tight particularly early on. In this sense the projection is likely to reflect a high uptake scenario. However, previous experience shows the ECE system will respond by increasing teacher supply in response to demand, mainly through an increase in ITE enrolments and mobilisation of existing qualified teachers not currently teaching.

Next steps

25. Once you have decided which approach to reinstating the rate you prefer, we will incorporate this into the Budget template for submission to Treasury in late January 2018.

Other ECE funding matters

Manifesto commitments relating to ECE funding

26. The reinstatement of the 100% certificated teacher funding band is one of several manifesto commitments relating to ECE funding. Other commitments are:
- requiring a minimum of 80% certificated teachers in teacher-led, centre-based ECE services by the end of the first term
 - putting the 'free' back into 20 Hours ECE
 - boosting support for playcentre and kōhanga reo, including funding to increase participation
 - improving ratios and group size for infants and toddlers

- starting the review of school and early childhood funding from the beginning, doing it properly, ensuring that equity is a component of a well-funded system
 - reviewing home-based ECE, including investigating the introduction of minimum qualification levels for all home-based educators.
27. The manifesto also includes a commitment to develop a new version of the 10 Year Strategic Plan for ECE. The above manifesto commitments relating to funding could fall within scope of the 10 Year Strategic Plan, but could also be developed separately. We have provided separate advice (METIS 1090372 refers) on the timing and scope of the review of home-based ECE.
28. Following next week's strategy session with you on the approach to a 30 year strategic plan for education at the summits, we propose providing you with advice on options on the sequencing of the remaining funding policy commitments in conjunction with the development of the 10 Year Strategic Plan.
29. In addition to the above, the previous government agreed in principle to shift to a per child ECE funding system [CAB-16-MIN-0173 refers]. The shift was intended to improve transparency and accountability for funding. Most of the sector is already operating a child-based system where a single child occupies a single funded place, so the sector is generally comfortable with the concept. However, implementation options have not yet been considered at Ministerial level or canvassed with the sector. 9(2)(f)(iv)
- [REDACTED]

Annex 1: Historic, current and future funding rates for ECE services with 80% or more certificated teachers

Service type and attendance category	Subsidy type	Funding band (certificated teachers)	Rates at July 2010 (\$)	Rates at July 2017 (\$)	Option 1 Rates (\$)	Option 2 Rates (\$)	Option 3 Rates (\$)
Education & Care, All Day	2 and over - non 20 Hours ECE	80-99%	7.13	-	-	7.13	-
		80%+	-	6.70	6.70	-	6.70
		100%	8.03	-	8.03	8.03	8.26
	20 Hours ECE	80-99%	11.78	-	-	11.78	-
		80%+	-	11.43	11.43	-	11.43
		100%	12.73	-	12.73	12.73	13.10
	Under 2's	80-99%	12.54	-	-	12.54	-
		80%+	-	12.12	12.12	-	12.12
		100%	13.35	-	13.35	13.35	13.74
Education & Care, Sessional	2 and over - non 20 Hours ECE	80-99%	5.11	-	-	5.11	-
		80%+	-	4.88	4.88	-	4.88
		100%	6.25	-	6.25	6.25	6.43
	20 Hours ECE	80-99%	6.5	-	-	6.5	-
		80%+	-	6.29	6.29	-	6.29
		100%	7.49	-	7.49	7.49	7.71
	Under 2's	80-99%	11.14	-	-	11.14	-
		80%+	-	10.77	10.77	-	10.77
		100%	12.46	-	12.46	12.46	12.82
Kindergarten, All Day	2 and over - non 20 Hours ECE	80-99%	7.13	-	-	7.13	-
		80%+	-	7.05	7.05	-	7.05
		100%	8.03	-	8.03	8.03	8.23
	20 Hours ECE	80-99%	11.78	-	-	11.78	-
		80%+	-	11.93	11.93	-	11.93
		100%	12.73	-	12.73	12.73	13.04
	Under 2's	80-99%	12.54	-	-	12.54	-
		80%+	-	12.65	12.65	-	12.65
		100%	13.35	-	13.35	13.35	13.68

Service type and attendance category	Subsidy type	Funding band (certificated teachers)	Rates at July 2010 (\$)	Rates at July 2017 (\$)	Option 1 Rates (\$)	Option 2 Rates (\$)	Option 3 Rates (\$)
Kindergarten, Sessional	2 and over - non 20 Hours ECE	80-99%*	5.11	-	-	-	-
		100%	6.25	6.72	6.72	6.72	6.72
	20 Hours ECE	80-99%	6.50	-	-	-	-
		100%	7.49	8.05	8.05	8.05	8.05
	Under 2's	80-99%	11.14	-	-	-	-
		100%	12.46	13.41	13.41	13.41	13.41

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MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

AGENDA

21 August 2019, 7:30-9:00pm

Agenda	ECE Strategy Session <ol style="list-style-type: none"> 1. Network package 2. 9(2)(f)(iv) 3. Approach to funding the 100% qualified teacher rate commitment 4. Targeted cost adjustment for education and care services 5. Regulation of 80% qualified in teacher-led, centre-based services 6. Communication to the sector
Attendees	Ministry of Education: Iona Holsted, Damian Edwards, Katrina Casey, Craig Jones, Nancy Bell, Ann Pairman, Malcolm Luey, Siobhan Murray, Kirsty Macdonald, Graham Bussell, Cara des Landes, Pauline Cleaver, Vincent Fallon Education Review Office: Nick Pole, Sandra Collins

Item 1: Network package

You have signalled a preference to progress with a network package. Annex 2 'Network Package' supports this discussion.

We would like to discuss:

- How would you like us to progress with the network package?
- Would you like us to further explore 'market making'?

Network package

A network function that involves the Ministry being able to determine where new services could be set up requires changes to the Education Act 1989 and the Regulations. This affects the timeline for setting up a network function. As a first step towards active network management, the Ministry proposes developing network profiles to support sector decisions on opening new services.

Should you wish to pursue active network management, the Ministry recommends a two stage licensing process and developing a network function within the Ministry. These functions would start operating as the new regulatory system comes into place.

The Ministry considers increased monitoring is also required to shift poor quality provision in the sector.

Market making

Larger organisations may be more likely to have systems and resources that support better quality teaching, but ERO advises that stand-alone services are over-represented in their very high quality category. Favouring consolidation in a systematic way may sacrifice diversity and innovation.

Should you wish to pursue systematically favouring consolidation in the early learning sector, the

broad options are:

- Weak funding incentive – voluntary clustering incentivised with small amounts of funding
- Strong funding incentive – e.g. clustering becomes a condition of 20 Hours ECE
- Regulate – being part of a larger body becomes a condition of licensing.

9(2)(f)(iv)

Item 3: Approach to funding the 100% qualified teacher rate commitment

Annex 1, 'Options for setting and applying 100% band rates' provides a summary of the options and the indicative costs to support this discussion.

