

Early Childhood Education Funding Review Ministerial Advisory Group consultation:

Have your say on how
the government spends
money on early childhood
education

30 June 2026



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Foreword from the Ministerial Advisory Group

The Ministerial Advisory Group (MAG) Early Childhood Education Funding Review was established in June 2025 to independently review the funding system for early childhood education (ECE) in New Zealand. We will provide advice and recommendations to government by the end of 2026. For more information about who we are and what we have been asked to do, please visit our webpage: [Ministerial Advisory Group – early childhood education funding system review - Ministry of Education](#).



Ministerial Advisory Group. Back row: Dr Kane Meissel (left MAG for parental leave 31 May), Linda Meade (Chair), Simon Laube. Front: Kylie Eagle, Melissa Glew, Kelly Seaburg, Sarah Hogan.

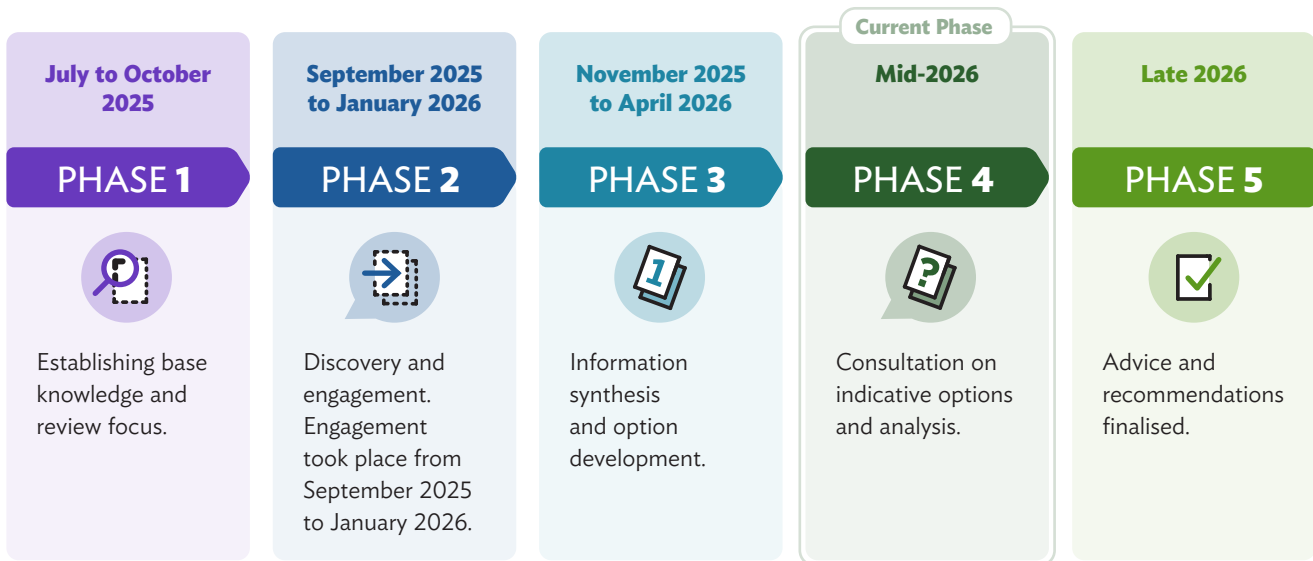
This consultation document outlines areas where change may be needed. It seeks feedback from whānau | families, kaiako | teachers, educators, ECE providers, communities, businesses and employers, indeed anyone who cares about early childhood education.

Areas of change and options being explored could change how funding is allocated. This would make a difference to the sector and many whānau. It's important for us to hear what would affect you and if you support the potential changes we have identified.

During late 2025 and early 2026 we held hui across New Zealand and online and heard from many people using targeted research and via email. In total we heard from more than 2,000 people.

During this time, we also undertook considerable research and analysis to better understand the ECE system and value it provides.

MAG work programme



The problems in the current system

We identified three major problems in the current ECE funding system.

First, some whānau face barriers to accessing the type and amount of ECE they want for their tamariki. Cost, availability, location and service flexibility can affect children taking part in ECE.

Second, variation in ECE quality is likely to undermine the positive effects of ECE for tamariki and whānau, particularly for those who could benefit the most.

Third, government and whānau do not have enough information about ECE and the value it delivers for tamariki, whānau and society.

These problems present opportunities to improve the current funding system, for example by:

- › supporting more equitable access to ECE
- › providing sufficient incentives to sustain quality
- › enhancing transparency and accountability
- › being flexible enough to meet the needs of children, families and communities.

We also heard about problems with the way the current funding system is organised and administered, which ranged from concerns about the sustainability of the Pay Parity scheme to the practical implications of specific rules on frequent non-attendance of tamariki.

We have not made any decisions about our advice to government. Importantly, we are required to provide final recommendations to government that can be implemented without an overall increase in spending on ECE. This means that increased spending in one part of the system would need to be offset by savings elsewhere.

We are seeking feedback on a range of potential changes.

Areas of possible change

This document presents seven areas where change could be considered within the ECE funding system.

1. Improve targeted funding to services to better support the needs of specific children, families, communities, or government priorities.
2. Changing the approach to fees assistance to help families struggling with affordability.
3. Changing settings surrounding universal funding subsidies, including what hours are funded by the government, and how home-based ECE is funded, to better support working parents and caregivers.
4. Simplifying and creating greater flexibility around funding bands linked to teacher qualification levels, while continuing to encourage highly qualified staffing.
5. Reconsidering the way in which government supports pay for the ECE workforce.
6. Strengthening information and reporting requirements to improve transparency around things like fees, staffing, ratios and use of public funding.
7. Opportunities to modernise, simplify and improve the operation of the funding system

We want to hear your views on the options we have identified in each area. These options are not intended to be exhaustive, and we welcome feedback on other ideas or approaches that could address the challenges identified in this document.

What we need from you

We are seeking your feedback on areas of possible change and savings needed to fund them, which will help to shape our final recommendations to government.

You may want to:

- › answer questions and/or provide feedback using this online survey [ECE Funding Review survey](#)
- › provide us feedback now by emailing us at ECE.FundingReview@education.govt.nz and add the survey link

You do not need to answer every question in the survey or consultation document. You can comment on any part of the proposals or raise other issues you think are important.

We are asking for your feedback by **6 August**.

Our focus

We have been asked to focus on funding that goes to licensed teacher or educator-led ECE services. These include education and care services, kindergartens, home-based services, hospital-based services, puna reo and Pacific early learning services.

Government funding in scope is primarily allocated to ECE services licensed under the Education (Early Childhood Services) Regulations 2008. Also in scope is funding to reduce the cost of ECE for parents – including FamilyBoost, the Childcare Subsidy, Early Learning Payment and the Guaranteed Childcare Assistance Payment. A full list of the funds within scope is available [here](#)¹. Parents also provide funding through fees.

