

ECE Funding Review: Ministerial Advisory Group Terms of reference

September 2025

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1 Purpose of the ECE Funding Review

Government funding for early childhood education (ECE) has the purpose of supporting child development to provide educational outcomes while also supporting a strong foundation for learning and good life outcomes. Equally, it enables parental/caregiver participation in the labour market to support families with the cost of living.

To deliver on these two purposes, funding needs to contribute to an ECE system that supports high quality education provision and learning, the health, safety and well-being of children, and enables parental choice.

With approximately \$3.1 billion in government funding supporting 190,000 children across 4,400 licensed ECE services each year, and a smaller but still significant amount of co-funding contributed by parents, it is crucial that this substantial investment effectively supports the dual purposes of ECE and the Government's goals. These goals include ensuring children are as well prepared for school as possible, managing the affordability of ECE for parents/caregivers and minimising barriers to labour market attachment.

The current ECE funding system is not fit-for-purpose. There are four broad overlapping areas of concern with how well the funding system is supporting ECE provision:

- *Affordability and Access:* too high a cost restricts access to ECE and parents'/caregivers' labour market participation. Higher cost is partly driven by quality factors, particularly better adult-to-child ratios and higher teacher pay. The system has limited flexibility to adjust funding to induce supply, which can create access issues for parents in less-populous areas or who seek part-time or non-standard hours of ECE. The co-funded nature of ECE leads to parents funding the difference when service costs become too high.
- *Universal vs targeted funding:* Most ECE funding is allocated universally, with a small proportion being targeted. The division reflected in the split may not adequately support the children that stand to benefit the most from ECE, such as children from low socio-economic backgrounds, or recognise that some families are better placed to meet the cost than others.
- *Complexity:* There are layered policy objectives and targeting to address them. For example, multiple funding mechanisms concurrently operate to incentivise higher levels of certificated teachers, designate levels of teacher pay, and reduce costs for particular groups of children. In a system with multiple funding streams, this creates complexity for both parents and services.
- *Impact:* There is a need to understand the value that ECE funding choices add to both child development and education outcomes and labour market participation.

In response to the concerns listed above, the Associate Minister of Education ('the Minister') has received Cabinet's approval to conduct a fundamental review of ECE funding ('the Review'). Cabinet has also agreed to the establishment of a ministerial advisory group ('the Group') to conduct the Review. These Terms of Reference will guide the Group's work.

2 Purpose of the Group

The purpose of the Group is to conduct the Review. This will involve providing the Minister with advice, developing options, undertaking engagement and public consultation on a consultation paper with draft options, with particular emphasis on key stakeholders, and submitting a final report with recommendations for redesigning the ECE funding system (see Section 8 Timetable and Deliverables). The advice will contain options to address the four concerns identified in the Background, to make the ECE funding system better support the purposes of ECE and the Government's education and labour market priorities.

Operating principles

The Group is:

- to consider options that are at least fiscally neutral for the Crown, that is, within total forecast expenditure in scope
- to provide a consensus-based report
- not to be considered a decision-making body or representative group or be responsible for final policy or implementation decisions
- to provide advice, which will be up to Ministers, through Cabinet or Budget processes, to decide whether and how to progress
- not to be regarded as providing advice on behalf of the entire ECE sector.

3 Scope

The Group's work

The group will provide advice to the Minister on the following matters:

- How government funding for ECE could be structured to provide for better child participation, children's educational outcomes and development, and parent / caregivers' labour market participation.
- How funding could be allocated to improve the breadth and availability of service options for parents.
- How funding could be allocated to provide for equitable outcomes for children facing education and access barriers.
- The balance between quality and affordability for services and parents / caregivers reflected in the funding system, including its contribution to an appropriate mix of minimum standards and quality inputs, such as adult-to-child ratios or proportions of qualified teachers.
- The balance between flexibility of funding use for service providers versus placing accountability requirements on spending.
- Options to gather information on financial data from services and parents / caregivers to inform the Government's understanding of value for money and accountability for the use of public funds.
- The use of mechanisms that enable a simpler and more transparent funding system for parents and providers.

The Group should provide evidence-based recommendations on the above matters that take into consideration:

- the expected effects (both positive and negative) on quality of provision, child safety and wellbeing, labour market attachment and child poverty;
- the material impact on the sector, including capacity to adapt to recommended options and whether there would be impacts on service viability;
- implementation costs, including changes to technology systems;
- the legislative settings impacting on the funding of ECE provision;
- how they intersect with, and support, regulatory arrangements, including, where feasible, those arising from the ECE Regulatory Sector Review;
- how they contribute to the goals for ECE and the concerns noted in the background section, including consideration of trade-offs across different issues and objectives; and,
- the effects proposals will have for children, families and services.