We would like to discuss two sets of choices:

- **Setting the rates:** How far above the 80%+ funding rates should the rates be? We have provided indicative modelling of the below options. Other options are possible.
 - 13% higher – the difference between 80%+ and 100% in 2005 when funding system was devised. This is the highest cost option.
 - Fixed dollar difference – reflecting dollar difference between 80%+ and 100% in 2011. This is a medium cost approach.
 - 6% higher – difference between 80-99% and 100% in 2010/11. Lower cost option, but likely to have less uptake.
- **Targeted approaches to reinstatement:** Should the same rates be available to all services to access or should there be a targeted approach? Targeting significantly lowers the cost of the initiative. The following have been modelled:
 - Equity approach – only those eligible for equity funding relating to disadvantage would be eligible for funding.
 - Phased by service type – education and care services are eligible first, with kindergartens eligible after two years.
 - Differentiated increases by service type – education and care services receive larger increases than kindergartens.

We do not have reliable information on whether there is enough supply of teachers to fill the projected extra demand, or to what extent this demand might be met by services recruiting qualified teachers from other services. Setting the rates higher will provide more incentive for services to recruit teachers from other services, which may create problems if some services dip below 80%+ qualified as a result.

Item 4: Targeted cost adjustment for education and care services

Annex 1, 'Options for setting and applying 100% band rates' provides an overview of the funding available for a targeted cost adjustment to education and care services.

We would like to discuss:

- How should the salary attestation requirements be changed?
- Should conditions of employment also be included in the attestation requirements?

Salary attestation requirements. The funding requirements for teacher-led, centre-based services specify minimum salaries that all qualified teachers must be paid for services to access funding rates above the lowest rates. There are two options:

- Raising the minimum rates – this is simple, but is unlikely to benefit teachers already above more than the minimum.
- Introducing a salary scale – likely to benefit a wider group of teachers, but setting the salary setps may be complex.

Both options will likely require the Ministry to work with the sector about where to set the rates – there is a risk that if salary attestation rates are set too high it will affect both sustainability in the sector and cost to parents.

Conditions of employment. We suggest that you consider including non-contact time within the attestation mechanism. Non-contact time supports professional teaching practice.

Item 5: Regulation of 80% qualified in teacher-led, centre-based services

You have signalled a commitment to regulating for 80% qualified staff in teacher-led, centre based services.

We would like to discuss:

- Issues to consider in regulating for 80% qualified
- Timeframe for regulating.

Although the majority of services are currently funded in the 80%+ qualified teacher funding band, this does not mean all these services would meet a regulated minimum of 80% qualified. The standards in the regulations and the funding are different – the definition of qualified for funding purposes is broader, with some leeway for periods when services are below 80% qualified. We recommend aligning the standards in the regulations and funding.

We would also need to consider how to treat services that fall below the 80% minimum. In 2018, 115 services did not qualify for the 80%+ funding band.

We understand you would like to change the Regulations in 2020, but not have the 80% qualified minimum come into force until 2022. We recommend regulating closer to the time of implementation. This would comply with good regulatory practice, and we would have better information on teacher supply and the effect on services of regulating the minimum.

Item 6: Communication with the sector

You are meeting with peak bodies on Wednesday next week and speaking at the ECC AGM the following day. You are also due to meet with ECAC on Wednesday 4 September.

- How would you like to frame your discussion with the sector?

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Education Report: Implementation of Home-based Review changes

To:	Hon. Chris Hipkins, Minister of Education		
Date:	2 December 2019	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1208381
Drafter:	Philippa Casagrande	DDI:	463 7052
Key contact and number:	Damian Edwards	9(2)(a)	
Messaging seen by Communications team:	No	Round robin:	No

Purpose of report

This paper seeks your agreement to the options that will form the basis of a Cabinet paper seeking agreement to the implementation of the changes that arose out of the Home-based ECE Review.

Summary

1. In February 2019, Cabinet agreed to move towards a qualified home-based ECE workforce, with all educators eventually being required to hold, or be actively working toward, a Level 4 ECE qualification or Te Ara Tuarua (the level 5 kōhanga reo qualification) or higher. Educators who currently hold a Level 3 ECE qualification will be recognised as equivalent to a Level 4 qualification in the new system. Cabinet noted that you would report back in February 2020 on financial and forecasting implications before making changes to funding criteria to incentivise the shift.
2. We now seek your agreement to the implementation details which will form the basis of the report back. We recommend a five-year transition to a Level 4 qualified workforce, with full implementation occurring from 1 January 2025. At this point, the standard rate would be removed altogether and replaced with one single quality funding rate. To receive the new quality rate, all home-based ECE services would be required to have 80% Level 4 or above ECE qualified educators. The remaining 20% of educators would be able to be in training or induction.
3. To incentivise the shift, we propose regulating qualification requirements for the standard rate from 1 January 2022. On this date, 10% of educators within a standard funded service would be required to have completed the requisite qualification and this would progressively increase each year.
4. Qualification requirements for the quality rate would also be lifted. From 1 November 2020, 30% of educators in a quality funded service would either be required to finish the Level 4 qualification if they have not done so, hold a Level 3 ECE qualification, or Te Ara Tuarua. The percentage would progressively increase each year.

5. We are recommending this transition profile because it enables educators to study for or complete the qualification while still working. It gives home-based services time to adjust to what will be a different way of working as they will be required to provide additional support to educators who are completing study. The timeframe also gives other parts of the ECE sector enough time to adapt and minimises the potential disruption to families.
6. The new qualification requirements will likely result in some educators leaving the workforce, and some service providers leaving the market. The providers who leave the home-based market are likely to be au pair services, of which we estimate there are 25 services and about 900 children enrolled. Other services that exit will likely include those where educators are family members such as grandparents, and services that specialise in short-term care arrangements.
7. The Ministry is preparing a Budget 2020 bid to assist with the transition to a qualified workforce, with a five year cost of approximately \$40 million. The cost mainly relates to children moving from home-based ECE into other service types. . Further elements of the bid include the shift of standard rate home-based services to the quality rate, fees assistance for educators, support for visiting teachers and changes to Ministry IT systems.
8. The home-based sector has proposed increasing the current licence size from 80 child places to 150 child places. We consider increasing the licence size would need to be accompanied by limits to enable adequate oversight of the larger licences. We also propose testing with the sector the following changes to licensing for home-based ECE:
- amending the current licence size to a maximum of 150 child places
 - placing a limit of 35 children (not child places) in total to one visiting teacher
 - the visiting teacher must oversee the education and care, comfort, and health and safety of the children, and the educators providing education and care, at all times during licensed hours of operation
 - a licence is limited to a geographic boundary based on the 17 geographical boundaries of New Zealand.
9. To enable time to test these changes to licensing with the sector, we recommend that the Cabinet report back be pushed back to March 2020.

10. 9(2)(f)(iv)

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** that the March 2020 Cabinet report back seek agreement to:
- i. the proposal for a single quality funding rate with a requirement for 80% of educators to hold at least a Level 4 ECE qualification from 2025
 - ii. the proposal for regulating the qualification requirements for the standard rate beginning on 1 January 2022

☒ Agree ☐ Disagree

☒ Agree ☐ Disagree

iii. the proposal for lifting the criteria for the quality rate beginning 1 November 2020

Agree / Disagree

iv. the forecasting and financial implications arising from the proposed changes

Agree / Disagree

b. **note** that recommendations a(i) - (iv) are estimated to cost \$35.3 million over four years, which is currently included in the Home-based Budget bid

c. **agree** that the Ministry test with the sector the proposed licensing option for home-based ECE services, with a recommendation to be included in the March 2020 Cabinet report back

Agree / Disagree

d. **note** that the following items are also included in the Home-based Budget 2020 bid:

- i. fees assistance for home-based educators
- ii. visiting teacher support
- iii. changes to IT systems to collect more information on educators, homes and visiting teachers

e. 9(2)(f)(iv)

Proactive Release Recommendation

f. **agree** that this Education Report is proactively released at the same time as the Cabinet report back, with information withheld in line with the Official Information Act.

