



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

NOT MAG / GOVERNMENT POLICY

**Administrative arrangements and
accountability settings of the Ministry of
Social Development's childcare assistance
products**

**2025 Early Childhood Education Funding
Review Ministerial Advisory Group**

Proactively Released

Introduction

This paper provides information on the administrative arrangements and accountability settings of the childcare assistance products administered by the Ministry of Social Development (MSD) in scope of the Early Childhood Education (ECE) Funding Review.¹ This is intended to support the Ministerial Advisory Group (MAG) for this review.

This paper sets out the below three objectives of this work as requested by the MAG:

- descriptive information about current administrative arrangements (e.g. documentation)
- descriptive information about current accountability requirements (e.g. record keeping)
- good practice in administrative arrangements and accountability settings.

Accountability depends on administrative processes

For childcare assistance and other childcare products paid by MSD, accountability and administrative requirements are closely intertwined. Accountability ensuring that assistance is fair, consistent, and transparent depends on strong administrative systems. Parents, providers, Ministers and the public expect assurance that financial assistance is delivered equitably and according to the policy and rules.

Accountability in public expenditure means being able to demonstrate that funds are used lawfully, efficiently, and for their intended purpose. There is a longstanding expectation of accounting for the use of government funding in New Zealand under the Public Finance Act 1989.

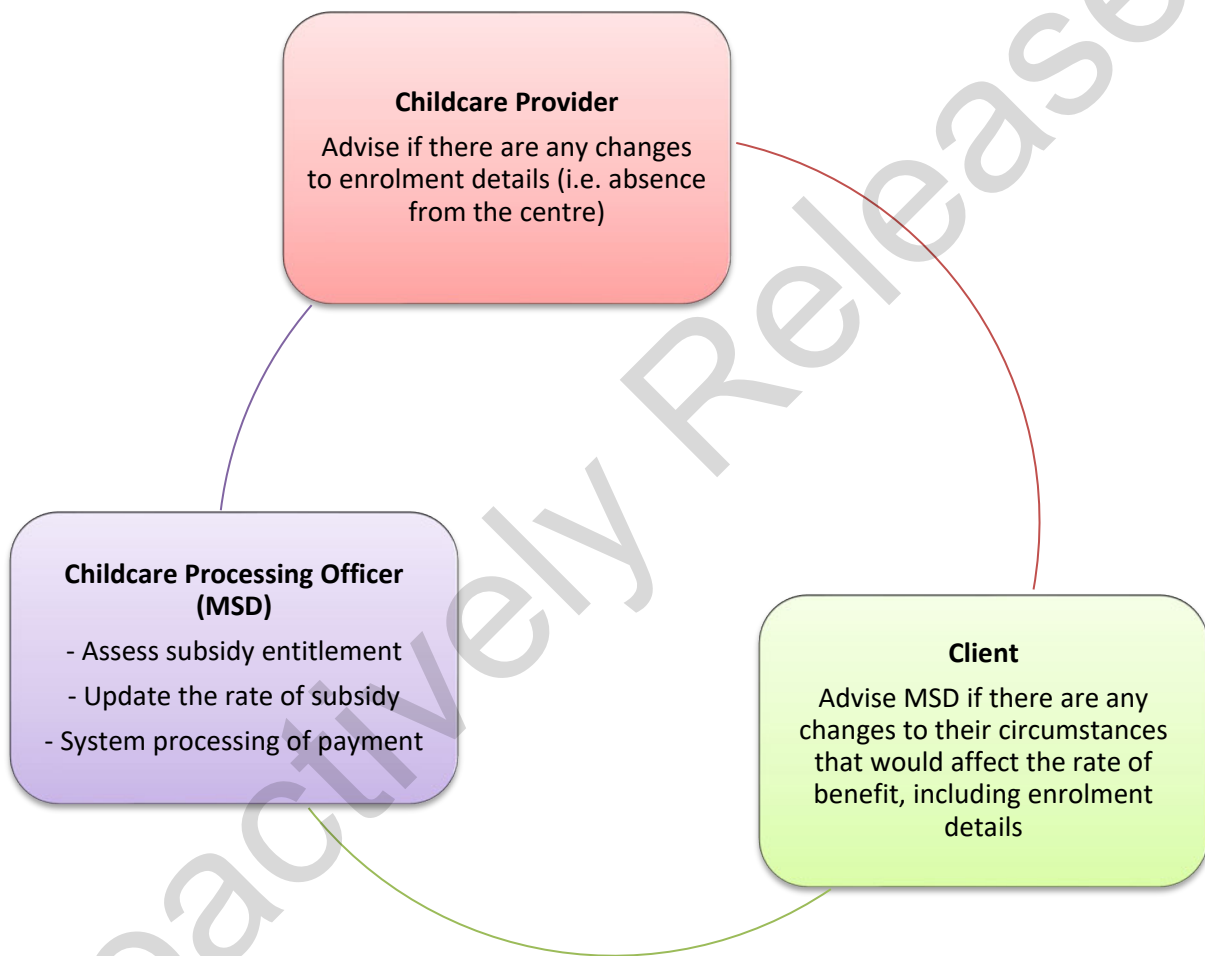
This assurance can only be demonstrated through robust administrative processes, including application processes, IT platforms, reviews and audit trails. If administrative mechanisms were disconnected from accountability processes, MSD could not demonstrate fairness or consistency in how childcare assistance is granted, managed, or reviewed.