Funding in scope

The Group's consideration should focus on funding allocated to teacher-led early childhood services licensed under the Education (Early Childhood Services) Regulations 2008. The Review also covers funding to offset the cost of parent/caregiver fees. This funding is drawn from Votes Education, Social Development and Revenue. A more detailed list of the funding in scope is contained in Annex 1.

The teacher-led early childhood services in scope are education and care services, including casual education and care services, kindergartens, home-based services and hospital-based services.

In considering this funding, the Group will preserve the policy benefits of 20 Hours ECE. The Group may, if necessary, consider the interaction of this funding stream with other funding in scope but is not expected to make a formal recommendation for a reduction to the benefits of 20 Hours ECE.

Funding out of scope

Funding that is out of scope is a subset of government funding that is either not provided to ECE services directly or contributes to the education and care and support of ECE aged children through other channels. The Terms of Reference acknowledges the contribution this wider set of funding also makes to child and labour market outcomes. Examples of this funding include curriculum support and learning support.

Funding available only to playcentres and kōhanga reo is out of scope. This is due to these service types either not being so closely linked to labour market participation or because of their main focus being on Māori language revitalisation. Both service types have also received specific funding support and re-consideration of their funding structures recently.

The Group will need to be aware of how proposals may affect playcentres and kōhanga reo in future. To this end, the Group will be expected to consult with these service types as part of its public consultation and stakeholder engagement processes.

Funding for children receiving ECE via Te Aho o Te Kura Pounamu (Te Kura), formerly the Correspondence School, is out of scope. This service supports parents and caregivers to provide ECE in the home and therefore is not so closely linked to labour market participation.

Funding for playgroups is out of scope as these services are certified rather than licensed.

4 Membership

The Minister will appoint a Chair and Group members with the appropriate skills, knowledge and experience required to manage the complexity of advice on redesigning the ECE Funding system. The Minister may review membership as needed to ensure the required expertise is represented.

The Chair

The Chair will lead meetings of the Group, unless otherwise directed by the Minister, or otherwise agreed. The Chair may also engage directly with the Minister on behalf of the Group. If the Chair anticipates being absent for a single meeting, they should designate another member of the Group to act as Chair for that meeting. Should the absence be expected to span multiple meetings, the Chair should designate another member to act as Chair for the duration, with the agreement of the Minister.

Skills, knowledge and experience of the Group

The Group must contain members with:

- Knowledge of the ECE funding system, including ECE funding streams outside of those administered by the Ministry of Education.
- Knowledge, experience and expertise in the ECE sector, which may include experience operating, managing or working in an ECE service.
- Understanding of key stakeholders within the sector and holding relationships that can be drawn upon for effective consultation.
- Knowledge and expertise in economic principles and market dynamics, particularly relating to labour market participation and social investment.
- Knowledge of ECE pedagogy, research, and data that relates to child outcomes.

In addition, it is advantageous if the Group also has experience and understanding of:

- The ECE system from a parent or whānau perspective.
- Disability issues within the ECE context.
- Providing equitable outcomes from ECE provision.

Responsibilities

Members of the Group will:

- ensure they have the capacity and capability to fulfil the role, fully committing to the duration stated, and making every reasonable effort to attend scheduled meetings;

- commit to the work of the Group, recognising their personal contribution to the project's success, and provide constructive input and advice;
- foster collaboration by actively listening, respecting other members' perspectives, and participating in resolving any issues that arise;
- be flexible and adaptable to changes in the Group's direction or priorities, as directed by the Minister;
- support the Group by providing relevant data or insights and analysing how recommendations may impact services, families and children;
- maintain the confidentiality of information provided for their advice, comment, and critique (including signing a non-disclosure agreement);
- act in good faith and on a 'no surprises basis';
- differentiate between their own views and the views of the Group or the Ministry, accurately reporting the Group's views in any wider engagement with the public or the sector.

With respect to the last responsibility, it is expected that members are appointed to apply their skills, knowledge and experience, rather than to act as representatives for their respective organisations or communities. While members' communities and organisations will inform views, it is expected that the Group will work together to provide consensus-based advice.

Members may undertake their own research to support the Group's purpose, and share any findings with the Group. There may also be instances where external expertise is accessed to support discussions relating to technical or specialist areas.