Agree / Disagree



Damian Edwards
Associate Deputy Secretary
Education System Policy

2/12/19.



Hon Chris Hipkins
Minister of Education

7/12/19

I'd prefer we use the 15 regions being adopted across govt rather than a different 17 region model.

Background

11. In February 2019, Cabinet agreed to a qualified home-based ECE workforce, with all educators eventually being required to hold, or be actively working toward, a Level 4 ECE qualification or Te Ara Tuarua (the level 5 kōhanga reo qualification) or higher [CBC-19-MIN-0002 refers]. Cabinet also agreed that educators who currently hold a Level 3 ECE qualification will be grand-parented so that their Level 3 qualification is recognised as equivalent to a Level 4 qualification in the new system.
12. Cabinet noted that the shift to a qualified workforce would be incentivised through gradually lifting the funding criteria for both the standard and quality rates. This included the eventual move to a single quality funding rate for home-based ECE. Cabinet also noted that you would, in consultation with the Minister of Finance and other Ministers as appropriate, report back to Cabinet Social Wellbeing Committee (SWC) in February 2020 on the forecasting and financial implications.
13. The Cabinet paper also signalled that the Ministry would explore amending the licensing requirements to ensure they support quality and enable the Ministry to effectively carry out its monitoring and oversight function [CBC-19-MIN-0002 refers].
14. In May 2019, you agreed to the establishment of a Home-based Sector Reform Implementation Group (HSRIG) to work with the Ministry on transitioning to a Level 4 ECE qualified workforce. The Ministry met with the HSRIG three times between June and August to discuss:
 - timeframes for the mandatory Level 4 ECE qualification requirement
 - how the criteria for the standard and quality funding rates would be amended and sequenced, to incentivise the shift to a qualified workforce
 - a grand-parenting framework for the new system, to recognise educators who already hold a Level 3 ECE qualification
 - further work on the funding and licensing system for home-based ECE.
15. Ahead of your meeting on 18 September with home-based sector representatives, we provided with a briefing with preliminary advice on the options to incentivise the shift to a qualified workforce [METIS 1204868 refers].

Home-based ECE standard and quality rate

16. The Ministry provides hourly subsidy funding to licensed home-based services (refer table 1). Services on the standard rate and quality rate must meet the requirements of the Education (Early Childhood Services) Regulations 2008 (the Regulations). Services on the quality rate must also engage educators with either a Level 3 ECE qualification or some credits of a Level 4 ECE qualification, and must have a coordinator who is a registered ECE teacher on duty for specified hours.

Table 1: Funding rates for home-based ECE services

\$ Per funded child hour (incl GST)	Rates from 1 January 2019			Rates from 1 January 2020		
	Under 2	2 and over	20 Hours ECE	Under 2	2 and over	20 Hours ECE
Quality	\$8.44	\$4.52	\$9.42	\$8.59	\$4.60	\$9.59
Standard	\$7.28	\$3.94	\$8.76	\$7.28	\$3.94	\$8.76

17. The introduction of the quality rate was intended to encourage home-based services to increase the number of qualified educators. However, the proportion of home-based services on the quality rate has declined. In 2007, there were 224 home-based services, 49% of which were funded at the quality rate. In the 11 years to 2018, the number of home-based services grew to 434, yet the proportion of home-based services on the quality rate fell to 22%.

Incentivising the shift to a qualified workforce

18. To incentivise the shift to a qualified educator workforce, the Ministry has developed, with sector representatives, an implementation profile that aims to achieve:
- **an increase in the quality of education** delivered in home-based settings – with the majority of the educator workforce eventually being required to hold a Level 4 ECE qualification, Te Ara Tuarua, or a grand-parented Level 3 ECE qualification
 - **stability and choice for parents** – there needs to be pathways to qualifications for new educators in the end state, and the transition profile needs to be realistic for both educators and service providers so that there is not mass exit from the sector.
19. We recommend a five-year transition to a Level 4 qualified workforce. Full implementation of a Level 4 ECE qualified educator workforce would occur from 1 January 2025.

A single quality rate from January 2025

20. From 1 January 2025 we recommend that the standard rate be removed altogether and replaced with one single quality funding rate for all home-based ECE services. Qualifications requirements would then be regulated rather than incentivised. The purpose of moving to a single quality rate with regulated qualification requirements is to increase the quality of education delivered in home-based settings. The timeframe means that the move towards the end state supports stability and choice for parents while the sector gradually adjusts to the changes.
21. All home-based ECE services would be required to have 80% Level 4 or above ECE qualified educators at a minimum. The 80% can also include educators with a grand-parented Level 3 ECE qualification, Te Ara Tuarua (the Level 5 kōhanga reo qualification) and Tohu Whakapakari (the Level 7 kōhanga reo qualification). The remaining 20% of educators would be able to be in training or induction.
22. We consider that this profile would ensure the majority of educators in a home-based service are better equipped to support children's learning and development. It enables growth of the educator workforce through allowing those without qualifications to begin a career in home-based and study at the same time.

Table 2: full implementation of the single quality rate

Full implementation – all services	A completed L4 or grand-parented L3 qualification	In training or induction
From 1 January 2025	80%	20%

23. Educators would have a six month induction¹ period before they must be enrolled in a Level 4 ECE qualification or Te Ara Tuarua. Educators would then be allowed two years to complete the qualification once enrolled. Two years for educators to complete the qualification should provide sufficient time. The HSRIG contend that it takes between 12 – 18 months for most educators to complete the qualification studying part-time. An additional six months builds in buffer for those educators that need extra time.

Regulating qualification requirements for the standard rate from 1 January 2022

24. Introducing qualification requirements to the standard rate requires a regulation change. We propose regulating the qualification requirements for the standard rate from 1 January 2022. We propose that from this date, 10% of educators within a standard funded service must have completed the Level 4 ECE qualification, Te Ara Tuarua or hold a completed Level 3 ECE qualification. This would progressively increase each year until the end of 2024 (see table 3 below).

