

## Summary of ECE Funding policy reviews between 2000-2025

1. The following table provides a short summary of changes proposed or decided from ECE funding reviews between 2000 and 2025. The rationale behind the various reviews and changes is also listed.
2. The table is not intended to be a timeline of all funding changes in ECE. This is because changes proposed by funding reviews do not always result in system change. Furthermore, changes to funding settings do not necessarily arise from 'reviews' per se - they may come about due to one-off decisions amending or adding to funding settings. We have identified several of these in the table for context.
3. As in much policy work, the ideas from a review can take time to be implemented, can be altered through Ministerial decision making or may not be implemented; it's complicated to trace through from idea to result, and versions of how that happens can be contested.

| Year      | Review area  | Rationale for review   | Decisions/changes made  | Notes  |
|-----------|--|--|---|--|
| 2000-2001 | Equity funding begins                                    | To address the unequal costs of providing early childhood education to certain children in particular ECE services or locations. | <p>Added new money into the funding system to provide support for equity purposes.</p> <p>It targets in additional funding across 4 components:</p> <ul style="list-style-type: none"> <li>• Low income component</li> <li>• Inclusion component</li> <li>• Immersion component, and a</li> <li>• Rural component.</li> </ul> <p>While some changes have been made to this over time, in particular, in terms of the quantum of funding, the current ECE equity funding system, is based on the work of this group.</p> | <p>Not strictly a funding review as it only focussed on one narrow issue, so not described further.</p> <p>The work was led by a Ministerial Working Group, led by an independent chair, which consisted of sector representatives.</p> <p>While the proposals were developed by a Ministerial Working Group, there was limited sector consultation.</p> |
| 2002      | The ECE Strategic Plan 2002-2012: <i>Pathways to the</i> | The commitment to undertake a Funding Review was done with the intention of producing a more differentiated system to better     | Plan made a commitment to a comprehensive review of ECE funding, with a new funding system to be implemented from 2005.   | The Plan was the trigger for the 2002 Funding Review. The plan also contained principles   |

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|           | <i>Future: Ngā Huarahi Arataki</i>                                  | respond to the different needs of ECE services, and to examine the ways in which ECE services should be accountable for the government funding and support they receive. It also was intended to adjust funding to support the teacher registration and future regulatory changes proposed in the Plan.  |  | applying to the Review (and an associated regulations review).<br><br>The Plan was developed by a Ministerial Working Group consisting of sector members and academics. There was cross membership with the Equity Funding Working Group above.   |
| 2002-2003 | Review of ECE funding (arising from <i>Pathways to the Future</i> ) | <p>This Review sought a funding system that would:</p> <ul style="list-style-type: none"> <li>• Reflect the diversity of ECE services,</li> <li>• Continue support for improvement in the quality of ECE service delivery that reflects the educational and developmental needs of children, and the needs of the community,</li> <li>• Recognise the value of ECE services that involve parents, whānau and elders, and reflect the culture, language and aspirations of communities,</li> <li>• Be more responsive to ECE services' cost drivers,</li> <li>• Be capable of delivering funding differentially to address potential impacts of increased costs on disadvantaged groups,</li> </ul> | <p>The funding system resulting from the Review was implemented on 1 April 2005. Funding to ECE services remained no less per hour than previously. Key decisions taken were as follows.</p> <ul style="list-style-type: none"> <li>• Funding was based on rates differentiated by percentage of registered teachers, type of service, age of children and type of licence.</li> <li>• A new method for adjusting funding rates to be introduced whereby different parts of rates could be adjusted by different relevant inflators, e.g. teacher cost adjustment versus adjustment for inflation effects,</li> <li>• Funding would be aligned with cost drivers of ECE provision. Regular reviews (1-3 years) of cost drivers would ensure the ongoing sustainability of ECE services,</li> </ul> | <p>A range of potential changes were considered but not taken on at the time eg;</p> <ul style="list-style-type: none"> <li>• Extending the number of hours of ECE from 30/week to 40 or 50</li> <li>• Increasing rates or income eligibility for childcare assistance (WFF changes being devised at the time also considered Childcare Assistance design and resulted in significant changes to childcare subsidy thresholds and rates),</li> <li>• Increasing ages or hours for provision of free ECE,</li> </ul> |