5 Administration

Meetings

Meetings will be led by the Chair. The Group will meet as required by the Chair, with an agreed agenda and meeting focus. Meetings will be held based on the availability of members, to be determined once the Group has convened and established a work programme, which will be based on the Scope and Purpose set out in the terms of reference. The Group will inform the Minister of the work programme. It is intended that the Group will meet at least once a month.

Meetings will be held in-person, remotely, or in a hybrid format, depending on the needs and availability of members.

Quorum

A quorum will be half the number of members, plus the Chair. Substitute members are not permitted.

Work Programme and Advice

The Group will conduct its work in accordance with the Terms of Reference. In any final decision making, recommendations or prioritisation, the Group will make these based on consensus of Group members where possible. Where this is not possible, the Chair may make final determinations on any recommendations, with individual members or sub-groups of members retaining the right to note points of difference in any advice provided to the Minister.

Fees

The Ministry will cover all costs directly associated with hosting the meetings, including transport, catering and any other actual and reasonable expenses associated with members' attendance.

This includes any agreed fees as approved by Cabinet in establishing the Group. Fees for members of the Group have been assessed in accordance with the Cabinet Office Circular (22)2.

Travel

Any travel required for meetings or public consultation will be covered by the Ministry. All travel will be subject to the Ministry's travel policy, which has a focus on travel being cost-efficient and to reduce carbon footprint where possible. The Ministry will ultimately determine travel arrangements for members but will take all reasonable steps to ensure arrangements are convenient to members.

If members have made additional requests (ie. travel the day earlier which is not required), these additional costs will not be covered by member fees or expense claims.

6 Media and confidentiality

The work of the Group is strictly confidential. The Group and its members acting in that capacity, will not make media statements without the prior agreement of the Chair and the Minister. To this effect, all Group members will have completed a non-disclosure agreement with the Ministry of Education.

If members of the Group are asked to provide comment on the work of the Group by a party that is not the Chair, the Minister, or the Ministry of Education, the Group member(s) will forward that question or request to the Chair, the Office of the Minister, and to the Ministry of Education.

The Official Information Act 1982 and Privacy Act 2020 will apply to the activities of the Group.

7 Role of the Ministry of Education

The Group will have access to data, research and analysis developed by the Ministry to support discussions. This may include material that is still under development, and does not reflect either Ministry or Government policy and is not to be shared outside of the Group.

Secretariat functions

The Ministry of Education will provide secretariat functions for the Group. The secretariat will report to the Chair of the Group and:

- Provide support in coordinating meetings, including distributing the Group meeting pack to the members where relevant, and working with the Chair to set agendas for future meetings;
- Process all financial tasks, including booking travel, accommodation, catering and venues as required and invoice processing;
- Create or commission papers for meetings as required;
- Arrange access to specialist external expertise;
- Formally record the Group's discussions and recommendations, and distribute draft minutes to Group members after meetings; and
- Support the Chair in fulfilling the Group's objectives, which may including drafting analysis, engagement, consultation or other reports including the consultation paper with draft options and/or final report, supporting engagement and consultation, analysing submissions, and performing any other tasks to support the Group as required by the Chair.

Analytical functions

The Ministry of Education will also provide data, research and analytical support to the Group for the Review. This could include:

- preparing background papers and evidence briefs on key issues
- providing advice to the Group on the feasibility of options including implications on timelines for implementation
- any other matters that may be relevant to the Group's deliberations.

The Ministry of Education will play a commissioning and coordinating role in the provision of information related to the responsibilities and activities of other agencies.

The Ministry will be responsible for regular liaison with the Group

While the Group will be providing advice to the Minister, regular liaison with the Group may be delegated to the Ministry of Education by the Minister. The Ministry of Education will also provide advice to the Group, on behalf of the Minister, to ensure recommendations remain within the agreed scope.

Support with engagement and public consultation

The Ministry will also provide the Group support in undertaking engagement and public consultation, including on its consultation paper with draft options. This could include, but is not limited to, booking travel and venues, preparing engagement and consultation materials, supporting engagement and consultation sessions, and analysis of submissions.

Document storage and file management

The Ministry will be responsible for providing document storage and file management systems to ensure files are stored and managed in line with the expectations of the public service. This will provide a space for the Group to be able to access, store and work on documents as required. Members of the Group, including the Chair, are not permitted to establish their own systems or file storage.

The Ministry may also provide separate policy and analytical advice to the Government

Notwithstanding the role of the Group, the Ministry may provide separate advice to the Minister on the ECE Funding Review. The Ministry has a dual role of providing support and advice to the Group for its analysis, but also to the Minister during and following the Group's deliberations.