Table 3: Recommended requirements for the standard rate for home-based ECE services

Date	Percentage of educators with a completed Level 4, Te Ara Tuarua, or grand-parented Level 3 ECE qualification
1 January 2022	10%
1 January 2023	30%
1 January 2024	60%
1 January 2025	Full implementation 80%

25. Lifting the proportion of educators required to hold a qualification each year would require amendments to the Education (Early Childhood Services) Regulations 2008 each year.
26. Once full implementation takes effect from 2025 there will be one single quality rate. At least 80% of educators will be required to hold a minimum Level 4 ECE qualification, Te Ara Tuarua, or the grand-parented Level 3 ECE qualification.
27. Should Cabinet approve the decision, we will signal the required increase for the standard rate in the first half of 2020 so that the sector has time to adjust.
28. This change represents a substantial shift. It is important that the first increase is small to minimise disruption to parents and whānau. As at November 2019, 70% of the educator workforce is still unqualified and visiting teachers are likely only be able to support small groups of educators studying at a time.
29. We discussed an alternative option with the HSRIG. This option would have required home-based ECE services to have 25% of their educators with a completed Level 4 ECE qualification by the end of 2021. It would then increase by 25% each year until the end of 2024.
30. This option was thought too ambitious. Requiring a larger proportion of educators to complete the Level 4 ECE qualification by 1 January 2022 might have placed too much stress on educators and visiting teachers causing some to leave the workforce. This would potentially disrupt the rest of the ECE sector and increased demand for places in other ECE service types, particularly education and care services. In some cases, it may have

¹ A six month induction period would include on the job training such as understanding Te Whāriki, the Education (Early Childhood Services) Regulations 2008 and health and safety before enrolling in study.

labour force implications causing parents, particularly women, to temporarily leave the workforce.

31. If a service on the standard rate fails to reach the increase in criteria each year the Ministry will respond using a licensing intervention. Services will be placed on a provisional licence for up to 12 months until they can achieve the qualification requirements. Services on provisional licences are still able to access funding.

Lifting the criteria for the quality funding rate from 1 November 2020

32. Currently, for a home-based ECE service to attract the quality funding rate, all educators on each home-based ECE licence must hold one of the following:
- at least 5 credits at a minimum of a Level 4 ECE qualification (for a licence maximum of 60 children) or at least 15 credits (for a maximum of 80 children)
 - a completed Level 3 or higher ECE qualification.

33. We propose lifting the qualification requirements for the quality rate beginning on 1 November 2020. From this date 30% of educators in a quality funded service would be required to hold a minimum Level 4 ECE qualification, Te Ara Tuarua, or a grand-parented Level 3 ECE qualification. The requirements would then progressively increase each year from 1 January 2022 until 1 January 2024 as shown in table 4.

Table 4: Recommended requirements for quality rates for home-based ECE services

Date	A completed L4 or grand-parented L3 qualification	5 or 15 Credits at L4	In training or induction
1 November 2020	30%	50%	20%
1 January 2022	50%	30%	20%
1 January 2023	70%	10%	20%
1 January 2024	80%	0%	20%

34. The implementation date of 1 November 2020 is proposed because services on the quality rate would be able to meet the criteria by this date. Data from 2019 shows that 86% of services on the quality rate have 30% of educators with a level 3 or higher qualification.
35. This profile allows for up to 20% of educators within quality networks to be in induction or in training, which matches the recommendation for the eventual single quality rate. It incentivises services to support educators with incomplete qualifications to finish the qualification. It would also enable some services on the standard rate to move onto the quality rate quicker.
36. Since the beginning of the home-based review there has been an increase the number students enrolling in the Level 4 ECE qualification. In 2019, 2,030 students enrolled in the Level 4 ECE qualification for the first time, compared with 1,260 in 2018, which is an increase of 61%. The average EFTS² (equivalent full-time student) is 0.18, which means a higher proportion are completing the qualification part-time, compared with 0.24 in 2018.
37. Home-based services that are unable to meet an increase in requirements for the quality rate during the transition period would be placed on the standard funding rate. The quality funding rate would be reinstated once the service can show they have met the criteria.

² The Level 4 ECE qualification is 60 credits, the equivalent to 0.5 EFTS.

38. Another option was discussed with the HSRIG. This option would have been more complicated to implement because it had three variables to change each year. It would have started with 10% of educators with a qualification, 85% with 5-15 credits at level 4, and just 5% of educators to be in training or induction by 1 November 2020. The proportion of educators with partial credits would decrease each year, while the other two categories would increase. While this option required a lower proportion of educators with a qualification, it also did not allow for many new unqualified educators to be in training or induction.
39. The Ministry envisages that services on the quality rate will achieve full implementation by the end of 2023. Services on the standard rate will still have until the end of 2024 for their educators to complete their qualification.

Transition profile and costs

40. The Ministry has modelled an estimated transition profile. We have estimated that up to 30% of services on the standard rate would transition to the quality rate by the end of June 2021. Presently, 24% of services on the standard rate have at least 41% of their educators with at least 5 credits at level 4 or above.
41. During our meetings with the HSRIG, we heard that some standard funded services have qualified educators already. However, not all of their educators are qualified so cannot meet the current criteria for the quality rate. The quality rate profile from 1 November 2020 means that these standard funded services will not have to have 100% qualified educators to move onto the quality rate. We also heard that some services would be able to move qualified educators from standard funded services to form quality funded services. The transition to the quality rate will likely increase steadily each year until full implementation, as shown in table 5.

Table 5: Transition of funded child hours (FCH) from the standard rate to the quality rate, into other service types and informal care

Percentage of funded child hours currently receiving standard funding rate					
Progression of FCH	2019/20	2020/21	2021/22	2022/23	2023/24
FCH on the quality rate	0%	30%	50%	65%	75%
FCH on the standard rate	100%	64%	36%	20%	5%
FCH transitioning to other service types	0%	3%	7%	10%	15%
FCH transitioning into informal care	0%	3%	7%	5%	5%
Total	100%	100%	100%	100%	100%

42. We have estimated that 3% of FCHs³ on the standard rate will start to leave the home-based ECE sector from 2020/21. The children in these services may not transition into other service types and may be cared for in informal care arrangements instead.
43. A further 3% of FCHs will leave and the children that filled these FCHs will transition into other ECE service types. We consider that FCHs transitioning to other service types will increase to 15% by 2024. Eventually 80% of the existing home-based FCHs will transition across to the quality rate.

³ As at 2019/20 there were approximately 17.5 million standard rate FCHs in home-based ECE.

recommend providing assistance with tertiary fees. We suggest this be capped to \$962 per annum⁴, with a 2% increase each year in line with the Annual Maximum Fee Movement. Fees assistance would be paid for the transition period only.

48. During the consultation, visiting teachers told us that supporting educators who are studying creates additional workload for them. This was backed up by the HSRIG, who agreed that there will be more work for visiting teachers during the transition period. This funding line would enable visiting teachers to provide support to fewer educators than they normally would. We recommend this element of the budget bid because educators are more likely to complete the qualification if they have support while studying. It would be time limited until the end of 2024.
49. The Ministry does not currently collect information on individual educators. The Early Learning Information (ELI) system collects addresses, but Ministry licensing staff do not have access to this information due to privacy reasons. This prevents licensing staff from being able to check homes and the ability to regularly track the progress of qualification status.
50. To increase the oversight of and monitor the transition to a qualified workforce, funding is also being sought for changes to Ministry IT systems. This will enable the regular collection of information from service providers, including educator qualification status.
51. If scaling is necessary this component could be removed. However, it will mean the Ministry will be unable to track whether educators are in training or have completed the qualification. We would have to rely on attestation from service providers and audit to ensure services are on the correct funding rate. The ECE Census suggests 10% of quality rate services are not complying with the current qualification requirements.

