

Early Childhood Education Funding Review **FAQs**

The Ministerial Advisory Group (MAG) Early Childhood Education Funding System Review has heard from more than 2,000 people during its initial engagement Discovery Phase.

Reflecting on feedback received and people's questions shared during engagement, the MAG has collated these Frequently Asked Questions about funding for Early Childhood Education (ECE). They focus on the types of services that are in scope of the ECE Funding Review, which are education and care centres (including puna reo, reo rua, leo o fanau immersion and bilingual services), kindergartens, home-based services, hospital-based services, and casual education and care services.

Does the Government provide funding for all children who attend ECE?

Yes. All children under six years old (not enrolled in school) who attend a licensed ECE service are automatically supported through government ECE funding. This funding is paid by the Ministry of Education to ECE services to help cover the cost of delivering early childhood education – it does not necessarily cover all the costs of children attending ECE. This funding totals around \$3 billion per year.

How does Ministry of Education funding work?

Ministry of Education funding is primarily based on Funded Child Hours (FCH). This is the number of hours each child is enrolled and attends, up to certain limits. The current limits are set at 6 hours per day, and 30 hours per week. Children can attend services for more hours than this, but those hours won't be supported by Ministry funding.

The funding is paid to the organisation that is licensed to provide ECE. This might be different from the place that the child attends, for example if the child's ECE centre is part of a kindergarten association, or parent company. Funding for children in home-based services is paid to the umbrella company (the service provider), with arrangements determining how much of the subsidy is passed on to educators.

How much Ministry of Education funding does a service get for each child?

The amount of funding for each child depends on factors including their age and what type of ECE service they attend, and how many hours they attend each week. This type of funding is not affected by other factors such as residency status, household income, or whether parents are working or not.

Children aged under two can also receive higher levels of funding per FCH because more adults are required to care for them.

Children aged three and older can also receive a higher level of funding per FCH under the 20 Hours ECE subsidy. The 20 Hours ECE subsidy is set at a higher rate because parents generally can't be charged fees for these hours.

What else impacts the amount of funding a service gets?

ECE centres (including preschools, childcare and kindergartens) that operate with a higher proportion of certificated teachers can attract higher funding rates, as can those that agree to pay their teachers according to specified pay scales (known as the Pay Parity scheme).

The maximum of FCH a service can receive in a week is based on its licence, which sets out how many hours it can be open and how many children can be there at one time.

A service might be eligible for other funding streams depending on its characteristics. For example, Equity Funding may be available to support services catering to children facing high levels of disadvantage, based in rural or isolated communities, or operating in a language other than English.

The funding rates for different services are set out in the Funding Handbook: [Appendix 1](#).

What happens to the funding if children are absent from a service?

While funding is generally based around enrolments, some rules limit funding when children aren't attending the hours they have booked. These are called the Absence Rules.

Under these rules, funding stops if a child hasn't attended a service for three weeks – this is the Continuous Absence Rule. If a child is away a lot (more than 50 percent of their enrolled hours in a month), or has a pattern of absence (missing every Thursday, for example), then funding might also be limited by the Frequent Absence Rule, depending on how long it goes on for. The details of the absence rules are outlined in the Ministry's ECE Funding Handbook: [6-4 Absence rules - Ministry of Education](#).

Some exemptions to the absence rules are available for children who are really unwell, have special education needs, or have an ongoing health condition. Forms are completed by doctors or other specialists to support the claim for an exemption to the rules. See the Funding Handbook [Absence Rule Exemptions](#) for more information.

It is important to note that a few days home sick, or going on holiday for a week, won't affect the funding to a service for a child who is regularly attending the rest of the time.

What about fees?

The funding system is set up for the cost of ECE is shared between parents or caregivers, Government and others. ECE services are allowed to charge fees. This recognises that services operate differently and some may have additional costs.

When parents enrol with a service, they agree the fees they will pay.

What about additional support for costs of attending ECE?

Additional support to help with the costs of attending ECE is available for some families, through the FamilyBoost partial refund scheme administered by Inland Revenue (IRD), or various childcare subsidies from the Ministry of Social Development (MSD). IRD provides around \$171 million per year towards these costs and MSD provides around \$136 million.

As well as the Childcare Subsidy (CCS), MSD also has some targeted supports in the form of Guaranteed Childcare Assistance Payments (GCAP) for young parents and the Early Payment (ELP) for families involved in the Family Start programme. These supports have their own eligibility criteria, which consider factors such as family income and whether parents are working or not.

MSD payments are made to early learning services to offset or reduce the fees that parents would otherwise pay. FamilyBoost payments go directly to parents, paid retrospectively.

More information about FamilyBoost is available on IRD's website: [FamilyBoost](#).

More information on the Childcare Subsidy is available on MSD's website: [Childcare Subsidy - Work and Income](#).

Do parents have to pay anything if they are using the 20 Hours ECE for their child?

The 20 Hours ECE subsidy is only available for children aged three and older. Families agree with their service how to allocate their 20 Hours ECE across the week, to a maximum of six hours in a single day and up to 20 hours across the week.

Parents should not be charged compulsory fees for hours a child is signed up to in the 20 Hours ECE programme in centres, as these must be provided without any compulsory charge.

Services may request genuinely optional charges during those funded hours – for example, for items such as meals or excursions, and may charge for hours outside the 20 Hours ECE funded hours. Some services may have minimum enrolment hours – for example, requiring a seven-hour day, in which case parents would pay any charges for the additional hours.

Most parents or caregivers can expect to see their fees drop if they sign up for 20 Hours ECE when their child turns three, even if they attend more than 20 hours. This reflects the higher rate of 20 Hours ECE funding paid to the service.

In home-based services, educators may charge top-up fees where the amount of 20 Hours ECE funding received from the service provider is lower than the educator's usual hourly rate.

The targeted supports CCS and GCAP cannot be applied to the hours funded through 20 Hours ECE, except in home-based services. This is because these subsidies are used to help parents with the costs of fees; they aren't relevant for the hours where no fees are charged. These subsidies may be used to reduce the cost of any other eligible hours the child attends that are not funded by 20 Hours ECE.