¹ These are the Childcare Subsidy (CCS), Early Learning Payment (ELP) and Guaranteed Childcare Assistance Payment (GCAP).

Roles and responsibilities

Clients, childcare providers and MSD childcare processing officers each have their own roles and responsibilities in accessing/processing childcare assistance products from MSD. They are also each affected by the administrative arrangements and accountability settings of this assistance. This paper reflects these different perspectives, and the below figure maps out the respective roles in this space.

Figure 1: Roles and responsibilities in the accessing and processing of MSD's childcare assistance products



Current administrative arrangements for MSD's childcare assistance products

The administrative framework for Childcare Assistance includes:

- **Legal authority:** As set out in the Social Security Act 2018 (SSA 2018) and associated secondary legislation (Social Security Regulations 2018 and Welfare Programmes established under section 101 of the SSA 2018).

- **Policy and operational rules:** MSD’s operational policies that add additional detail to support eligibility, income thresholds, childcare hours, provider requirements, and debt recovery as provided in the legal authority above.
- **Decision-making powers:** Delegations to MSD officers to determine entitlement and reassess eligibility.
- **Procedural controls:** Verification requirements, data matching, review rights, and audit processes.
- **Provider regulation:** Licensing under Ministry of Education (MoE).

Figure 2: Legal Authority for MSD’s childcare assistance products

Childcare Subsidy	Guaranteed Childcare Assistance Payment	Early Learning Payment
<ul style="list-style-type: none"> • Social Security Act 2018, (Sections 76 and 77 and Section 424 – Regulations: childcare assistance) • Education and Training Act 2020 for the regulatory framework for early childhood education providers • Social Security Regulations 2018 (Regulations 20 – 48) 	<ul style="list-style-type: none"> • Guaranteed Childcare Assistance Payment Programme 	<ul style="list-style-type: none"> • Family Start and Early Start (Childcare Assistance) Programme

Client responsibilities

Section 113 of the SSA 2018 provides a legal requirement on a beneficiary to notify MSD of a change of circumstance that affects their entitlement or the rate payable to them. This is central to MSD’s ability to get up-to date information about a client to determine if they continue to be entitled to benefit and if so, the correct rate payable.

Childcare assistance is based on hours – which can be very changeable

Unlike main benefits, childcare assistance is driven by:

- the number of hours booked
- the number of hours attended
- the child's ECE funding status (20 Hours ECE or not)
- the parents' employment/training schedule
- changes in providers
- school term/holiday differences.

MSD has no automated source of information that reliably provides:

- weekly changes to booked childcare hours
- whether a parent's work hours changed
- whether a child moved to another centre
- whether 20 Hours ECE is being claimed.