The impacts of moving to a qualified educator workforce

52. The implementation of the changes will help to increase the quality of home-based ECE. The changes will provide assurance of the quality of home-based ECE and improve educational experiences for children. While the recommended transition profile is intended to enable a gradual transition that provides continuity for families, there will be some disruption.
53. The new qualification requirements will likely result in some educators leaving the workforce, and some service providers leaving the market. Those most likely to leave the workforce will be those who choose not to undertake the qualification, either due to willingness or affordability, and those that are unable to meet the English language requirements for study.
54. We are currently working with the Tertiary Education Commission (TEC) and the New Zealand Qualifications Authority to translate the programme leading to the Level 4 ECE qualification in other languages. We do not know what these languages will be as yet. This decision will be made by the TEC and will be based on demand.
55. The providers who leave the home-based market are likely to be au pair services, services that engage family members as educators, such as grandparents, and services which

⁴ This is based on the Open Polytechnic's fees for the Level 4 ECE qualification in 2020, plus a 2% increase.

specialise in short-term care arrangements. We estimate there are 25⁵ au pair services and about 900⁶ children enrolled. Au pair services will likely continue unfunded by the Ministry and may cost parents more. The Ministry does not collect information on parent fees, so is not able to robustly estimate the financial impact on parents. As an indication, Dream Au Pairs' school-aged programme costs \$402.09 per child per week, which is a \$100 more than an ECE aged child.

56. The Ministry does not collect information on whether home-based services are provided by family members or are short-term care arrangements. We are therefore unable to quantify the other service types. These types of service providers are unlikely to continue once the changes to home-based ECE are fully implemented. It is likely that family members, such as grandparents, will continue to provide privately arranged care for their grandchildren for example. Short-term care service providers may find it difficult to attract qualified educators and stay afloat.
57. Home-based ECE service providers leaving the sector is likely to result in an increased demand for education and care services, particularly for children aged three and four. This is because education and care services are more likely to offer a similar choice of hours to home-based. The Ministry plans to monitor these shifts throughout the transition phase.
58. A reduction in the availability of home-based services and educators may also impact on some parents and whānau if they are unable to find other ECE arrangements for their children. We are unable to estimate these impacts.
59. These changes are not expected to have a big impact on Out of School Care and Recreation (OSCAR) before and after school programmes funded by the Ministry of Social Development (MSD). OSCAR programmes are accredited by MSD. There are 49 home-based ECE service providers that run OSCAR programmes. Out of these 49, up to four services would be impacted by these changes because they either employ au pairs or have some au pairs on their books. The remaining services may experience little to no impacts depending on how many of their educators undertake the qualification.

Proposed licensing changes for home-based ECE services

60. In February this year Cabinet noted that the Ministry would explore changes to licensing, including:
- potentially changing the licence size
 - introducing a geographical radius in which a home-based service can operate
 - a ratio of educators to coordinators [CBC-19-MIN-0002 refers].
61. Members from the HSRIG proposed that the Ministry increase the current maximum licence size from 80 to 150. Service providers noted benefits of increasing service size would include enabling services to better manage fluctuations in educator and child numbers and more effectively staff licences. Visiting teachers could collaborate with each other and some could potentially specialise and act as a curriculum lead across a licence.

⁵ This estimate is based on data from the ECE Directory in Education Counts as at November 2019 including:

- the number of services attributed to Au Pair Link and Dream Au Pair, which are the largest home-based ECE services specialising in au pairs
- information on the number of au pairs engaged with PORSE which was included in their submission for the Review of home-based ECE consultation
- data on services for Playschool. Playschool offers both au pairs and home-based educators. We have assumed that 30% of Playschool services have au pairs.

⁶ This estimate is based on the enrolments across Au Pair Link, Dream Au Pair, PORSE and Playschool from the ECE Directory on Education Counts as at November 2019.

62. We agree that amending the licence size to 150 could be progressed in conjunction with other system accountability changes. There are potential risks to increasing the licence size for home-based services. There is limited oversight of home-based ECE compared with centre-based ECE because the homes in a network can change frequently. To improve oversight, we propose strengthened accountability in other areas such as placing a limit of 35 children to one visiting teacher.

63. We propose the following changes to licensing for home-based ECE be tested with the HSRIG and finalised ahead of the Cabinet report back:

- amending the current licence size to a maximum of 150 child places
- placing a limit of 35 children (not child places) in total⁷ to one visiting teacher
- the visiting teacher must oversee the education and care, comfort, and health and safety of the children, and the educators providing education and care, at all times during licensed hours of operation. At present, visiting teachers only have to be on duty between 8.30am and 4.30pm Monday to Friday, or on-call to supervise outside of those hours only if ECE is being provided.
- a licence is limited to a geographic boundary based on the 17 geographical boundaries of New Zealand.

64. To enable sufficient time to test the above proposals with HSRIG, we recommend that the Cabinet report back be pushed out to March 2020.

65. We explored your suggested changes with HSRIG. These included capping the amount of educators in a licence to 50 and limiting licences to a geographic radius of 50sq. km and 20sq. km in main urban areas.

66. The HSRIG thought both proposals would be overly restrictive for their services, particularly those that serve the rural communities. For example a home-based service based in Kaitia would no longer be able to have educators based Te Kāo, which is 66 kilometres away. Instead, the group recommended potentially capping the number of educators to visiting teachers, and allowing licences to service a wider geographic area. We have proposed limiting the number of children to visiting teachers, so that educators are not placed under any pressure to maximise the number of children they are responsible for.

9(2)(f)(iv)

67. 9(2)(f)(iv)

68.

⁷ This would mean visiting teachers must have no more than 35 total children that they are responsible for at all times. At present, visiting teachers are responsible for between 50 (standard funded service) and 80 (quality funded service) at any one time. This represents licensed child-places, so a visiting teacher could potentially be responsible for many more additional children that attend the service at different times.

69. 9(2)(f)(iv)

Next steps

70. Once we have tested the licensing proposal with the HSRIG the Cabinet paper would follow the timeline below.

Cabinet timeline	Date
Draft Cabinet paper to MO	17 February 2020
Agency consultation	24 February 2020
Ministerial consultation	2 March 2020
Lodge Cabinet paper	12 March 2020
Cabinet Social Wellbeing Committee	18 March 2020
Cabinet	23 March 2020
Announcement of changes	From 24 March 2020

71. Note that the Cabinet paper may have budget implications, so you may need to seek approval to announce any decisions before Budget 2020.

72. The next step in the implementation process would involve changes to the Education (Early Childhood Services) Regulations 2008 including:

- regulating the qualification requirements for the standard funding rate from 1 January 2022
- and if given the go ahead, potentially increasing the licence size for home-based ECE to 150 and associated changes.

73. These changes have been included in the draft scope of the Regulatory Review.

Proactive release

74. This Education Report will be proactively released along with the Cabinet report back early next year, with information withheld in line with the Official Information Act.

Education Report: Options for a funding rate adjustment for certificated playgroups

To:	Hon Tracey Martin, Associate Minister of Education Hon Chris Hipkins, Minister of Education		
Date:	11 May 2020	Priority:	Medium
Security Level:	In Confidence	METIS No:	1226986
Drafter:	Julia Marshall	DDI:	463 8089
Key Contact:	Damian Edwards	DDI:	9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

The purpose of this paper is for you to:

- **agree** to raise the operational funding rate for certificated playgroups to \$1.83 per funded child hour.

