

Report: Cabinet paper: Next stage of the Charter School | Kura Hourua model ready for lodgement

To:	Hon David Seymour, Associate Minister of Education		
Cc:	Hon Erica Stanford, Minister of Education		
Date:	25/06/2025	Deadline:	25/06/2025
Security Level:	In-Confidence	Priority:	High
From:	Jordan Na'ama, Acting Senior Policy Manager	Phone:	+64 463 1597
Drafter:	Samantha Young	METIS No:	1350073

Why are we sending this to you?

- This paper provides you with a summary of feedback received through departmental and Ministerial consultation from 19 – 24 June 2025 on the draft Cabinet paper, “Next stage of the Charter School | Kura Hourua model”.
- A marked up version of the Cabinet paper showing key changes following consultation is attached as Annex 2. A clean version of this paper is also attached as Annex 3 for lodgement at Cabinet Business Committee on 30 June 2025.

What action do we need, by when?

- We are seeking your direction on extending the fixed-term agreement from 10 to 20 years as an option for all future contracts. The new contract length will have some implications and additional costs for the property lease in certain circumstances that will need to be managed to keep the lease length aligned.
- We are seeking your agreement to lodge the Cabinet paper on 26 June ahead of Cabinet Business Committee on 30 June 2025.
- Please return the signed paper by 24 June 2025.

Alignment with Government priorities

1. This report aligns with Government priorities as it supports the draft Cabinet paper seeking decisions to further strengthen the charter school model.

Background

2. You agreed to start departmental and Ministerial consultation on the draft Cabinet paper, "Next stage of the Charter schools | Kura Hourua model" from 19 to 24 June [METIS 1349753 refers].
3. Further changes have been made to the Cabinet paper since the last version you received. The changes to the Cabinet paper are highlighted in yellow (attached as Annex 2). We have also included a clean version of the paper (Annex 3). We will update the Cabinet paper following any further changes you would like to make.
4. The final version of the Regulatory Impact Statement (RIS) for providing a pathway for converted charter schools to re-open as new State schools is attached as Annex 4. The Ministry of Education's Quality Assurance Panel has reviewed the Regulatory Impact Statement and assessed it as partially meeting the Quality Assurance criteria. The panel considered that the constraints imposed on consultation by the timeframe for developing proposals and the consequent lack of consultation to inform the policy development process affects the assessment of viable implementation of the proposals and precludes the consideration of other barriers that may prove more impactful to address. A full comment has also been included in the draft Cabinet paper.

Ministerial consultation

5. Your office consulted with appropriate ministers and raised two queries which we responded to on 23 June [METIS 1349950 refers]. These queries related to:
 - a. Transitional costs for converted charter schools returning to the State system; and
 - b. Preferential treatment for non-qualified or registered staff.
6. We have added a new paragraph 32 into the draft Cabinet paper to reflect that we expect any costs associated with the closure of a charter school will sit with the sponsor and that we anticipate any establishment costs for the new State school to be lower.
7. We have also added in additional content in paragraph 36 to provide clarity that any staff who seek employment at the new State school will still need to meet the same requirements and be a registered teacher or hold a Limited Authority to Teach.
8. A further query was raised regarding how the reversion arrangements would apply if the charter school model were removed. We consider it pre-emptive to determine how (or if) any charter schools may be transitioned until such a decision is made. However, the current provisions would apply such that a converted charter school would only be able to revert if the contract between the sponsor and CSA is terminated by mutual agreement or the sponsor has chosen not to renew.
9. We have included additional content in paragraph 31, *"The proposed reversion arrangements are intended to provide assurance to prospective sponsors and converted charter schools, for example the settings would remain in place unless there were significant policy changes to the charter school model in the future."*

Departmental consultation

10. The Ministry of Education (the Ministry) consulted with the following departmental agencies on the draft Cabinet paper: the Treasury, Department of Prime Minister and Cabinet, Te Kawa Mataaho Public Service Commission, Ministry for Regulation, Charter School Agency, Education Review Office, New Zealand Qualifications Authority, and Social Investment Agency.
11. We received feedback and comment from five of the agencies we contacted, and an additional two agencies responded that they did not have any feedback. One agency sought clarification but did not have any further feedback. Key changes following departmental consultation (with a full summary table of feedback included as Annex 1) is provided below.