This makes childcare assistance particularly dependent on timely client disclosure.

Section 113 of the SSA 2018 is the primary mechanism for:

- keeping payment accurate week-by-week
- stopping debt from growing
- giving MSD legal authority to reassess entitlements.

Section 113 of the SSA 2018 is also the legal authority for:

- Benefit Review Committee outcomes
- Social Security Appeal Authority decisions
- determining whether overpayments are recoverable
- applying discretion in hardship, debt write-offs, or special circumstances.

9(2)(g)(i)

Provider responsibilities

The childcare assistance is paid directly to the Childcare Provider where the child or children attend.

Therefore, they have a duty to tell MSD about the child's enrolment details.

Providers advise of changes such as:

- fee changes/charges
- child's enrolled hours
- child receiving ECE
- start, end or change dates

- absences.

Together, information from the client and the provider enables MSD to assess eligibility for childcare assistance and to determine the amount payable as well as ongoing entitlement.

The next section looks at the specific administrative components of each of the childcare products in scope of the ECE funding review.

Childcare Subsidy

Purpose

Childcare Subsidy (CCS) is a targeted non-taxable payment for families with children aged under five years old (and up to age 6 in some circumstances), to help with the costs of childcare while parents or caregivers are working, training or studying and unable to look after their children.

Delivery

Childcare Assistance (both the CCS and the OSCAR (Out of School Care and Recreational) Subsidy²) is administered via MSD's Centralised Services (CS) Whangārei Unit.

The application process requires parents and caregivers to manually complete a 28-page paper-based form. A review of Childcare Assistance due to a change in circumstances (for example, a change in centre, income, hours, a client takes up 20 Hours ECE, a child leaves care, etc) is an additional 8-page form which must be completed for each child. Childcare assistance is reviewed every 52 weeks to check for child absences and changes in circumstances that affect entitlement and the rate payable. This also requires an 8-page form to be completed for each child.

Application

CCS forms are submitted to the processing unit either via email inbox, MSD Service Centre or mail. The forms are uploaded and sent to a digital work queue that staff are assigned to work from. The type of form will indicate the action a staff member takes (e.g. assessing entitlement for grant, change of circumstances, or annual renewals). There are no options/platforms for submitting the initial application or the other forms (e.g. change of circumstances or renewals) online.

Process

CCS payments are assessed based on a client's entitlement³ (including whether they are receiving 20 hours ECE from MoE) and centre fees for the enrolment,

² OSCAR is out of scope of the ECE funding review as it is for school aged children.

³ The eligibility criteria, which is tightly defined around hours, is detailed in MSD's Childcare Assistance Information pack.

then paid directly to the providers bank account.⁴ A provider then can use that information to calculate what parent portion there is remaining to bill the parent for.

Payments are administered through SWIFTT, and forms and notes are held in CMS ('Client Management System').

These two systems are central to how MSD delivers payments and maintains integrity across financial assistance paid.

- SWIFTT is MSD's main payment processing and benefit management system. It is the core operational platform that calculates and issues payments to clients. SWIFTT ensures financial accountability through payments that are accurate, authorised, and traceable.
- CMS is MSD's case management and record keeping system. It holds all the client-level information, forms, and case notes. CMS provides administrative accountability through decisions that are recorded, evidence that is documented, and staff actions that are auditable.

While SWIFTT is the main legacy payment system, it relies on staff input to produce results.

Both providers and clients have a set of obligations relating to receiving financial assistance from MSD. This relates to change in circumstances, opt in to ECE hours, child changes, absence, centre changes and the like.

Clients can interact with the Childcare Unit in several ways. This includes a general 0800 line and Customer Service Representatives (CSRs) can pass on calls to a complex line if they are unable to answer the client's childcare query. There is also a dedicated 0800 number for providers nationwide, a general enquiries line for complex childcare queries, communication through the client's provider if they are helping facilitate the process, the email inbox, MyMSD and local Service Centres.