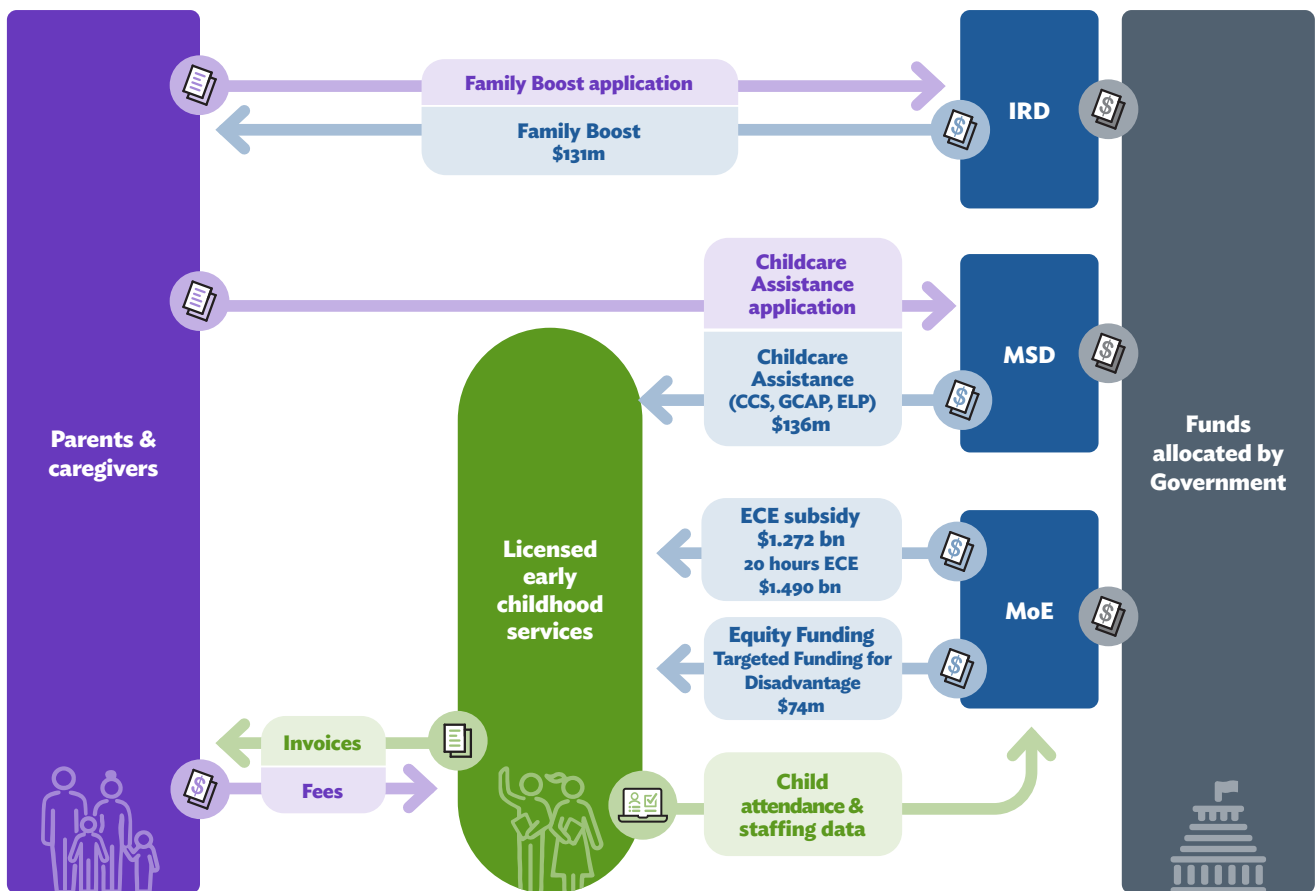


1 The following funding streams are out of scope: funding available only to playcentres and kōhanga reo; funding for tamariki receiving ECE through Te Aho o Te Kura Pounamu; funding for playgroups; and funding not provided to ECE providers directly, or which contributes to the education, care and support of early learners through other channels (for example, curriculum and learning support).

The funding system today

The current ECE funding system is complex and has some key features which have been in place for many years.

Figure 1: Overview of the current funding system



The key elements of our ECE system

The ECE funding system is based on the principle of **co-funding**, as parents and the government both contribute towards the cost. Government funding helps parents afford the cost of ECE, as well as supporting regulatory compliance and wider social, educational and economic benefits and outcomes.

Government funding is mostly delivered in the form of **universal subsidies**, or bulk funding, to providers. These subsidies are based on the number of hours a child attends ECE and are often known as “funded child hours”.

The amount paid per funded child hour (the funding rate) depends on factors such as the age of the child, the type of service, and the service’s workforce qualifications. There are currently 168 **different funding rates**.

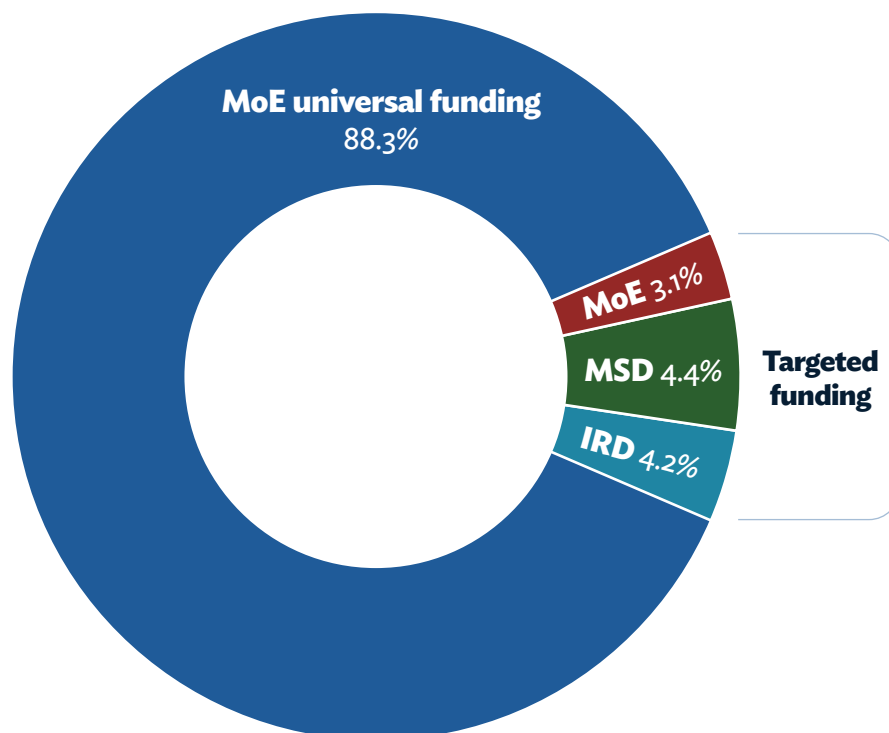
Funding rates are generally higher for children aged under 2 (as more staff are required for this age group), for kindergartens, for higher proportions of certificated staff, and for the 20 Hours ECE policy (as services cannot charge fees for these hours).