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|      |                                   | <ul style="list-style-type: none"> <li>Facilitate the achievement of the Government's strategic plan and other Government objectives (eg, teacher registration targets signalled in <i>Pathways to the Future</i>),</li> <li>Reflect best administrative practice by ensuring clear accountability in the use of public funds and minimising administrative and compliance costs.</li> </ul> | <ul style="list-style-type: none"> <li>The system would provide a top-up for small, rural services to guarantee a base level of funding,</li> <li>20 hours of free ECE to be introduced for 3 and 4-year-olds in community-based teacher-led services from 1 January 2007.</li> </ul> | <ul style="list-style-type: none"> <li>Extending free ECE to private providers – unrestricted or on a targeted decile basis,</li> <li>Restricting free ECE to low-income families or communities,</li> <li>Decreasing eligibility for free ECE,</li> <li>Increase funding to supply-side initiatives to meet increasing demand for services,</li> <li>Structural fee controls,</li> <li>Only providing funding for domestic students (children)</li> <li>Greater placement of funding through parents rather than bulk funding of service providers (an OECD preference)</li> </ul> |
| 2007 | Introduction of 20 Hours Free ECE | See separate MoE paper for MAG on 20 Hours ECE policy intent and impact.   | <ul style="list-style-type: none"> <li>Funding rates designed to meet the average costs of an hour of ECE for 3 and 4 year olds.</li> <li>Compulsory fees not able to be charged for the 20 Hours Free ECE hours.</li> </ul>  | <p>Implemented as per Review decisions.</p> <p>Subsequent changes occurred to 20 Hours Free ECE eligibility</p>   |

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|      |  |  |  | between 2007-09 including: <ul style="list-style-type: none"><li>• Expansion to 5 year olds</li><li>• Ability for all licensed service types to opt in including private providers.</li></ul> |
| 2011 | The ECE Taskforce report <i>An Agenda for Amazing Children</i> | The Government commissioned the ECE Taskforce (a ministerial advisory group) to develop new ideas for innovative, cost-effective and evidence-based ways primarily to support children's learning. Labour market outcomes, among others, were a secondary focus. | <p>The Taskforce made a number of specific funding-related recommendations including that there should be:</p> <ul style="list-style-type: none"> <li>• establishment of incentives for teacher-led, centre-based services to increase their percentage of teaching staff qualified and registered as early childhood education teachers up to 100%</li> <li>• a cross-government investment strategy is devised which plans proactively to shift Government's existing money towards higher-value investments, for example those taking place earlier in education or in life</li> <li>• shifting of funds to higher-value early childhood education investments over time by introducing a new funding system for early childhood education in New Zealand</li> <li>• a new funding system containing significantly stronger mechanisms than those that currently exist for directing more expenditure to</li> </ul> | <p>The ECE Taskforce looked at investment in ECE – this was wider than a review of the funding system.</p> <p>ECE Taskforce recommendations were not implemented.</p>                         |

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|      |             |                      | <p>children who will benefit the most from participation in early childhood education, in particular Māori, Pasifika and children from lower socio-economic backgrounds</p> <ul style="list-style-type: none"> <li>• a new funding system to support high-quality early childhood education services through additional funding for features of quality, and discourages expenditure on low-quality services</li> <li>• the introduction of more standardised performance and outcome reporting on early childhood education expenditure, to enable significantly better analysis of value in the future</li> <li>• a new model of early childhood education funding developed to meet two broad purposes: <ul style="list-style-type: none"> <li>a) subsidising delivery of services that are customised to meet the early childhood education needs and circumstances of individual children; and</li> <li>b) developing the capacity and improving the quality of early childhood education services</li> </ul> </li> <li>• the development and implementation of the new funding system is undertaken in partnership with the early childhood education sector</li> <li>• the new funding mechanism is trialled and is implemented in phases</li> </ul> |       |

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|         |   |   | <ul style="list-style-type: none"> <li>the new funding mechanism is implemented within four years</li> <li>funds are allocated directly to early childhood education services to recognise and resource settings operating as community hubs</li> </ul>   |   |
| 2011-13 | Review of Early Childhood Education Funding | <p>The Minister of Education sought to develop a new funding system that would allow additional funding to be made available to those who have the most to gain from ECE.</p> <p>Principles of changes:</p> <ul style="list-style-type: none"> <li>increased and sustained participation in ECE by vulnerable children</li> <li>support low-income parents to return to work and to continue working</li> <li>continue to support widespread availability of ECE</li> <li>a stable, sustainable funding system that directs expenditure to where it achieves the greatest return</li> <li>a transparent and performance-based funding system</li> </ul> | <p>Cabinet agreed to:</p> <ul style="list-style-type: none"> <li>change general ECE subsidies to child-based funding (from child-place funding), to create a fairer and more efficient basis for funding ECE</li> <li>redesign the equity fund to better incentivise providers to enrol vulnerable children</li> <li>establish performance measures for all provision, for administrative purposes only, to support future investment decisions</li> <li>require providers to identify the level of public subsidy paid as part of their invoices to parents, to make the ECE funding system more transparent</li> <li>assess the feasibility of integrating the administration of ECE funding, whilst maintaining current accountability for policy design within the Ministries of Education and Social Development (thought ELI could be used as a single funding platform)</li> </ul> | <p>Agreement to develop a new funding system in September 2011 came as part of Cabinet's response to the ECE Taskforce report <i>An Agenda for Amazing Children</i>.</p> <p>Focus was on a system able to adapt to changing priorities, including expenditure pressures.</p> <p>No changes were implemented as a result of this review.</p> |
| 2012    | Review of Home-based ECE                    | The objective of this Review was to ensure the Government was investing in a sector contributing to its [the Government's] priorities,  | The Review did not ultimately lead to funding-related decisions or changes.   | The Review was partly initiated because the ECE Taskforce report raised concern about   |