Early Learning Payment

Purpose

The Early Learning Payment (ELP) is available to children aged 18 to 36 months whose families are, or have been, enrolled in Family Start or Early Start programmes. The payment contributes to the cost of attending a licensed early learning service, with payment limited to a maximum of 20 hours per week. Policy responsibility for this payment sits with Oranga Tamariki, but it is administered by MSD. This payment is funded from MSD's Childcare Assistance BORE appropriation.

⁴ Providers are licensed in accordance with the Education and Training Act 2020 under the Education (Early Childhood Services) Regulations 2008, which prescribes minimum standards that each licensed service must meet.

Delivery

ELP payments are delivered by SWIFTT.⁵ ELP is administered by a team at CS Whangārei. ELP tasks are administered via a digital work queue, where work is assigned to Central Processing Officers skilled in this work area. Clients generally need to be engaged with a Family Start provider to access ELP.

This is because Family Start or Early Start whānau workers will enrol the family in their programme and assess the family's eligibility for the ELP option, notify CS Whangārei of the child or children enrolled in Family Start or Early Start by completing the 'Notification of Application form' and email the form to CS Whangārei. They also help clients with their ELP application form and collate supporting information. Family start providers are managed by Oranga Tamariki.

Application

An application form for ELP must include all details of the child, and the caregiver, or parent, confirmation of eligibility criteria that has been met and be signed by the Family Start or Early Start manager.

Process

ELP can be paid up to a maximum of 20 hours per week directly to the provider. This can be in a lump sum to a client where they have already paid the provider for a period.

Clients can continue to receive ELP if:

- their family have left Family Start or Early Start
- the child that the ELP was being paid for is still:
 - aged between 18 months to 3 years,
 - dependent on the client and
- the child is attending an approved early childhood education service.

Continuation of the payment will stop if the child leaves the early childhood service or when the child turns 3 years old.

If a client leaves Family Start or Early Start and their child leaves the ECE programme, this will stop their payment. However, if the child is later enrolled in an ECE programme, they are eligible to reapply for ELP. A reapplication will involve the client, Work and Income and the approved early childhood education service. Clients must use the ELP Application form to reapply.

Clients and services can interact with MSD through CMS, Family Start, the Childcare Reviews email inbox, Service Centres and contact centres.

⁵ This is via a Miscellaneous Subsidy and then a redirection for the same amount, is placed on the client's file to the provider.

Guaranteed Childcare Assistance Payment

Purpose

Guaranteed Childcare Assistance Payment (GCAP) is a non-taxable payment providing financial assistance with childcare costs to young parents. The intent of the payment is that for those receiving a main benefit, it allows them to meet their youth activity obligations, and for those not getting a main benefit, to allow them to return to, or remain in, secondary education.

Delivery

GCAP is paid through the childcare screens in SWIFTT. Childcare Processing Units also use CMS and the Activity Reporting Tool (ART)⁶ as these are youth clients. Money is paid directly to a childcare provider based on a client's eligibility.

Application

All applications for GCAP are processed by the Youth Services Support Unit. Youth coaches provide the client with the application form and include a note to the client and provider to advise the date of first contact. This is completed by both the client and provider then processed by CS Whangārei.

Both providers and clients have a set of obligations relating to receiving financial assistance from MSD. To get GCAP, the child must be enrolled in an approved ECE programme while the young parent is complying with a youth activity obligation, or is in full-time education, approved training, or work-based learning if their youngest child is less than 12 months old, or working part-time.

Entitlement is set out in clause 6 of the Guaranteed Childcare Assistance Payment Programme.⁷

MSD's accountability settings

Accountability settings are the mechanisms that ensure the rules are followed properly and public money is used with integrity.

They include:

- financial accountability: Public Finance Act appropriations, Treasury monitoring, Auditor-General audits
- administrative justice: review and appeal rights, Ombudsman oversight
- transparency and reporting: annual reports, select committee scrutiny

⁶ ART is a case management tool used by service providers providing a Youth Service. It records the education, training or work-based learning activity of clients.