ECE subsidies are not necessarily paid for all **hours** that a service operates or a child attends. The ECE subsidy is paid for a maximum of six hours per day and 30 hours per week, while the 20 Hours ECE subsidy is paid for a maximum of six hours per day and 20 hours per week for 3-to 5-year olds.

The government also provides **targeted funds**, which help address barriers to access, achieve specific goals, or recognise distinct needs. Targeted funds currently make up a small share of total government funding for ECE (Figure 2).

Finally, the government **assists some families with ECE fees**, depending on their income and whether they are working or studying. This support improves ECE affordability for lower income households.

Figure 2: Proportion of total government ECE funding that is universal or targeted, by administering agency, 2024/25 financial year



A key feature of the ECE system in New Zealand is that the government does not own or operate most ECE services. Instead, services are established and operated by private or community providers, including many not-for-profit organisations.

ECE services receive little or no government support for the cost of buildings and facilities. This means providers are generally responsible for the costs of establishing, renting, maintaining and operating their services.

Government funding helps services meet their ongoing operating costs. However, the costs of running an ECE service can vary considerably between providers.

Changes to ECE funding can affect the financial viability of services. Over time, this may influence whether providers are willing or able to continue delivering ECE in some communities.

How Government funding for ECE changes over time

There are two key processes which change how ECE funding flows (Figure 1).

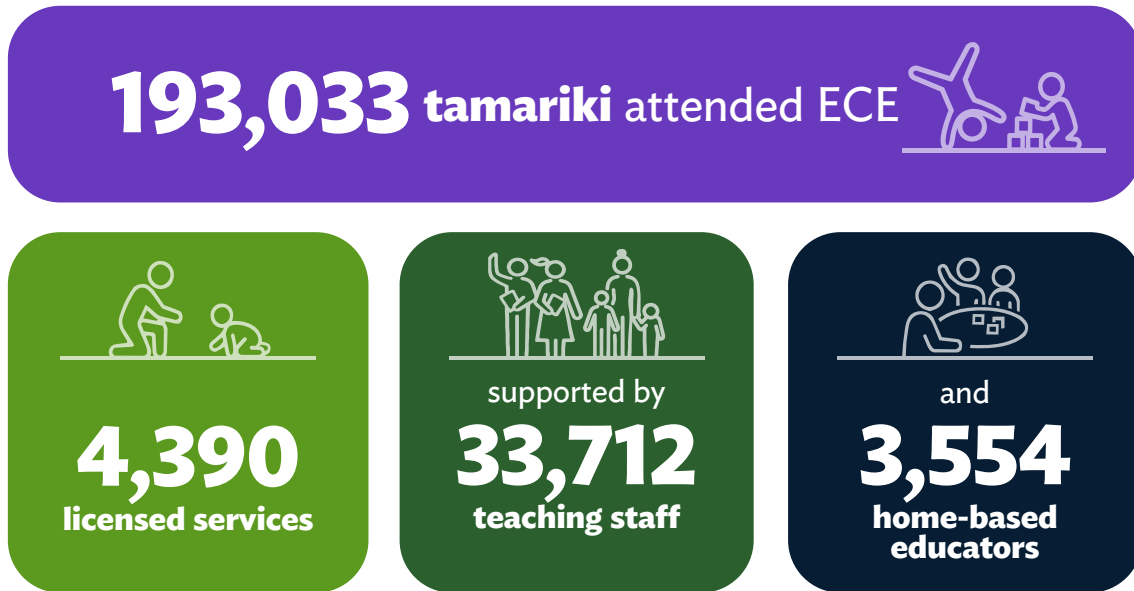
Firstly, the core ECE funding streams (including fees-assistance) are demand-driven. This means that as the forecast volume of attendance rises or falls, the total amount in these funding streams increases or declines. Things which impact on the demand forecast include demographic changes, changing labour market participation patterns and immigration. Changes in demand forecasts are reflected in the twice-yearly Baseline Update the Treasury provides to the Government in October and March.

Secondly, as part of the annual Budget process, governments determine the funding rates that underpin the various funding streams (including targeted and universal funding, the Childcare Subsidy and FamilyBoost). The Budget process enables governments to consider ECE expenditure within the context of broader objectives and priorities. There is a legislative requirement to adjust Childcare Subsidy income thresholds each year in line with annual wage growth.

Where the costs of providing ECE services rises faster than government funding, this may put providers under financial pressure. Increasing fees could make ECE less affordable for families and impact on tamariki attending, while cutting costs could impact the ECE workforce, and the quality of provision.

Participants in the ECE system

The ECE sector is large and diverse, involving many thousands of New Zealanders every day. During the most recent census of ECE services in June 2025:



People have wide and varied aspirations for ECE. While this is not a conclusive list, we heard:

- › Tamariki should be at the centre of ECE.
- › Parents, whānau and caregivers want ECE that meets their needs and is affordable, safe and supportive for their tamariki.
- › The ECE workforce want fair pay, rewarding work that makes a difference for children and families, and opportunities to develop and grow professionally.
- › Communities want services that are accessible, with learning options that are responsive to local needs and support equitable participation.
- › Employers want a system that supports parent (particularly mothers) and caregiver participation in the labour market, where staff can regularly attend work and can take up, return to, or move jobs with confidence.
- › Services want to meet their operating costs and remain financially sustainable, while providing the staffing and quality parents expect. They also want a system that is manageable and simpler to understand.

As most ECE funding comes from the government, any change to the funding system will have effects across the system. We want to understand how change would affect people, to help us develop our advice and recommendations to the Minister.

Changes to the funding system may also have implications for parts of the ECE sector that are outside the scope of this review, and we are interested in understanding those impacts.



While the ECE system is also shaped by non-funding factors, such as regulations, curriculum, and workforce supply, this table specifically focuses on the effects of funding-related settings.

Participants	Effects of the funding system
Children	Supports children’s growth and development through participation in ECE by: maintaining sufficient supply, supporting and incentivising higher service quality, and providing targeted support to families and communities facing participation barriers.
Parents/caregivers and households	Improves affordability by reducing the share of ECE costs parents pay. Supports participation in work, study and training.
Communities	Enables diverse service provision by reflecting different operating costs and providing targeted support to communities with specific needs.
Employers	Supports the supply and availability of employees, particularly women, by enabling parents to take-up, return to, and remain in work.
ECE workforce	Supports workforce sustainability through contributions to pay. Contributes to supporting their working environment.
Service providers	Underpins long-run financial viability by contributing to operating costs and stimulating and sustaining supply to meet demand. Contributes to higher quality services, where provider goals align with government objectives.