Clarification around when a converted charter school may seek reversion

12. There was some concern that the reversion pathway may apply to underperforming charter schools and this created undue risks and cost to the Crown. This is not the policy intent.
13. We have clarified the language around when a converted charter school may seek to revert, to align with the contract between the CSA and sponsor. We have specified that converted charter schools should only be able to seek reversion in cases where the sponsor and CSA have terminated the contract by mutual agreement, or if the sponsor has chosen not to renew their contract.

Extending the initial fixed-term agreement from 10 to 20 years

14. Several agencies have sought additional clarification on extending the initial fixed-term agreement from 10 to 20 years. There are two high-level approaches for how the proposed contract term extension might be applied:
 - a. **Option 1:** A 20-year initial fixed-term agreement should only be applied to converted charter schools; or
 - b. **Option 2:** All sponsors have a longer initial fixed-term agreement of 20 years.
15. In either option, there are associated property implications by extending the initial fixed-term agreement to 20 years, discussed further below. Under both options, the sponsor approval and performance management framework provide safeguards against risks associated with sponsors underperforming, regardless of any potential changes to contract terms.
16. Option 1 above would limit application of a 20-year initial contract term to converted charter schools only. We consider that this should be presented as an option for converted schools, based on the Authorisation Board's assessment. We also recommend that the Authorisation Board seek the views of the Ministry and ERO on the initial contract term as part of its standard consultation processes prior to approval of sponsors. This provides an alternative approach that provides greater certainty for converted charter schools, while also mitigating risks by limiting this proposal to schools that are more likely to have an established pipeline of students and broader community support for its ongoing operation in the long-term.
17. Option 2 above provides a more standardised approach to setting contract and negotiations which provide greater certainty to all charter school sponsors, and may provide some operational efficiencies. However, there are some related risks to offering a 20-year initial contract term to all potential sponsors. For example, a 20-year contract may not be appropriate for new charter schools that open with a specific character or approach

to education that may not have certainty around an ongoing pipeline of students. If you wish to progress this option, we recommend applying a 20-year term to existing contracts. We will work with the CSA to manage this on a case-by-case basis.

18. Currently the draft Cabinet paper attached is framed around Option 1 noted above. Should you wish to proceed with Option 2, we will update the draft Cabinet paper accordingly.

Property implications of new contract length structure

19. The property lease for use of Ministry-owned property between the Ministry and the Sponsor, is separate from the overall charter school contract between the Charter School Agency and the Sponsor. This is because each agreement manages a different type of relationship. A change in the contract length does not automatically create a change in the lease length.
20. The contract length structure of the lease for 10 years with a possibility to renew two further times for 10 years, was primarily determined to align with the contract length structure of the charter school contract. Currently, at the end of 30 years the Sponsor and the Ministry would need to re-negotiate the lease in line with existing settings, including if a related charter school contract is in place.

9(2)(h)



24. Both of these circumstances will be managed on a case-by-case basis to determine the appropriate mitigation. This may include lease shorter than 40 years, but at least 30 years in length. However, the intent is to align with the new 40 years contract term.

Next Steps

25. Following your direction on extending the fixed-term agreement, we will amend the draft Cabinet paper accordingly.
26. This paper will be lodged by your office on Thursday 26 July 2025 to be considered by Cabinet Business Committee on 30 June.

Annexes

The following are annexed to this paper:

- Annex 1: Summary table of Departmental feedback and Ministry response
- Annex 2: Draft Cabinet Paper: Next stage of the Charter Schools | Kura hourua model with changes highlighted (attached separately)
- Annex 3: Draft Cabinet Paper: Next stage of the Charter Schools | Kura hourua model clean version (attached separately)
- Annex 4: Regulatory Impact Statement: Pathway for charter schools to revert back to State sector (attached separately)

Recommended Actions

The Ministry of Education recommends you:

- a. **note** that joint departmental and Ministerial consultation was undertaken for the draft Cabinet paper, “Next stage of the Charter Schools | Kura Hourua model” between 19 – 24 June 2025

Noted

- b. **note** that feedback raised property lease implications by extending the fixed-term agreement between sponsors and the Charter School Agency from 10 to 20 years

Noted

- c. **indicate** your preferred direction on extending the fixed-term agreement from 10 to 20 years:

i. **Option 1:** A 20-year initial fixed-term agreement should only be applied to converted charter schools; or

ii. **Option 2:** All sponsors have a longer initial fixed-term agreement of 20 years.