Summary

- 1 Certificated playgroups provide early learning for children in short sessions, with a high adult to child ratio. Compared to licensed early learning services, certificated playgroups have fewer regulatory requirements.
- 2 Playgroups may be customised to the needs of the community, for example through providing early learning in different languages or through following particular philosophies. Playgroups also provide a valuable way for parents and caregivers to connect, especially those who may be isolated in the community.
- 3 The Ministry provides operational funding to playgroups via a flat rate of \$1.51 per hour per child. This rate has been in place since 1 July 2014 and has not been included in recent cost adjustments for early learning services. Playgroups may also receive other funding, such as special grants or supported playgroup funding, in addition to local fundraising efforts.
- 4 At present, there is an underspend in the playgroup funding allocation, and this has been growing annually, because playgroup funded child hours have been decreasing.
- 5 This paper presents two options to increase the funding rate. Option one increases the rate to \$1.66 per hour per child, to account for inflation and cost adjustments that have occurred since the rate was last adjusted. Option two increases the rate to \$1.83, a level that keeps playgroup funding within the existing allocation, with a smaller underspend as a buffer.

- 6 Increasing the funding rate would allow playgroups to use the additional funds to pay for better quality resources and may contribute to improved sustainability for individual playgroups.
- 7 The Ministry recommends that the operational funding rate for certificated playgroups be raised to \$1.83 per hour per child, as per option two.

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to raise the operational funding rate for certificated playgroups from \$1.51 per funded child hour to \$1.83 per funded child hour

Minister of Education **Agree / Disagree**

Associate Minister of Education **Agree / Disagree**

- b. **agree** that this Education Report is proactively released after decisions have been announced

Minister of Education **Release / Not release**

Associate Minister of Education **Release / Not release**



Damian Edwards
**Associate Deputy Secretary
Education System Policy**

11/05/2020



Hon Chris Hipkins
Minister of Education

2 / 6 / 2020

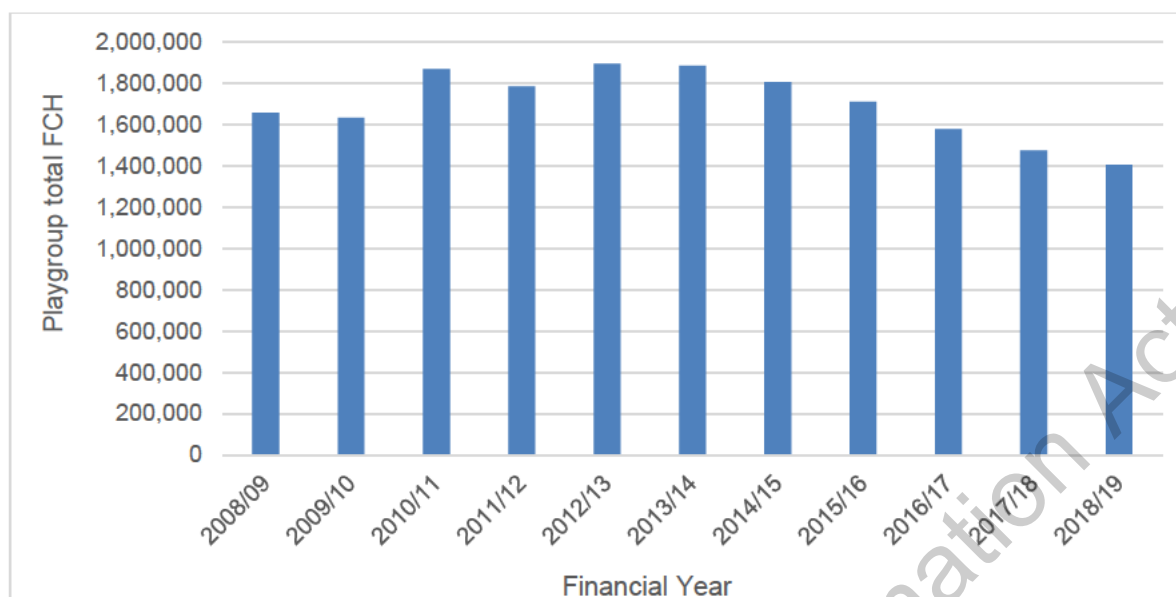
Hon Tracey Martin
**Associate Minister of
Education**

 / /

Background

- 1 Minister Martin has expressed an interest in playgroup funding, specifically funding for the four “Safari playgroups” in Auckland that provide early learning for the children of refugee families. This Education Report presents options for increasing funding for all playgroups. Playgroups are not included in any Budget 2020 initiatives, including the cost adjustment for early learning services.
- 2 The Education Act 1989 (the Act) defines a playgroup as a group that meets on a regular basis to facilitate children's play, and in respect of which –
 - a. no child attends for more than 4 hours on any day;
 - b. more than half the children attending on any occasion have a parent or caregiver present in the same play area at the same time; and,
 - c. the total number of children attending on any occasion is not greater than 4 times the number of parents and caregivers present in the same play area at the same time.
- 3 Playgroups include ngā puna kōhungahunga, cultural playgroups (including Pacific Island playgroups) and community language playgroups.
- 4 Playgroups are certificated rather than licensed. To be certificated, playgroups must meet the minimum standards set out in the Education (Playgroups) Regulations 2008.
- 5 Playgroups are easier to set up than licensed services as there are fewer regulatory requirements. They provide an informal early learning setting that can be customised to the needs of the community. Aside from providing a setting for children's play, socialisation and learning, playgroups also provide an informal support network for parents and caregivers. These networks can be particularly significant for first-time parents, parents for whom English is a second language and parents who lack community connections.
- 6 Some playgroups are set up to cater for specific community groups. For example, certain playgroups provide early learning in a language other than English. Some are run by organisations such as Plunket. Other playgroups may follow a specific philosophical approach, such as Montessori playgroups. In Auckland, Belong Aotearoa run four Safari playgroups for refugee families.
- 7 As well as providing early learning for children, these playgroups offer support for parents, through teaching new skills, providing support networks and information about their new home.
- 8 The number of playgroup funded child hours (FCHs) has decreased in recent years, as shown in figure one overleaf. There are 766 playgroups currently eligible for Ministry operational funding.

Figure 1: Change in playgroup total funded child hours (FCHs) over time



Current playgroup funding arrangements

Operational funding

- 9 Only certificated playgroups are eligible for Ministry of Education funding. Funding is provided at a flat rate of \$1.51 per hour per child, regardless of age. Playgroups are not eligible for 20 Hours ECE funding. Playgroup funding can be claimed for a maximum of 25 children between birth and five years of age for each playgroup session. Funding is provided in two payments, one covering 1 January to 30 June and one covering 1 July to 31 December.
- 10 The playgroup funding rate has not changed since it was last increased in Budget 2014, where it rose from \$1.47 to \$1.51. Recent cost adjustments have only applied to licensed early learning services and have therefore excluded the playgroup funding.
- 11 In the 2017/18 financial year, the average amount of yearly FCH funding per playgroup was just over \$3000.
- 12 The playgroup allocation within the ECE appropriation has been underspent in the last decade. This underspend has increased in recent years, as a result of declining participation. In the last financial year the underspend reached just over \$1 million. Table 1 shows the size of the underspend as a percentage of the total playgroup allocation.