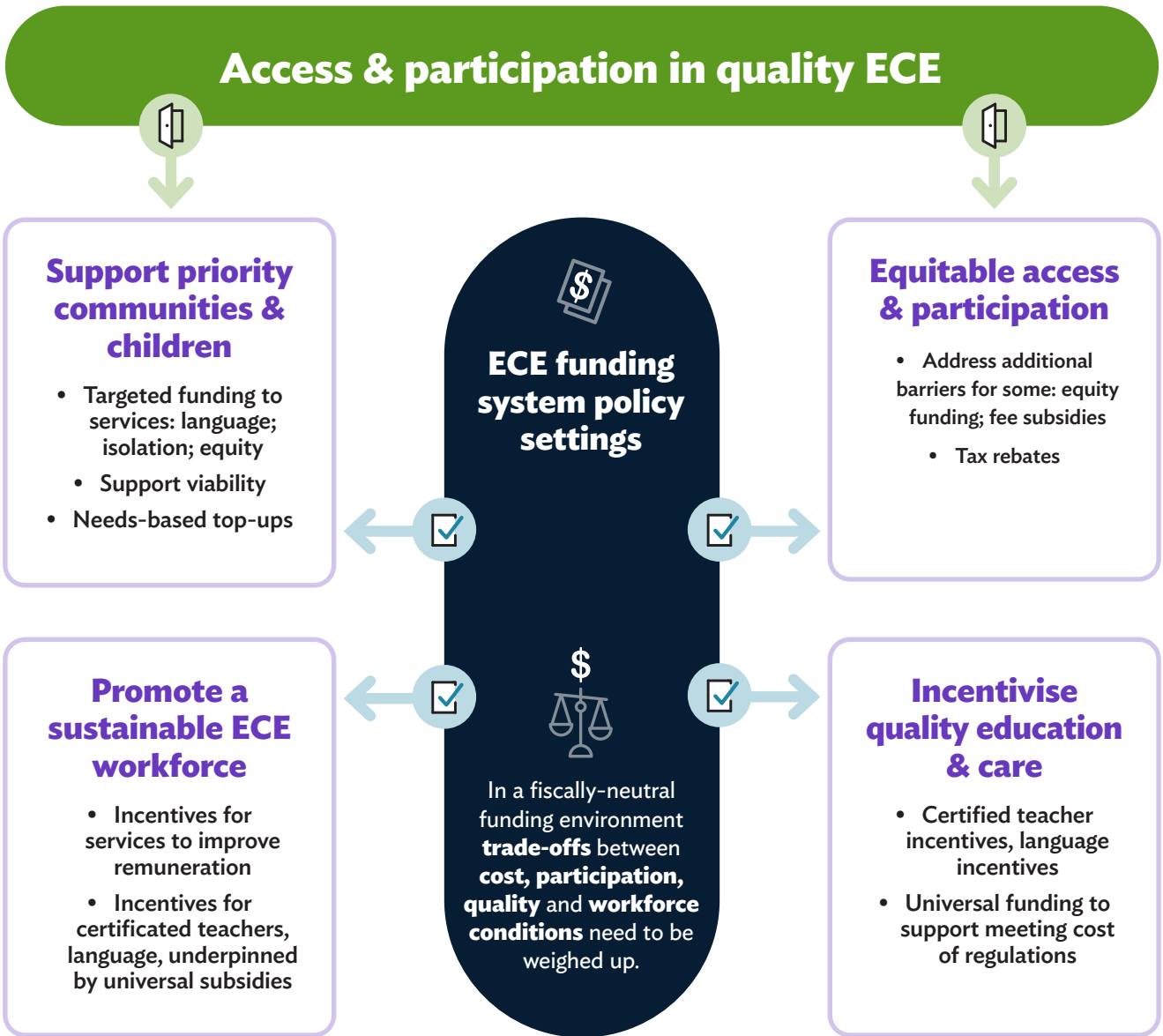
How funding supports the core goals of the ECE system

Participants want different things from early childhood education, but the key goals guiding our thinking throughout the Review are:

- › **Equitable access and participation:** all children can benefit from ECE, but some face more barriers to participation. The funding system provides support to services and families to overcome these barriers, making ECE more affordable, supporting parents and caregivers to participate in work, training or study. Universal and targeted funding both support participation, with targeted funding providing additional support to children, families and communities facing greater barriers.
- › **Quality ECE:** the quality of ECE matters for child development, so the funding system has for many years promoted quality. It does this by providing co-funding for minimum adult-child ratios and encouraging services to employ staff with recognised qualifications. However, quality is also influenced by the capability of the entire teaching team, through a combination of leadership, experience, retention, cultural knowledge, relationships and professional support, including that of experienced and capable non-certificated staff.
- › **Supporting communities and children who face barriers to access:** some communities and families face barriers to accessing the type of ECE they want. This can be because they live in communities where it is difficult for services to remain viable or employ the staff needed (e.g. qualified teachers, qualified teachers who are fluent in languages other than English, or specialist staff to work with children who have additional needs). The funding system therefore provides targeted funding to help services meet the needs of these communities and children.
- › **A sustainable ECE workforce:** quality, accessible ECE needs a capable and motivated workforce. Pay and conditions in the workforce are largely agreed between employers and employees. In recent years the funding system has provided incentives for some services to meet remuneration standards for certificated teachers, including those in leadership and management roles, through the introduction of the opt-in pay parity scheme.

Different aspects of the ECE funding system contribute to these goals, and some contribute to more than one.

Better outcomes for children, families & communities amidst funding trade-offs



Goal	Funding system component	How this contributes
Quality	<ul style="list-style-type: none"> › Certificated teacher funding bands² › Targeted funding for ECE in other languages › Universal funding 	<ul style="list-style-type: none"> › Teacher funding bands promote quality by encouraging services to employ more qualified teachers. › Targeted funding for languages provides resources needed to deliver quality ECE in other languages. › Universal funding supports quality by recognising that younger children require different ratios.
Equitable access and participation	<ul style="list-style-type: none"> › Fees assistance › Universal funding › Targeted funding for equity 	<ul style="list-style-type: none"> › Fees assistance through the Childcare Subsidy and FamilyBoost reduces affordability barriers for some families. › Universal funding supports access for all children and encourages services to enrol and have children attend. › Targeted funding for equity supports participation and access by providing resources for services to meet the needs of children and families who need more help.
Supporting priority communities and children	<ul style="list-style-type: none"> › Targeted funding for ECE in other languages, particularly priority languages (e.g. Māori, Pacific languages, NZSL) › Targeted funding for isolated services › Targeted funding for equity 	<ul style="list-style-type: none"> › Targeted funding for ECE in languages other than English supports priority communities and children by providing resources for services to meet their needs. › Targeted funding for isolated services supports priority communities and children by providing resources to help services operate in these areas. › Some targeted equity funds provide resources to services for children's additional needs.

2 Certificated teachers hold either a recognised ECE or primary teaching qualification, are currently registered, and hold a current practising certificate from the Teaching Council. This requires that teachers meet professional standards on an ongoing basis.