Option one / Option two

- d. should you select **Option 1** in recommendation (c), **agree** that extending the fixed-term agreement to 20 years will be subject to the Authorisation Board’s approval

Agree / Disagree

- e. should you select **Option 2** in recommendation (c), **agree** that a 20-year fixed-term agreement will be applied retrospectively to existing contracts

Agree / Disagree

- f. **agree** to lodge the final Cabinet paper, subject to any further changes you would like to make, ahead of Cabinet Business Committee 30 June 2025

Agree / Disagree

Proactive Release:

- g. **agree** that the Ministry of Education release this paper once Cabinet has approved the proposed legislation changes with any information needing to be withheld done so in line with the provisions of the Official Information Act 1982

Agree / Disagree



Jordan Na'ama

Acting Senior Policy Manager

Te Pou Kaupapahere

Hon David Seymour

Associate Minister of Education

25/06/2025

___/___/___



Summary of Departmental feedback

27. The table below provides you with a summary of feedback received during departmental consultation. The Ministry for Regulation and Social Investment Agency had no further comment, and we did not receive any feedback from the Department of Prime Minister and Cabinet.

Agency	Feedback with changes to the draft Cabinet paper	Ministry response
Charter School Agency	<ul style="list-style-type: none"> a. If Ministers wanted to tighten this provision, they could only have it apply in the case of mutual agreement, and specifically rule it out where there has been an intervention and/or for convenience. This could reduce the risk that has been raised that the sponsor might be a failing school which should not go back into the system. b. Advised seeking further clarity around the lease agreement, should the fixed-term contract period be extended from 10 to 20 years. 	<ul style="list-style-type: none"> a. Agreed – Clarified language so that converted Charter Schools may only revert if the sponsor and CSA terminate the contract by mutual agreement, or the sponsor has chosen not to renew. Amended language throughout Cabinet paper. b. Advice regarding property lease implications provided above. No changes needed.
Te Kawa Mataaho Public Service Commission	<p><i>Increased certainty if sponsor voluntarily terminates</i></p> <ul style="list-style-type: none"> a. Consider who will do the work of looking for a replacement sponsor. There is a conflict between the Authorisation Board doing the search and doing the approval. b. Staffing requirements – this may need further nuance as non-registered staff with a charter school may not be able to be employed at a new state school due to different requirements. <p><i>20-year fixed term agreements</i></p> <ul style="list-style-type: none"> a. This is a long contract term and it would be good for the paper to discuss when this length of contract would be used. For example, it seems unlikely that this length of contract would be appropriate for a new and inexperienced sponsor, it may also be inappropriate for a school with a particularly niche character where there is no certainty of an ongoing pipeline of students. <p><i>Flexibilities</i></p>	<p><i>Increased certainty if sponsor voluntarily terminates</i></p> <ul style="list-style-type: none"> a. The CSA will initiate looking for a replacement sponsor. No changes needed. b. Correct – non-registered or non-qualified staff will not be able to be employed as teachers due to current legislative requirements for State schools. Amended language in paragraph 36. <p><i>20-year fixed term agreements</i></p> <ul style="list-style-type: none"> a. Advice seeking your preferred direction under the length of the fixed-term agreement provided above. Awaiting Minister's decision. <p><i>Flexibilities</i></p>

- a. Chief executive – We read this as saying a sponsor retains flexibility but does need a minimum of one CE to meet legislative requirements – i.e. this is a minimum rather than “must appoint only one”.
- b. Single contract / multiple schools – it is worth considering whether this creates any anomalies between cases where a sponsor operates two separate schools under the same contract compared to a sponsor with one school that operates across two locations e.g. junior school/senior school at different places.