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|         |  | offering a good standard of education and care and achieving positive learning outcomes for children   |   | quality/qualifications and rapid growth of home-based provision.  |
| 2016-17 | Review of Education Funding Systems (schools and ECE services) | <p>A funding review covering (mainly) schools but also early learning services.</p> <p>The Minister's objective was to direct funding to the size of the education challenge ECE services, schools and Communities of Learning faced rather than the size of their rolls and the cost of their inputs.</p> <p>It was also aimed at shifting the focus to growing the learning and achievement of all children and young people, and particularly those most at risk.</p> | <p>The funding review was to 'test' the following ideas:</p> <ul style="list-style-type: none"> <li>• a standard per-child funding amount that would vary across stages of learning, reflecting the teaching and learning challenge in the curricula and the needs of children and young people</li> <li>• an additional payment for those children and young people most at risk of educational under-achievement</li> <li>• retaining supplementary funding to maintain a network of provision, where small isolated services and schools is an issue</li> <li>• a direct link between the private and state school funding to ensure ongoing diversity of choice to parents/whānau and greater certainty to providers</li> <li>• a global budget for delivering teaching and learning funding to state and state integrated schools</li> <li>• separating funding for property-related costs for state and state integrated schools</li> </ul> | <p>A Sector Advisory Group on Early Childhood Education Funding also assisted with this work.</p> <p>The work was largely discontinued after the change of Government in 2017 so no changes resulted to ECE funding arrangements.</p> |

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|        |   |   | <ul style="list-style-type: none"> <li>clear expectations and greater accountability for the educational progress for all children and young people</li> </ul>  |   |
| 2017   | Creation of Targeted Funding for Disadvantage | N.A.  | Added extra money for certain ECE services, similar to equity funding support.  | Not part of a funding review so not described further.  |
| 2018   | Review of home-based ECE                      | Review was intended to address uncertainty about the quality of home-based ECE; government funding not being used to pay educators; and service providers externalising much of the cost of providing home-based ECE, impacting on educators' working conditions. | <p>In relation to funding of home-based services, the Review first proposed to shift toward a qualified workforce through gradually lifting funding criteria for both the standard and quality rates, which included applying the Budget 2018 cost adjustment, and future cost adjustments, to the quality rate only.</p> <p>Cabinet then agreed to a single quality funding rate for home-based ECE services from 1 January 2025, with a requirement for 80 percent of educators to hold at least a Level 4 ECE qualification, Te Ara Tuarua, a grandfathered Level 3 qualification or a primary teacher qualification, and for the remaining 20 percent of educators be in training or induction.</p> | <p>Review was not solely focused on reviewing funding arrangements – regulatory changes were also prominent.</p> <p>Actual implementation of funding rate requirements now differs from what was agreed by Cabinet as part of the Review.</p> |
| 2019 - | Review of equity and targeted funding in ECE  | The <i>Early Learning Action Plan 2019-29</i> contained an action to review equity and targeted funding to ensure that they best support children to benefit from access to high quality early learning experiences.  | <ul style="list-style-type: none"> <li>Work to design a new equity index has been completed.</li> <li>The index assigns services an index number between 1-226. Individual child level data from the IDI is used to determine the index, which covers 17 variables providing a description of socio-economic status (so it is based</li> </ul>  | <p>Followed on from work to design and implement a new equity index for schools.</p> <p>The new index will be discussed further in the note on targeted funding.</p>  |

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|         |   |   | <p>on the actual children attending a service and is updated annually). A proxy index calculated outside the IDI is used for new services &amp; kōhanga reo.</p> <ul style="list-style-type: none"> <li>The index has not been implemented for funding purposes to replace the existing equity index and associated funding (although it has been used for allocation of food in ECE programme).</li> </ul> | <p>The work was informed by a specific sector advisory group, chaired by Claire Wells.</p>   |
| 2022    | Pay Parity Scheme for education and care services           | Also the result of an action in the <i>Early Learning Action Plan 2019-29</i>   | Additional funding for teacher pay parity requirements incorporated into funding rates for education and care services.   | <p>Not a funding review so not described further.</p> <p>To be discussed further as part of a deep dive on funding for pay parity.</p> |
| 2022-23 | Review of education and care service funding for pay parity | Review aimed at resolving the inability of the current funding system to flexibly allocate government funding for teacher pay as required by the Pay Parity Scheme. | <ul style="list-style-type: none"> <li>No changes made but Review proposed and consulted on a new approach to redistribute education and care service funding to better match the level of cost each service faced as a result of teacher pay parity requirements. The Government of the day did not proceed with changes following that consultation.</li> </ul>   | <p>To be discussed further as part of a deep dive on funding for pay parity.</p>   |