Table 1: Playgroup underspend as a percentage of the total playgroup allocation

Year	2014/15	2015/16	2016/17	2017/18	2018/19
Total allocation	3,742,000	3,742,000	3,742,000	3,742,000	3,742,000
Operational funding	2,730,177	2,585,471	2,384,288	2,228,826	2,124,895
Special grants	631,094	645,069	655,231	610,008	614,512
Underspend	380,730	511,460	702,482	903,166	1,002,593
Underspend % of total allocation	10%	14%	19%	24%	27%

Note that these values are GST exclusive. However, playgroups are paid the GST portion of the rate from the GST exclusive appropriation. Many playgroups do not generate sufficient income to be GST registered.

Other sources of funding

Special Grants

- 13 Playgroups can also apply for a Special Grant of up to \$5000 per financial year for costs that cannot be met by operational funding. This funding can be used for four priority areas namely setup costs, addressing health and safety issues, increasing participation in quality early learning in priority communities, and addressing extraordinary circumstances (like damage to equipment by an extreme weather event). Applications for general expenses are also considered.
- 14 In the 2017/18 financial year, 159 playgroups received a Special Grant. The average value of the Special Grant was \$3837. Special Grants are included as part of the playgroup allocation detailed in Table 1.

Supported Playgroups

- 15 The Supported Playgroups initiative was introduced as part of the ECE Participation Programme in Budget 2010. This scheme provided certificated playgroups in areas with low participation with regular support from a kaimanaaki/playgroup facilitator. These playgroups have additional requirements for curriculum delivery, parent engagement and transition to school. Regional offices lead this programme by nominating Supported Playgroups.
- 16 There are 30 supported playgroups operating at present. Around \$593,000 is spent on supported playgroups per year.

Other arrangements

- 17 Playgroups can also generate income through other means such as parental donations, community fundraising efforts and grants.

Options to increase the funding rate

- 18 Many playgroups use operational funding to cover the costs of rent. Fluctuations in child attendance can significantly impact a playgroup's operational funding, leading to financial viability issues. An increase to the funding rate may support playgroups to be more financially sustainable.
- 19 We present two options to increase the funding rate for certificated playgroups that would remain within the current funding allocation. These options are outlined below and have been costed based on the following assumptions:
 - a. The new rate would apply as of 1 July 2020
 - b. Modelling uses the 2020 March Baseline Update as a forecast base and playgroup funded child hours (FCHs) are 0.64% proportion of total forecast FCHs. This is based on 2018/19 data
 - c. Special Grants remain constant at 2018/19 value of \$614,512 (GST inclusive). There is potential for Special Grants to increase following COVID-19, however the buffer available in the first financial years of each option should cover this.
- 20 Note that the subsidy rate for services is inclusive of GST, however many playgroups are not GST registered. This means that these services receive a 15% windfall compared with those that are registered and have to pay GST. This is also the case for those licensed early learning services who are not GST registered. This is an anomaly in the system that has been retained due to the extra costs associated with having two sets of rates depending on the GST registration status of the service.

Option One: Increase the funding rate to \$1.66 per hour per child to account for increasing costs

- 21 This option increases the funding rate to account for increases in running costs for playgroups that have occurred since the funding rate was last adjusted (as of 1 July 2014). Note that playgroups were not eligible for the cost adjustments that were included in Budgets 2018 (a 1.6% increase) and 2019 (a 1.8% increase).
- 22 The rate was calculated using CPI inflation rates and cost adjustment rates (when these were included in Budgets for licensed services). Inflation adjustments were applied for each of the financial years 2015/16, 2016/17 and 2017/18. Cost adjustment rates were applied for the financial years 2018/19, 2019/20 and 2020/21.
- 23 This option would raise the funding rate to \$1.66 per hour per child. The cost of this change is detailed in table two below. Note that the buffer refers to the forecast underspend in the appropriation.

Table 2: Cost of increasing the certificated playgroup funding rate to account for rising costs (from 1 July 2015 to 1 July 2020).

\$ GST Incl.	2020/21	2021/22	2022/23	2023/24	4 year total
Cost (\$)	222,505	228,578	236,872	246,554	934,509
Buffer (\$)	665,101	597,890	506,102	398,959	-

- 24 This option results in a small increase in funding. If a playgroup were to run a session with the maximum number of children (25) attending for the maximum time (four hours), the funding generated for the session would raise from \$151 to \$166, a \$15 overall increase.
- 25 Depending on the frequency, duration and number of children attending sessions, it is possible that playgroups could use the additional revenue to improve the quality of the sessions. This could include purchasing higher quality resources or replacing existing resources. This is likely to have a small effect however, as playgroups can already use the Special Grant to pay for new resources.

Option Two: Increase the funding rate to \$1.83 per hour per child, keeping within the existing allocation

- 26 This option increases the funding rate for certificated playgroups to a new rate of \$1.83 per hour per child. This rate was chosen as it is achievable within the current allocation, allowing for a buffer in case funded child hours increase.
- 27 The cost of this change is detailed in table three below. Note that the buffer refers to the forecast underspend in the appropriation.

Table 3: Cost of increasing the certificated playgroup funding rate to \$1.83 per hour per child

\$ GST Incl.	2020/21	2021/22	2022/23	2023/24	4 year total
Cost (\$)	474,677	487,633	505,328	525,982	1,993,620
Buffer (\$)	412,928	338,835	237,646	119,531	-

- 28 This option results in a moderate increase in funding. If a playgroup were to run a session with the maximum number of children (25) attending for the maximum time (four hours), the funding generated for the session would raise from \$151 to \$183, a \$32 overall increase.

- 29 Such an increase will have a greater impact than option one. Sustainability of playgroups would be enhanced as the rate increase would help cushion the effects of variable child attendance. Playgroups would be better able to purchase high quality resources, or upgrade existing resources, for children attending.
- 30 Playgroups would be better positioned to offer more services to parents, through running information sessions for example. This would enable them to better leverage off their position as a hub for connecting parents with each other and with community services, especially those with English as a second language or first-time parents.
- 31 The Ministry recommends that the funding rate for certificated playgroups be raised to \$1.83 per hour per child, as per option two.

Financial Implications

- 32 Option one is projected to cost \$934,509 (GST Incl.) over four years, whereas option two is projected to cost \$1,993,620 (GST Incl.) over four years. Both options keep playgroup funding within the current allocation, with a buffer in case funded child hours or special grants increase. Therefore, the overall fiscal impact is zero.
- 33 Either option will require a change to the Playgroup Funding Handbook and accompanying communication to the sector.

Proactive Release

- 34 We recommend that this Education Report is released after decisions have been announced.