⁷ This is a welfare programme under the SSA 2018.

- integrity systems: fraud detection, risk management, and data governance.

The accountability settings ensure MSD administers the Childcare Assistance framework lawfully, fairly, and efficiently.

For childcare assistance, accountability settings include:

- meeting legislative obligations under the SSA 2018 (ensuring payments go only to eligible recipients)
- auditing and fraud prevention measures (e.g. cross-checking attendance or income data)
- public finance and appropriation controls (money must be spent only for its authorised purpose)
- provider compliance requirements (licensed providers, accurate attendance reporting).

These accountability measures are essential, but they also drive complexity — because they add steps, documentation, and verification layers to prevent error and misuse.

As MSD must demonstrate that every payment is lawful and evidence-based, SWIFTT and CMS are built to:

- require verification steps before payments are approved;
- log every decision and amendment;
- maintain audit trails of staff actions; and
- retain supporting documentation for compliance checks.

This design reflects MSD's high-integrity operating model, but it also means case managers' administrative tasks are shaped by accountability obligations (e.g. detailed notes, attaching documents (verification), checking dual systems). These methods for fraud prevention and investigation are intended to ensure benefit integrity. Childcare assistance operates under statutory criteria and appropriations and the administrative processes are the tools that ensure those legal conditions are met.

Public Finance and Appropriation control

The scope of the Childcare Assistance appropriation under Vote Social Development is described as:

"This appropriation is limited to assistance for the costs of childcare that meets specific quality guidelines, where parents meet activity and income criteria set out in, or in delegated legislation made under, the Social Security Act 2018".

Conditions on Use of Appropriation

Reference	Conditions
<p>Childcare Assistance includes the Childcare Subsidy and the Out of School Care and Recreation Subsidy (OSCAR subsidy). These are paid under sections 76-77 of the Social Security Act 2018 and Part 2 subpart 6 of the Social Security Regulations 2018, pursuant to section 424 of the Social Security Act 2018</p> <p>Specific eligibility for Childcare Subsidy is in r 30 of the Regulations</p> <p>Specific eligibility to OSCAR subsidy is in r 38 of the Regulations</p>	<p>The Childcare Subsidy assists with pre-school costs for caregivers. The Subsidy covers children aged up to 6 years old (not enrolled in school). Childcare Subsidy is payable for up to 50 hours per week of attendance in approved Early Childhood Education (ECE) where a caregiver is engaged in an approved activity such as employment or training, has serious illness or disability or whose dependent child or children have a serious illness or disability, or up to 9 hours per week for caregivers not in employment, training or study. The Childcare Subsidy cannot be used for the same hours as those covered by 20 Hours ECE for 3, 4 and 5 year olds. Childcare Subsidy can be used toward ECE costs where hours exceed six per day or 20 per week. The Childcare Subsidy can be used to cover top-up payments charged by home-based ECE providers for hours covered by 20 hours ECE.</p> <p>The OSCAR subsidy assists with out-of-school care costs for caregivers to take up or remain in paid employment. OSCAR covers 5 to 13 year-olds, and children older than 14 if a Child Disability Allowance is also payable. OSCAR subsidy is available for approved before and after school care for up to 20 hours per week and up to 50 hours per week in approved school holiday programmes. The caregiver must be participating in an approved activity such as employment or training. OSCAR is also payable if the child's principal caregiver has a serious disability or illness. The rates depend on the number of dependent children per household and the income of the principal caregiver/temporary caregiver. Both subsidies are non-taxable and income-tested payments.</p>
<p>Early Learning Programme Assistance is paid under the Family Start and Early Start (Childcare Assistance) Programme, saved by clause 21 of Schedule 1 of the Social Security Act 2018 as if it were a special assistance programme approved and established under section 101 of the Social Security Act 2018</p>	<p>Early Learning Programme Assistance is provided to caregivers of a dependent child aged between 18 months and 3 years who attend an approved early learning education programme or service. The child's family must also either be enrolled in selected Family Start or Early Start programmes, or had previously been enrolled in the programmes and had received Early Learning Programme Assistance in respect of the child. The Assistance is a non-taxable payment.</p>
<p>Guaranteed Childcare Assistance Payment is paid under the Guaranteed Childcare Assistance Payment Programme, saved by clause 21 of Schedule 1 of the Social Security Act 2018 as if it were a special assistance programme approved and established under section 101 of the Social Security Act 2018</p>	<p>The Guaranteed Childcare Assistance Payment (GCAP) provides financial assistance towards the costs of ECE to help young parents who are receiving young parent payments, or who are spouses or partners of specified beneficiaries, to comply with their youth activity obligations (section 170(1)(a) to (c) of the Social Security Act 2018), and young parents who are not beneficiaries to return to, or remain in, courses of secondary instruction. GCAP can be used to cover a top-up payments charged by home-based ECE providers for hours covered by 20 Hours ECE.</p>