Education Review Office

- a. It is important that the Authorisation Board draws on MoE and ERO knowledge of sponsor’s existing charter schools’ performance as part of deciding whether they should hold a multi school contract.
- b. Recommend that the Authorisation Board is required to provide performance information and seek the views of the Secretary of Education and the Chief Review Officer on the school(s) already contracted to the Sponsor before a multi-school contract is confirmed.
- c. Recommend allowing the Authorisation Board to intervene across every school in a multi-school contract or just one, depending on the situation.
- d. Most schools re-entering the network are likely to require additional support to return to the State system. A new State school would be required to comply with teaching, governance, curriculum, funding, and employment conditions of the State schooling system. These could be significantly different practices given the “flexibility” of the Charter school model these converted schools were operating under. There may be a need to support the school to understand and implement, for example, recent policy and curriculum changes

- a. Only one CE will be appointed, as the intention is for schools within one contract to be operating as one organisation. **No changes needed.**
- b. Broadly, there will be similarities as sponsors with schools under the same multi-school contract will be operating as one organisation, similar to a sponsor with a single school on multiple sites which will be operating as a single organisation. There will be differences in the approval process, reporting requirements, where performance targets are set, and how interventions are applied as these have been considered specifically for where a sponsor may have multiple schools under the same contract. **No changes needed.**

- a. **Changes made at ERO’s request to support operationalising the changes:** *“To support the Secretary and the Chief Review of Officer to come to a view, I expect the Board to provide them with full copies of the application material prior to making a decision to approve a sponsor.”*
- b. Disagree – the Ministry considers that the Authorisation Board already has sufficient scope within legislation to seek the views of the Secretary for Education and Chief Review Officer and consider the performance of the school that the sponsor is contracted for without needing to be prescriptive. We consider this could be managed through an operational process outside of legislation. **No changes needed.**
- c. The Authorisation Board specifies interventions on the sponsor if it is not meeting its legislative or contractual obligations. The interventions may still be applied to a single charter school within the multi-school contract, or on a sponsor-level. **Clarified language** – [The Authorisation Board] *“it can intervene at both a sponsor or school level in instances where individual schools within a multi-school contract face significant performance issues in isolation, while other schools within the contract could remain*

in the State system. ERO recommends an additional criteria is added to the Minister's rationale for declining to establish a new State school after a converted charter school voluntarily closes: The school is not ready and able to return to the State network.

- e. ERO identifies a risk that leadership and staff from an underperforming/ failing Charter school could continue working in the school once it returns to the State network, further affecting learner outcomes. Recommend that it is made clearer that "preferential status" is not a guarantee of a position.

operating as normal, or holding the sponsor accountable if all schools are systematically underperforming."

- d. The school is not ready and able to return to the State network. The intent of the reversion pathway is not to provide a way back for underperforming converted charter schools. As these schools were previously State schools, we consider that some support may be required during its transition however this could be sufficiently met through the establishment support that will be provided.

Disagree – as noted above, the intent for the reversion pathway is not to provide a pathway for underperforming schools. **No changes needed.**

- e. Disagree – as noted above, the intent for the reversion pathway is not to provide a pathway for underperforming schools. The Ministry agrees that there is no guarantee of position, either because there are less positions available, or some existing staff are non-registered or non-qualified teachers. **Language clarified in paragraph 36 that not all staff will be guaranteed a position.**

Agency	Feedback with no changes to the draft Cabinet paper	Ministry response
New Zealand Qualifications Authority	<ul style="list-style-type: none"> a. From an operational perspective, in terms of the quality assurance function (Managing National Assessment reviews) that we undertake with schools with consent to assess, the structure of an organisation determines how or who we review. So, for example, a similar model operating now is One School Global who operate as one registered school – but have multiple school sites. So, we only review the one entity. If the sponsor system with multiple schools works the same way, i.e. only one registered school, then that is how we would operate. If there are multiple registered entities, then we would require Quality Management System documentation and quality assurance processes with each registered entity. 	<ul style="list-style-type: none"> a. Each school would be assessed separately as they are still considered individual schools.

Treasury

- a. Is there tension between the Minister of Education holding the legal power to decide if the financial costs to convert a school are justifiable or not, but Cabinet holding the power to fund costs? To be clear – we agree that if additional funding is required that be sought through the Budget process to be agreed by Cabinet, we just want to check whether there is a legal issue here if Minister of Education agrees to the financial costs while Cabinet refusing to fund those costs.
 - b. The paper seeks agreement for the initial contract period to increase from 10 years to 20 years. Would you have further information on the reason behind this change?
- a. We expect that the current process for establishing a new State school would apply in cases of a converted charter school being re-opened as a State school.
 - b. Advice seeking your preferred direction under the length of the fixed-term agreement provided above. **Awaiting Minister's decision.**