<p>A sustainable ECE workforce</p>	<ul style="list-style-type: none"> › Pay parity opt-in scheme › Kindergarten teachers pay settings › Certificated teacher funding bands › Universal funding › Targeted funding for ECE in other languages 	<ul style="list-style-type: none"> › The pay parity opt-in scheme aims to support a sustainable workforce by providing higher pay for teachers in education and care services. › Universal funding supports a sustainable workforce by funding all attending children, creating a demand for services to hire teachers and educators. › Targeted funding for ECE in other languages aims to encourage a sufficient supply of fluent, qualified teachers.
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The MAG has been asked to provide advice and recommendations within existing forecast spending, so it is possible this could include changes to components of the funding system.

As there is a limited amount of funding available from the government, changes made to make more progress on one goal could mean less support for others.

Our role is to provide advice and recommendations to the Minister on possible changes to the ECE funding system. This may mean recommending a different balance between our four goals described earlier in this document.

In the following sections, we outline different parts of the funding system and seek your views on possible changes. While we discuss these parts separately, they are connected and often need to be considered together. For example, changes to funding rates may need to be accompanied by changes to fees assistance to help keep ECE affordable for some families.

Different parts of the funding system affect people and services in different ways. A change that benefits one group may have unintended consequences for another. It is therefore important to consider not only individual changes, but also how different changes work together and how they affect children, families, communities, the workforce, employers, and ECE services.

Our understanding of problems and concerns

Our Terms of Reference identified the following four key areas of concern for the ECE funding system:

- › **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, percentage of staff who are qualified teachers 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 area or who seek part-time or non-standard hours of ECE. The co-funded nature of ECE leads to parents paying higher fees when service costs increase or government cost adjustments are too low.
- › **Universal vs targeted funding:** In the current status quo, most of the Vote Education funding is allocated universally, with a small proportion being targeted (less than 3 percent). The division reflected in the spilt 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 places to meet the cost than others.
- › **Complexity:** The current funding system contains multiple layers of policy objectives and funding mechanisms intended to support participation, affordability, quality, workforce capability and equity outcomes. For example, different funding streams operate concurrently to support teacher quality and workforce sustainability, reduce costs for whānau, and provide targeted support for particular groups of children and services. In a system with multiple funding streams and objectives, this can create complexity for both whānau and services.
- › **Impact:** There is a need to understand the value that ECE funding choices add to both child development and education outcomes, and parental labour market participation.

Taking these areas of concern as a starting point, and drawing on engagement, research and analysis undertaken to date, three overarching problem areas have emerged through the review process. We are seeking feedback on whether these problems reflect the issues facing the ECE system, and on the potential areas for change outlined in the next section of this document.

Problem one: Whānau face a range of barriers to their tamariki participating in the ECE they want

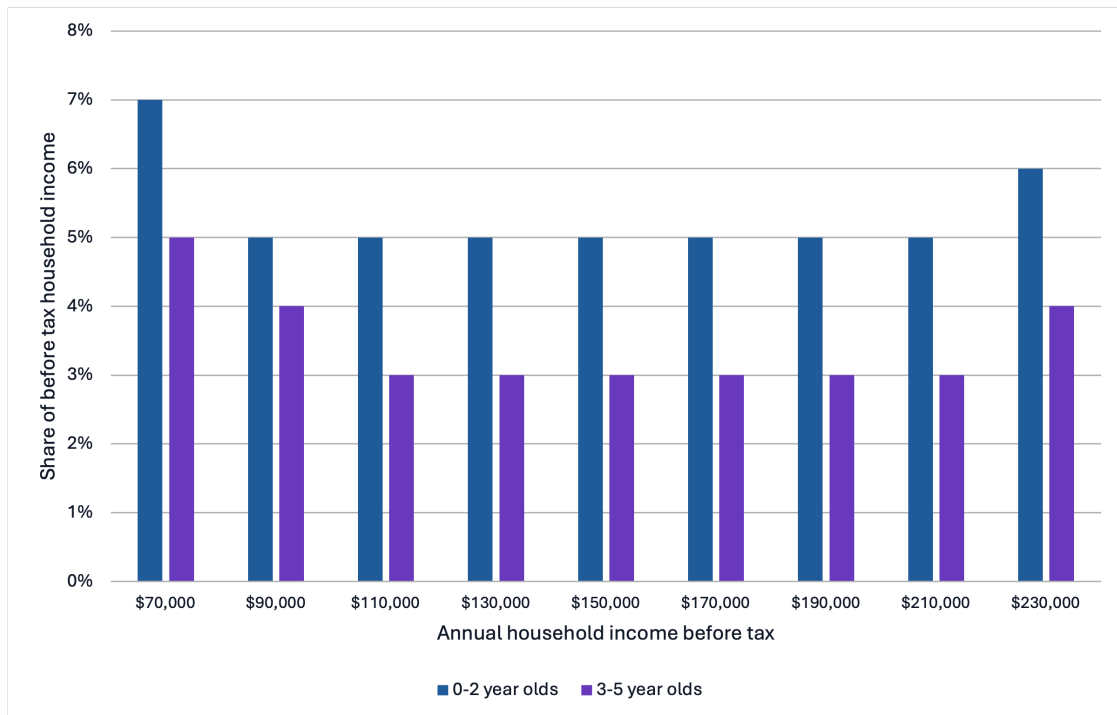
At a high level, whānau face two main barriers: affordability and supply of suitable services.

Affordability

ECE is affordable when ECE costs to whānau do not cause undue financial strain, limiting their choices or meaning parents cannot work or study.

Costs to parents and caregiver vary, depending on the age of the tamariki, and the amount and type of ECE accessed. Support available also varies. We found that families with younger children (0-2 years old) in ECE paid a higher share of their before-tax household income (5-7 percent) than those with older children (3-5 percent). A significant factor in this is the 20 Hours ECE policy supporting three- to five-year-olds. Despite fees assistance, lower-income households (that is, those earning less than \$20,000 per quarter) paid a higher share of their income on ECE than medium-to-higher income households (Figure 3).

Figure 3: Share of before tax household income spent on ECE after FamilyBoost rebates (and Childcare Subsidy if applicable), by child age and annual household income. Data is for quarter ended September 2025



Source: Ministry of Education analysis of Inland Revenue customised dataset

International research shows that the cost of ECE can affect the number of hours parents (especially women) work. And higher costs for younger children (2 and under) can make re-entry into work more challenging when parental leave ends.

Targeted structured research we commissioned from Ipsos support this conclusion. This research found more than 47 percent of parents said the cost of ECE meant that they were working or studying less than they would like, while 37 percent said the cost of ECE had stopped them from returning to work or study. Further, more than 52 percent said they would work more hours if the cost of ECE was lower. Meanwhile, 43 percent of employers agreed their staff face challenges with ECE costs.

The 20 Hours ECE policy aims to reduce the ECE costs for 3- to 5-year-olds. However, Ministry of Education analysis has identified that this funding has not kept pace with the increased costs of delivery. By 2022, the real value of the 20 Hours ECE subsidy had declined by 18 percent compared with 2010. Although services cannot charge fees for the funded 20 hours, many use optional charges, voluntary donations, or fees for additional hours to help cover their costs. For some families, this can affect affordability and access to their preferred service.