MSD demonstrates it is spending within its financial appropriation primarily through its Annual Report, which includes audited financial statements and performance information. MSD is mandated to report to Parliament under the Public Finance Act 1989.

Review and Appeal Rights

Review and appeal rights are a core part of the accountability framework in the SSA 2018. They ensure that MSD's decisions are lawful, fair, and transparent, and give clients meaningful avenues to challenge or correct decisions that affect their entitlements. These rights operate not just as safeguards for individual clients, but as a systemic check on administrative practice.

The review and appeal processes force MSD to explain:

- how a decision was made
- what evidence was relied on
- what legal tests were applied
- why alternative interpretations were rejected.

This transparency deters arbitrary or inconsistent decision-making and supports a culture of fairness.

Independent oversight (external accountability)

The Social Security Appeal Authority provides external scrutiny that is:

- independent of MSD,
- quasi-judicial,
- legally binding,
- capable of setting precedent-like interpretations.

This ensures MSD's internal reviews are not the final word, and clients have access to impartial adjudication.

Social Security Appeal Authority decisions also identify systemic issues, prompting MSD to address recurring errors or ambiguous legislation.

Provider relationship

MSD requires information from childcare providers in order to effectively administer childcare assistance products. This includes fees charged, absences and other changes of circumstances. Providers receive weekly statements from MSD and navigate how this information will affect payments by reconciling with their records. Where there are changes or discrepancies, such as the subsidy has been stopped, the providers will then contact the provider team to query these. Due to the high volume and complexity of this processing, some larger centres have staff that solely work on CCS.

Because payments go directly to providers, their information determines:

- how much a client is entitled to
- whether an overpayment occurs
- whether MSD pays the correct fees for the right hours.

This makes providers essential to payment accuracy, fraud prevention and early identification of changes in circumstances.

Without accurate provider data, MSD cannot prevent or detect incorrect payments, making providers a structural part of the accountability chain.

Challenges with the current administrative arrangements

Continued eligibility for childcare assistance depends on multiple changing factors (income, hours of work/study, licensed provider status, child's age), leading to:

- frequent reassessments
- manual reconciliation when information changes
- higher administrative load per case.

In 2022/23, MSD completed a review of Childcare Assistance to identify ways to improve the affordability and accessibility of childcare

The current administrative arrangements for applying for and maintaining Childcare Assistance were identified in the review to be one of the main issues experienced by parents and caregivers. Multiple lengthy form requirements as described earlier are a considerable compliance burden for clients.

The complexity of the settings are an additional factor that contributes to the low take-up, disincentivising parents to seek this support. This has not been addressed and continues to be a barrier to take up of the CCS by both beneficiaries and non-beneficiaries. Additionally, the lack of a digital platform for both clients and providers to interact with adds to the difficulty of the process, especially when a client's circumstances change frequently.

Administrative requirements can also create issues and debt for both parents and providers.

Eligibility is tightly controlled

The administrative processes and settings for Childcare Assistance are inflexible and out of step with labour market realities. For example, they are a poor fit for people on flexible-hours contracts or in sectors where the demand for work varies, such as hospitality, retail, and seasonal agriculture. Arrangements involving variable start and finish times, fluctuating weekly hours, or mixed shifts can create significant challenges when accessing childcare assistance or planning childcare arrangements.