Other agencies may provide separate advice to their Minister(s) or as input into advice to the Minister.

Other agencies

The Group may seek briefings from relevant government agencies to inform it of those agencies' respective funding streams and the effectiveness of that funding in achieving the ECE outcomes ie, education and child development and labour market flexibility.

8 Timetable and deliverables

The timetable below outlines the expected key deliverables and timeframes for the Group. These timeframes may be adjusted by the Chair if it benefits the purpose of the Review, subject to the agreement of the Minister. The timetable shown below was agreed by the Minister in September 2025.

	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sept-26
Phase															
Phase 1: Establishing base knowledge and review focus															
Phase 2: Discovery and engagement				Engagement											
Phase 3: Information synthesis and option development															
Phase 4: Consultation on indicative options and analysis										Consultation some-time in this period					
Phase 5: Advice and final report provided to Minister (September 2026)															

9 Conflicts of interest

As part of the ministerial appointment process, the members of the Group will disclose their interests and any conflicts of interest relating to the Group and the ECE Funding Review. Members of the Group who have a specific, real or perceived conflict of interest in relation to an issue or item will advise the Chair.

If members of the Group develop new, relevant conflicts of interest, whether real, potential or perceived, they will inform the Ministry's secretariat and the Chair as soon as is reasonably practicable.

Should new members be invited to join the Group outside of the Appointment and Honours Committee process, any specific, real or perceived conflicts of interest will need to be disclosed to the Minister prior to their appointment.

10 Resignation, removal, and continue to serve

Members may resign from Group by notifying the Chair in writing of intention to resign. Effective date of resignation will be when the Chair and the Minister have both been notified.

Members may at any time be removed by the Minister, or the Chair with agreement of the Minister. It is expected that the Chair take reasonable steps to mediate any potential disputes before removal of a member is considered. Removal will be by notice in writing

stating the effective end-date. Terms include but are not limited to, inability to perform the duties of a member, prolonged absence, neglect of duty or misconduct compromising the Group's ability to provide effective and independent advice to the Minister.

The Minister can ask members to continue to serve on the Group past the end of their term to finalise any advice the Minister has requested. Additionally, the Minister reserves the right to call back the Group until the point policy decisions are implemented.

Annex 1: Funding in scope

Funding from the following programmes is in scope of the review:

Vote Education
Universal subsidies
The ECE Subsidy – Under 2's The primary form of government funding for children under 2 years of age in early childhood education services.
The ECE Subsidy – 2 and overs The primary form of government funding for children 2 years old and over in early childhood education services.
20 Hours ECE (see page 6 for extent of consideration permitted) A higher rate of funding for children aged 3 to 5 years old.
Targeted funding
Equity Funding Targeted funding to improve access to, and participation in quality early childhood education.
Targeted Funding for Disadvantage Funding to improve educational equity by improving the quality and affordability of early learning for children from disadvantaged backgrounds.
Waha Rumaki & Pacific immersion teaching allowances Allowances support certificated teachers working in Māori and Pacific immersion and bilingual early learning services.
Puna reo property Provides property support for puna reo services.
Ngā Puna Reo O Aotearoa Funding to support operation of puna reo umbrella group
Annual Top-Up for Isolated Services (ATIS) Annual funding to recognise that isolated ECE services will incur greater costs when accessing goods and services. To be eligible, these isolated services must attract less than \$20,000 of operational funding in a 12-month period.
Discrete participation funds
Targeted Assistance for Participation (TAP) Property funding that contributes toward establishing new child places, or retaining existing places in Māori, Pacific, low socio-economic, or rural/isolated communities, where participation rates are low and there are insufficient child places available.
Early Learning Taskforce Flexible participation fund that supports projects to engage non-participating whānau. While the Supported Playgroups programme is the key initiative funded under this stream, it is included in the scope of the Review as it was part of the original package of participation initiatives.
Poipoia te Mokopuna Funding to support Tamariki Māori under three years old by working with whānau to address issues that may be preventing them from attending ECE.
Engaging Priority Families Funding to engage with priority families whose children aged between 3-4 are not currently attending ECE.
Whānau in-home Learning A programme to help children develop strong educational foundations at home and transition into ECE.
Kā Au Kahuraki A cross-agency collaboration in East Christchurch focused on building protective factors for children aged 0-5. The objectives of this initiative include increasing presence, participation and progress in early childhood education, creating good health outcomes, a reduction in child poverty and safe communities for all.
Vote Revenue
FamilyBoost

Vote Social Development
Childcare Subsidy
Early Learning Payment
Guaranteed Childcare Assistance Payment