Lower ECE costs may help more parents and caregivers participate in work, study, or training. Greater participation in ECE can also benefit children, particularly those who face barriers to accessing high-quality early learning.

Current funding settings have supported high levels of participation across much of the sector. However, we have also heard concerns about affordability and access. We want to hear your views on whether changes to funding settings could further support participation and affordability, and on the benefits, risks, and trade-offs involved.



Supply of ECE services

The second major barrier to ECE participation is the supply of services wanted by parents and caregivers. We found that whānau can experience challenges accessing ECE that meets their needs, as the supply is not always available. One commonly reported issue was the availability of places. In our parent survey, 46 percent said their child had been on a waitlist for ECE. Among this group, 73 percent said it delayed their child's enrolment (and their own return to work) to some extent.

While more than half of waitlisted parents and caregivers (54 percent) secured a place within four months, more than one-third (36 percent) waited between six and twelve months, and 8 percent reported waiting more than a year. Parents may trade-off other preferences in order to take up places available to them.

Nearly two-thirds (64 percent) of waitlisted carers said that the delays limited their ability to return to paid employment or increase their working hours. 38 percent of respondents to our survey of parents and caregivers reported having to turn down work due to its irregular hours or shift work not being covered by ECE. 42 percent of employers said their employees had reduced work hours because of problems accessing ECE.

Some parents and providers reported having difficulties accessing specialist support and skills. We heard that parents of tamariki with additional needs (such as learning needs, high health needs, or a disability) can find it difficult to secure an ECE place or the additional support needed to ensure a safe and suitable learning environment. Funding system incentives mean that services face barriers to recruiting the right staff needed to meet children's additional needs. This is because the funding system only recognises one category of qualification (teaching) as a quality factor, which can impact recruiting decisions. Children with additional needs may also need to attend for fewer hours each day, which can present an access barrier if services prioritise full-day enrolments because they are more viable.

We also heard some children remain in ECE while waiting for suitable school placements, specialist support, or transition arrangements. This creates pressures for both whānau and services.

Finally, caregivers in smaller and isolated communities told us they face higher costs and limited choices, while providers indicated viability issues. Families in these communities may need to travel further to access ECE, and distance can be an even greater barrier for those seeking to enrol in their preferred service type, such as language immersion ECE.

Possible benefits if this problem is addressed: We could see increased ECE participation by under-represented groups, a reduction in the percentage of parents who identify cost as a barrier to enrolling their tamariki in ECE, an increase in employment or training by parents (particularly mothers) with pre-school aged children, and an increase in the learning and developmental benefits experienced as a result of participation in ECE.

Key funding mechanisms that could be changed to address these barriers: Equity and targeted funding, application of universal funding, fees assistance, specific isolation funding and conditions.

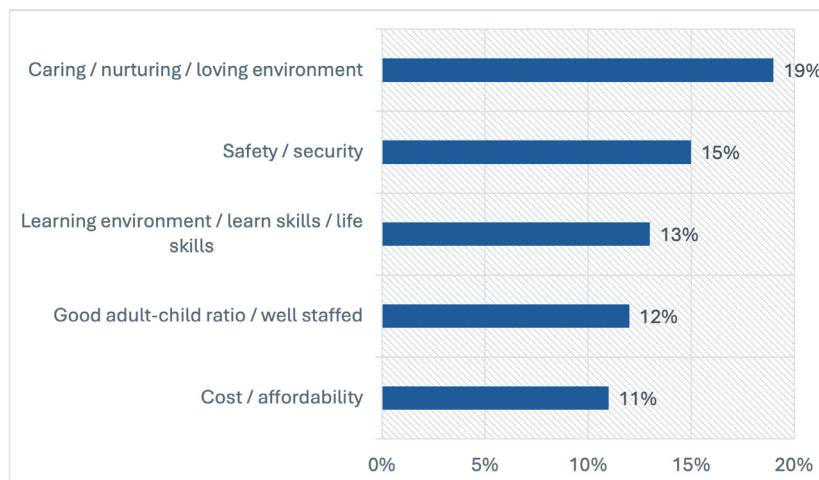
Problem two: Variation in ECE quality is likely to undermine the benefits of ECE for tamariki and whānau, particularly for those who could benefit the most

Quality early childhood education has a range of benefits, for tamariki, their families and the community.

For children, benefits can include social and emotional skills, cultural and language development, enhanced dispositions for learning, greater school readiness, stronger cognitive development, and better educational and life outcomes. All tamariki can benefit, however research suggests benefits can be particularly significant for children experiencing barriers to participation or broader social and economic disadvantage.

There is no single definition of quality in ECE and people have different views. For example, when we asked parents to describe an ideal ECE service they identified a wide range of characteristics (Figure 4). Having a flexible and diverse ECE sector is therefore important for meeting different children’s needs and parental expectations. Parents are more likely to enrol their children in ECE if they are confident their child will thrive, learn, be safe and happy.

Figure 4: Parental views of what an 'ideal ECE service' looks like - top five responses



Source: Early Childhood Education Funding Review Parent Survey, 2026

Research on how ECE quality affects children usually covers two key areas linked to positive learning, social, and emotional outcomes: structural and process.

Structural quality factors include the number and proportion of qualified teachers, adult-to-child ratios, group sizes, and space per child. They are relatively easy to measure, so are more often used for regulatory and funding settings, and to assess quality.

Process quality focuses on the many factors that shape a child’s experience of ECE. These are influenced by structural quality factors but are often harder to measure directly.

They include: the professional development, coaching and support available to ECE staff; the quality of relationships and interactions between staff, children and their families; intentional teaching informed by knowledge of individual learning needs; assessment and planning that supports each child's learning; and social opportunities for all tamariki including those with additional needs. There is an opportunity through this review to strengthen process quality through funding settings that support workforce capability, professional learning, mentoring and high-quality interactions with children and whānau.

The Education Review Office (ERO) uses a set of indicators across five domains³ to assess the quality of ECE services and assigns a four-step grade for a centre's performance against each domain: 'excelling' and 'embedding' both mean performance above the quality threshold. 'Working towards' and 'improvement required' mean performance below the threshold. In 2024/25, 53 percent of the ECE centres reviewed by ERO met or exceeded the quality threshold, up from 36 percent the year before.

In our survey of ECE staff, nearly two-thirds of decision-makers in services said they sometimes had to make difficult choices to remain financially viable. Some indicated these could affect service delivery and quality over time. Examples included delaying or deferring investment in resources, professional development, equipment and facilities, or managing staffing vacancies and absences conservatively.

Quality ECE depends on strong relationships between adults and children, supported by a skilled and capable workforce. Qualified early childhood teachers play an important role in delivering the curriculum and supporting children's learning and development.

To attract and retain skilled teachers, the funding system includes incentives such as certificated teacher funding bands and the opt-in pay parity scheme. These are intended to support services to employ qualified teachers and provide higher pay and career progression opportunities.