Scenario: Julia is a sole parent with one child and has part-time work but is on a variable hours contract of up to 20 hours of work per week

Julia is contracted to work up to 20 hours per week, so Julia books her daughter Millie into daycare for 20 hours. However, in that same week Julia ends up only being offered 12 hours of work that week, leading then to Julia earning less and additionally paying extra for childcare that is not needed.

As eligibility is generally tied to the hours of work/study/training, when the hours change, MSD is required to create a debt for those hours of childcare assistance paid where Julia was not working (8 hours) or reduce the number of hours if Julia tells us before payment is made.

Further to this, formal ECE/care programmes generally operate on fixed daily hours (e.g. 8am–3pm, 9am–5pm) and accept enrolments in blocks. If a parent's hours vary each week, matching the child's booked care hours to the parent's work hours becomes difficult.

The administrative arrangements and settings create volatility and uncertainty in the funding provided, with implications to provider viability and/or provider take-up of fees assistance.

If work hours or care hours change, clients must update MSD. For variable work, this might mean frequent changes. This also leads to debt accumulation and negatively impacts the client.

Overpayments in childcare assistance commonly arise when:

- hours drop
- a child stops attending a centre
- a parent's work or study ends or reduces
- the provider changes
- 20 Hours ECE starts or stops.

Because MSD pays in advance, not arrears, failure to notify changes produces immediate overpayments and significant debt risk.

Funding cannot overlap: 20 Hours ECE vs CCS

Another issue is clients receiving multiple different funding sources, which cannot be paid for the same hours. Although this is reasonable to ensure there is no "double dipping" it does add complexity. The rules state that if a child is receiving 20 Hours ECE funding (for 3-5-year-olds) through MoE funding, the MSD-administered CCS cannot be paid for those same hours — except in very specific circumstances such as home-based educator top-ups. This can lead to debt accumulation where MSD is not aware the client is accessing MoE funding.

The Childcare Unit does not have a data share with MoE and relies on a trust-based model for information on whether the client is receiving 20 Hours ECE and what hours are being paid under 20 Hours ECE to reassess entitlements. It is not mandatory that a client takes up the MoE funding.

Issues between administrative and accountability settings are often shared as these factors are interlinked

Accountability settings often surface issues within the administrative settings. For example, the accountability settings would surface the debt issues for providers and for caregivers with MSD funding. Debt is assumed to be tied to the lack of flexibility in the way it is administered and the childcare payment settings. Provider debt arises in situations when a child leaves the centre, and the child is taking up ECE (and therefore receiving funding and subsidy for the same hours) whilst the child is absent for over 3 weeks.

Given the timeframes to prepare this paper for the MAG, there have been limited opportunities to explore the issue related to debt for providers and caregivers in depth.

Good practice in administrative and accountability arrangements

Australia's Child Care Subsidy system uses a provider/centre reconciliation model and online claiming tools to centralise claims. This reduces manual checks and speeds up payment processing.

The benefits of this system have been cited as:

- increased efficiency for providers and the government, more accurate and timely payments, and improved transparency for families
- reduction in administrative burden, less errors, easier reconciliation of claims against actual attendance, leading to faster payments and a more streamlined process for everyone involved
- families can more easily view their subsidy details and payment information through online portals.

There are potential opportunities for change to current administrative and accountability arrangements

MSD considers that administrative barriers associated are one of the most significant areas for improvement in providing Childcare Assistance.

The administration of MSD's Childcare Assistance could be improved by system changes such as:

- enabling MSD clients to apply and review applications for childcare assistance (including the ability for providers to complete their sections) online⁸

⁸ Providers have a registration process and transferring this to an online format would also be beneficial.

- allowing childcare providers to access an online portal to submit verification of a child attending their centre, invoice for the hours of attendance, and notify of other relevant changes.