Education Report: Aligning the premium for the 100% certificated teacher rates

To:	Hon Grant Robertson, Minister of Finance Hon Chris Hipkins, Minister of Education		
Date:	23 July 2020	Priority:	High
Security Level:	In Confidence	Metis No:	1235460
Drafter:	Siobhan Murray	DDI:	9(2)(a) [REDACTED]
Key contact:	John Brooker	DDI:	9(2)(a) [REDACTED]
Messaging seen by Communications team:	No	Round Robin:	Yes

Purpose of report

This paper seeks your agreement to align the premium paid to education and care services and kindergartens for the 100% certificated funding rates.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** that, in Budget 2020, Cabinet approved the reinstatement of 100% certificated teacher funding rates from 1 January 2021, based on the dollar difference between the 100% rates and next lowest rate band when the 100% rates were last offered [CAB-20-MIN-0219.09, Initiative No 12651 refers];
- b. **note** that, as a result of interactions between separate Budget 2020 initiatives, the 100% certificated teacher funding premium (difference between 100% and 80%+ rates) is lower for education and care services than for kindergartens;
- c. **note** that the cost of lifting the education and care service premium to match the kindergarten premium is \$35.990 million over four years, based on the 2020 Pre-Election Economic and Fiscal Update ECE demand forecast;
- d. **note** that, in undertaking the above costing, two Budget costing errors were identified showing the original initiative costs to be overstated by \$37.061 million over four years, which the Ministry considers should offset the cost of aligning the differences between funding rates for the education and care services and kindergartens;
- e. **note** that the funding required for matching the differential for the 100% rates over the forecast period can be met from the recosted budget initiative;

- f. **note** that while this change is fiscally positive over the forecast period the outyear amount is \$4.179 million higher, which will be reflected in future forecast changes and count against budget allowances;
- g. **agree** to increase the 100% rates for education and care services to create the same dollar gap to their 80%+ rates as reflected in the equivalent kindergarten rates;

Hon Robertson

Agree / Disagree

Hon Hipkins

Agree / Disagree

- h. **approve** the following changes to appropriations to provide for the decision in recommendation (d) above, with a reduction of fiscal impact on the operating balance over the forecast period;

	\$m – increase/(decrease)				
Vote Education Minister of Education	2020/21	2021/22	2022/23	2023/24 & Outyears	Total
Non-Departmental Output Expense: Early Learning	(4.531)	(2.015)	1.296	4.179	(1.071)

Hon Robertson

Agree / Disagree

Hon Hipkins

Agree / Disagree

- i. **agree** the proposed change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates;

Hon Robertson

Agree / Disagree

Hon Hipkins

Agree / Disagree

Proactive Release Recommendation

- j. **agree** that this report is proactively released with information withheld in line with the Official Information Act 1982.

Hon Robertson

Agree Disagree

Hon Hipkins

Agree / Disagree



John Brooker
Group Manager
Education System Policy

23/07/2020

APPROVED / NOT APPROVED



Hon Grant Robertson
Minister of Finance

07/09/2020



Hon Chris Hipkins
Minister of Education

29/ 8 /2020

Background

- Budget 2020 reintroduced 100% certificated teacher rates from 1 January 2021 [CAB-20-MIN-0219.09, Initiative No 12651 refers]. The initiative was costed on the basis of reinstating the historical dollars and cents difference that existed in 2010 between the 80-99% and the 100% rates. The costing was based on confirmed funding rates for:
 - education and care services from 1 January 2020
 - for kindergartens from 1 July 2020 and 1 July 2021 respectively. Kindergarten rates increase in July of 2020 and 2021 to reflect salary increases required by the KTCA.
- Budget 2020 also included initiative 12145 Improving Teacher Pay in Education and Care Services [METIS 1225457 refers]. This increased education and care services' funding rates by 2.3% from 1 July 2020. This initiative and the 100% certificated teachers initiative were costed separately. The increase in education and care services' 80%+ funding rates from 1 July 2020 reduced the 100% premium for education and care services compared to kindergartens, as illustrated in the table below.

Table 1: Comparison of the 80%+ and 100% certificated funding rates, 1 January 2021

		Funding rates from 1 January 2021		
		Under 2s	2 and over	20 Hours ECE
Kindergartens*	100% band	\$15.19	\$8.91	\$14.51
	80%+ band	\$14.61	\$8.14	\$13.78
	\$ difference	\$0.58	\$0.77	\$0.73
Education & care services*	100% band	\$13.34	\$7.83	\$12.77
	80%+ band	\$13.02	\$7.20	\$12.28
	\$ difference	\$0.32	\$0.63	\$0.49

* Rates for all day services. Rates are per Funded Child Hour.

Increasing the 100% rate for education and care services

- We have costed increasing the current 100% funding rates for education and care services so the difference between that and their 80%+ rates is the same as that between the kindergarten rates. This would increase the 100% funding rates for education and care services as per Table 2 below.

Table 2: Aligning the 100% certificated premium – comparison of proposed funding rates

		Funding rates from 1 January 2021		
		Under 2s	2 and over	20 Hours ECE
Kindergartens*	100% band	\$15.19	\$8.91	\$14.51
	80%+ band	\$14.61	\$8.14	\$13.78
	\$ difference	\$0.58	\$0.77	\$0.73
Education & care services*	100% band	\$13.60	\$7.97	\$13.01
	80%+ band	\$13.02	\$7.20	\$12.28
	\$ difference	\$0.58	\$0.77	\$0.73

* Rates for all day services. Rates are per Funded Child Hour.

- The 100% funding rates for education and care services would still be lower than those for kindergartens. In addition, Budget 2020 also included a general 1.6% cost

adjustment, which increases the 80%+ band from 1 January 2021. For this reason, even with the increased rates as per table 2, the difference between the 80%+ and the 100% rates is smaller than what existed in 2010 (for both kindergartens and education and care services).

5. Changing the rates as per table 2 above costs \$35.990 million over four years from 2020/21 to 2023/24. This is based on the ECE demand profile in the 2020 Pre-election Economic and Fiscal Update (PREFU).
6. In the course of undertaking this costing, we found two errors in the original costing. The errors mean that the original initiative was overcosted by \$37.061 million. The errors were:
 - 4.4% was incorrectly added to the kindergarten 100% rates from January 2021. The costing model's formula included a Kindergarten Teachers' Collective Agreement-related increase that was not relevant to this initiative. This overstated the cost of the initiative by 12%, or \$34 million
 - the kindergarten 100% increase was costed on the historic percentage difference rather than the historic dollars and cents difference. This overstated the cost by \$3 million.
7. The additional cost for matching the differential for the 100% rates over the forecast period can be met from the recosted budget initiative. This is shown in row E in the table below. Some rephrasing of the baseline would be required, as illustrated below. There is a cost in outyears compared to the original initiative – of \$4.179 million. This will be reflected in future forecast changes, which count against budget allowances and reduce the amount available for new spending at Budget.

Table 3: Comparison of original initiative and cost of increasing the 100% education and care rates

Operating funding (\$m)	2020/21	2021/22	2022/23	2023/24 & Outyears	Total
A. Original costing of 100% initiative*	12.241	64.068	89.645	112.295	278.249
B. Revised costing after fixing errors*	7.541	54.538	78.760	100.349	241.188
C. Savings available	4.700	9.530	10.885	11.946	37.061
D. Cost of increasing 100% rates for ed & care^	0.169	7.515	12.181	16.125	35.990
E. Net (surplus) or deficit by year	(4.531)	(2.015)	1.296	4.179	(1.071)

* Costed on the ECE baseline from the October Baseline Update (OBU) 2019.

^ Costed on the ECE baseline from 2020 PREFU.

Process

8. Section 311 of the Education Act 1989 empowers the Minister of Education to set rates for grants for early learning services, so long as the funding has been appropriated by Parliament. The Early Learning baseline is sufficient to accommodate this change.
9. The proposed change is minor and technical because the cost can be met within baselines. As such, it can be approved by joint Ministers rather than Cabinet.