There has been ongoing debate about the role of government and the funding system in supporting teacher pay and progression, and concerns have been raised about how well the current settings work for both teachers and services.

Possible benefits if this problem is addressed: We would see a system where quality is more consistent across communities and more sustainable over time, with providers having appropriate incentives to maintain and improve quality. This could increase participation in ECE by children from households where ECE is not currently perceived as offering quality or is not focusing sufficiently on the aspects of quality that matter most to them.

Key funding mechanisms that could be changed to address these barriers: Equity and targeted funding; application of universal funding; specific isolation funding and conditions; certificated teacher funding bands; teacher pay settings.

3 These domains are He Whāriki Motuhake: the learner and their learning, Whakangungu Ngaio: collaborative professional learning and development builds knowledge and capability, Ngā Aronga Whai Hua: evaluation for improvement, Kaihautū: leadership fosters collaboration and improvement, and Te Whakaruruhau: stewardship through effective governance and management.

Problem three: The government and whānau do not have enough information about ECE and the value it delivers for tamariki, whānau and society

We found that some important information about the ECE sector, its contribution and its performance is often unavailable, or too hard to access.

For parents, there is not easily accessible information about availability, fees, government support (particularly fees assistance), and the quality of services in their area. Information is provided in many ways, including individual services and multiple government agencies: the Ministry of Education, the Ministry of Social Development, the Inland Revenue Department, the Education Review Office, and the Department of Internal Affairs (SmartStart website). This makes it hard for families to identify, compare and choose an ECE service that is right for them and their child. Other countries support access and choice in ECE by providing relevant information in a single online location ⁴.

Although the government collects a lot of information from ECE services, it is not always in a form that allows it to be meaningfully compared or used to assess value or performance, or to provide evidence to support changes to policy or regulation. For example, there are currently different reporting requirements for targeted funding, making it difficult to compare how services use this funding and the effects it has for children, highlighting opportunities to streamline reporting and accountability.

We think that services already collect a lot of valuable information but improvements could increase transparency and promote better decisions. Improvements here could also simplify administration for providers.

There is no systematic collection of information about fees services charge parents, so we don't know what the proportion that co-funding represents. This may vary considerably between services. Analysis commissioned by the MAG suggests parents contribute about 25 percent of overall ECE funding, with government meeting about 75 percent. Information and ongoing analysis is needed to understand the co-funding balance over time.

There is also a lack of clarity about the learning and development outcomes expected from ECE, whether the system is delivering these outcomes, how best to measure the impact of ECE, and how best to communicate this information to parents and others. The government invests in ECE because of the expected benefits, and data and evidence is needed to understand if these benefits are being delivered. This would support the case for ongoing, and potentially increased, investment.

Possible benefits if this problem is addressed: Parents and the government would have better information to make informed choices and decisions about ECE, whānau and society would have increased confidence in the benefits of ECE, and providers would only collect and report against the information needed to demonstrate accountability for the provision of funding in line with the services delivered.

Key funding mechanisms that could be changed to address these barriers: Conditions attached to funding; monitoring and reporting; investment in research and evaluation; better centralised data collections.

4 See Australia's 'Starting Blocks' website for example: Find children's education and care | StartingBlocks.gov.au

Areas of possible change to the funding system

This section describes how the major components of the ECE funding system currently operate, identifies key challenges and issues raised through engagement and analysis, and seeks your feedback on possible changes.

Funding component: Targeted funding

How this works now

The funding system includes a range of targeted supports paid to ECE providers to help them promote participation among under-represented groups, support service supply and quality, and recognise the higher costs of providing ECE for some tamariki and communities. Targeted funding is currently directed towards low socio-economic communities, tamariki with additional needs, isolated communities, and tamariki and teachers in language-based services

Most ECE services are funded through a combination of government funding and parent fees. This means some communities may have fewer resources available to respond to barriers to participation or support children with additional needs. Some culturally and linguistically specific services may also face higher costs.

Targeted funding paid to providers is less than 3 percent of overall government funding. It is intended to provide additional support for specific children, families and communities. We are interested in feedback on whether the current settings are achieving this objective.

Name	Description	Funding (2024/25)
Equity A	Funding for socioeconomic disadvantage. Intended to support equity outcomes. Specified spending guidelines.	\$38.583m
Equity B	Funding to support children with additional needs and those whose first language is not English.	\$19.320m
Equity C	Fixed monthly grant to services that deliver more than half of their teaching and learning programme in a language other than English. The grant is currently paid as a fixed amount.	\$2.888m
Equity D	Fixed monthly grant, based on the level of isolation of the service. The more isolated a service, the higher the grant.	\$1.114m

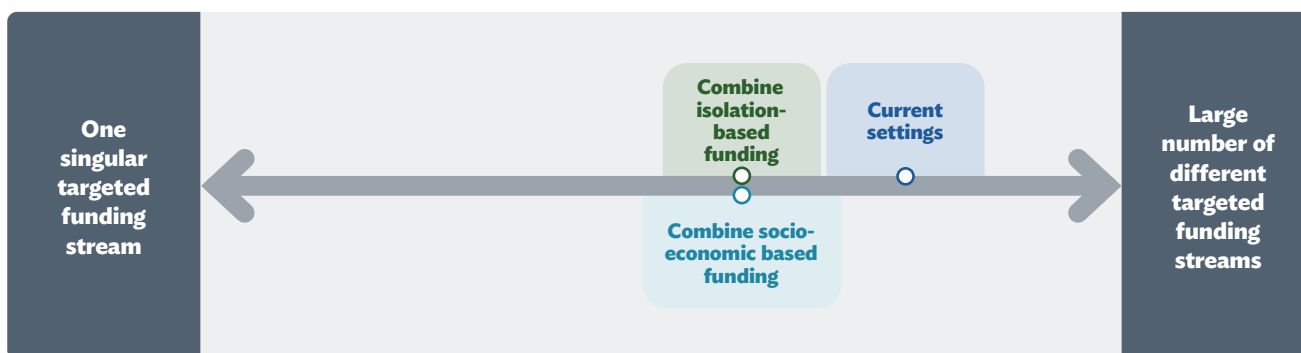
Targeted Funding for Disadvantage (TFFD)	Supports services with a high proportion of children from disadvantaged backgrounds.	\$11.685m
Waha Rumaki and Pacific immersion teaching allowances	Support available to certificated teachers working in bilingual or immersion ECE services. Payments intended to recognise the additional skills and capabilities required to teach in immersion and bilingual settings, including language proficiency and culturally specific teaching practice.	\$1.409m
Annual Top-up for Isolated Services (ATIS)	Tops-up funding for isolated services that receive less than \$20,000 per year in government ECE subsidies. ⁵	\$0.135m
Total		\$75.134m

What changes could be made?

System Simplification

These targeted funding streams were introduced by successive governments. While well intentioned, they have resulted in duplication across the system, with overlapping objectives and mechanisms. This creates unnecessary complexity.