The ideal or best practice would be a one-stop digital gateway accessible by both clients and service providers. This would allow providers to submit enrolment and session/attendance electronically. In addition, where possible, the client side would be pre-populated with known data (Inland Revenue (IR) income, provider licence status, child information from sources like the Department of Internal Affairs or MoE for example). This would mean that clients only supply new evidence. Pre-population also reduces form burden and error.

MSD is currently undertaking work to improve the integrity of MSD payments by increasing the number of manual checks we carry out each year, whilst developing an automated process to calculate how much financial assistance people can receive from MSD. This programme will improve accuracy and integrity in the welfare system by helping to more accurately pay clients the right amount of assistance at the right time. However, this process is still limited by the tightly controlled eligibility.

Benefits of the above system changes to bring the application process online could include a simpler experience for parents, improved auditability of payments, a reduction in manual processing for MSD staff, and administrative efficiencies (faster processing of applications and reviews) depending on the action. Another benefit for clients includes the ability to advise of changes in circumstances or update their details to enable more timely changes to entitlement and reduce debt. ^{9(2)(f)(iv)}

Changes to the legislative settings that Childcare Assistance is administered under could also be made to make it easier to access childcare assistance administered from MSD.

The legislative settings are built on detailed, prescriptive, and highly conditional rules that must be met precisely for MSD to lawfully pay assistance. ^{9(2)(f)(iv)}

Accounting for different sources of funding (mainly the 20 Hours ECE), without any matching data, adds significant complexity and integrity risk.

There is no legislative discretion for:

⁹ ADA is a new automated processing tool designed to assist staff with tasks, making them quicker and easier to complete.

- minor hour fluctuations
- temporary changes in attendance
- short gaps between work shifts
- short-term absences
- errors in estimated hours.

Given the timeframes to prepare this paper for the MAG, opportunities for efficiencies listed in this paper have been limited to those within the current system and that have been commissioned in the most recent review.

Interface with other agencies

The processes to ensure accountability, such as that for IR and income data or MoE for licensed provider status, often are not seamless and this can add to the administrative burden.

As noted previously, MSD is currently undertaking work to improve the integrity of MSD payments by increasing the number of manual checks we carry out each year, whilst developing an automated process that uses and applies PAYE salary and wage income information from IR closer to real-time. However, as there is an additional test related to hours in an “approved activity”, this does not solve the complexity entirely.

Looking forward

There are well known trade-offs to the income support system – these are often called the ‘iron triangle’ which show the tensions between the three main objectives of an income support system that are difficult to achieve at the same time. You can usually maximise two objectives, but not all three at the same time. Improving one often creates pressure on the others.

These objectives are to ensure adequacy (that financial assistance payments are high enough to allow people to live with dignity, meet basic needs, and reduce hardship), ensure there are incentives to work/labour market attachment and to ensure the welfare system is affordable and sustainable over time (cost to government/taxpayers).

MSD’s administration of childcare assistance reflects the inherent trade-offs in the welfare system’s “iron triangle.” The policy intent is to increase the affordability of childcare for low-income families (adequacy) and strengthen parents’ ability to participate in the labour market, thereby supporting work incentives and reducing in-work poverty. Improving access to affordable ECE can also contribute to child poverty reduction targets by enabling parents to increase their earnings and financial independence through paid work.

At the same time, MSD’s administrative and accountability arrangements are designed to maintain the integrity of the payment and ensure that assistance is

well targeted. These settings help manage fiscal risk and ensure funding supports parents' participation in work. Loosening administrative requirements could improve ease of access but could also weaken accountability controls, increase the risk of incorrect payments, and potentially undermine the targeting and fiscal sustainability of the support.

Improved online and digital capacity can expand access to childcare assistance by simplifying entry points and reducing administrative burden, while simultaneously strengthening integrity through automated verification, real-time provider data, and consistent rule-based processing.

Reducing the financial spend on Childcare Assistance would strengthen fiscal sustainability but this places pressure on adequacy and work incentives. This risks childcare becoming less affordable for low-income families, and parents may reduce their participation in the labour market, limiting progress on child poverty reduction targets and "making work pay."

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