The MAG has identified consolidation of targeted funding as a possible opportunity to reduce complexity. This would not involve reducing overall targeted funding; rather, it would focus on combining existing programmes where there is duplication. Potential options the MAG has identified are outlined below.



**The spectrum is intended for illustrative purposes only and does not represent exact relativities between the options.*

5 For example, if an isolated service generates \$5000-\$10,000.99 in ECE Funding Subsidy, 20 Hours ECE funding or Equity Funding in a year, ATIS will top that funding up to \$15,000. For services with between \$10,001-\$19,999.99 in public ECE funding, ATIS tops that total up to \$20,000.

What might these possible changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE providers and workforce	Effects on children, whānau, and communities
1a. Combine socio-economic based support into one funding stream (Equity A, B, & TFFD) *	There are currently three funding streams allocated based on socio-economic status, creating unnecessary complexity.	Improved system understanding, reduced compliance cost.	Easier to understand, improved confidence in funding system.
1b. Combine isolation-based funding into one equity funding stream (Equity D & ATIS)	There are currently two funding streams allocated based on isolation, creating unnecessary complexity.	Improved system understanding, reduced compliance cost.	Easier to understand, improved confidence in funding system.
*Note we discuss options for increasing targeted funding levels in a separate section below			

Questions: Combining similar targeted funding streams

- ▶ To what extent do you support/oppose the options to combine similar targeted funding streams:
 - » Option 1a - combine equity funding A, B and TFFD to create a new equity funding stream
 - » Option 1b - Combine isolation-based funding into one equity funding stream (Equity D & ATIS)
 - » Do not change this setting
- ▶ Please explain your main reasons for supporting or opposing the options for combining targeted funding streams, and the effects / impacts you expect to result.

We want to hear your views – please complete our survey here:
[ECE Funding Review Survey](#)

Improved mechanisms

Another area we identified for possible change is the mechanisms used for allocating and delivering targeted funding.

Eligibility for Equity Funding A and B is determined using the 2006 Census-based ECE equity index, which has become outdated over time. Similarly, Equity D and ATIS are allocated using an isolation index based on 2001 population data. The Ministry has recently developed updated indexes, which could be used.

There are also opportunities to strengthen the allocation of Equity C to support service provision in languages other than English. This funding is paid as a fixed amount and does not vary based on service size, the intensity of language use, or whether the language is identified as a priority language. Differentiated rates could be introduced to help better address different costs faced.

We have heard that services and whānau see the importance of better support for children with additional needs (including children affected by trauma, high health needs, disability, and neurodiversity). People suggested some children are not consistently able to access the supports they need to fully participate and thrive in ECE. As Equity B is allocated using broader socioeconomic indicators, some services supporting children with additional needs may not receive this funding. A possible option to address this could be to introduce a funding stream allocated based on individual children.

Another strong message we heard is that services in isolated communities can struggle to remain viable, due to fixed overhead costs and volatile per child revenue. Small changes in attendance and enrolments can make a large difference to a service's funding, and overhead costs can be higher in isolated areas.

A possible option to address this is to introduce a base grant to provide stable funding (e.g. a strengthened version of ATIS). Additional funding for isolated services may also be a way of supporting children and families who travel further to ECE, including for language-based services.

What might these possible changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE providers and workforce	Effects on children, whānau, and communities
1c. Implement the new equity index across socio-economic based funding streams	Current socio-economic-based funding uses an outdated index that is no longer fit for purpose.	Up-to-date information would better target need. This will allow services in highest need communities to possibly receive more funding.	Better targeting could improve funding to support children, whānau, and communities who need it most.
1d. Implement the new isolation index across isolation-based funding streams	Current isolation-based funding is allocated using an outdated index that is no longer fit for purpose.	Redistribution of funding across providers based on a better understanding of need, arising from isolation.	Better targeting could improve funding to support children, whānau, and communities who need it most.
1e. Introduce a funding stream for additional needs based on individual children	Equity B is currently allocated based on service-level characteristics, so some children with additional needs do not receive this support.	Funding based on a better understanding of need arising from enrolment of children with additional needs .	Children with additional needs are better supported through a more accurate targeting of funding.
1f. Introduce a base grant for isolated services	Services in isolated communities can struggle to stay viable.	Providers operating in isolated areas will receive funding stability to remain viable, supporting access.	Children, whānau, and communities in isolated areas will have improved access to ECE.
1g. Differentiate Equity C based on level of immersion and priority language	Funding is currently provided through a fixed grant that does not account for differences in service costs, such as the number of children, level of immersion, or of priority languages are spoken.	Providers delivering ECE in priority languages or with higher levels of immersion receive increased funding to reflect the additional costs associated with staffing and resources.	System will better meet the cultural and linguistic needs of children, whānau, and communities .

The adoption of new systems for allocating targeted funding would likely result in some services

receiving new or increased funding, while others could find their funding reduces. Changes to the way in which funding is allocated to support language-based provision, or a child-based approach to supporting additional needs, may increase administrative requirements and/or involve difficult decisions about eligibility and prioritisation. Careful implementation and transition arrangements would be needed.

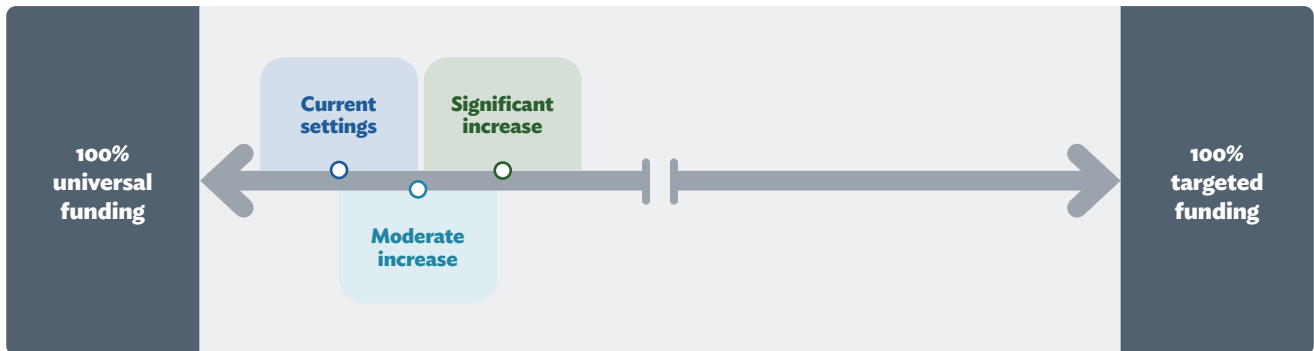
Questions: Improving mechanisms for targeted funding streams

- ▶ To what extent do you support/oppose the options to improve mechanisms for targeted funding streams:
 - » Option 1c - implement the new equity index across socio-economic based funding streams
 - » Option 1d - implement the new isolation index across isolation-based funding streams
 - » Option 1e - introduce a funding stream for additional needs based on individual children
 - » Option 1f - introduce a base grant for isolated services
 - » Option 1g - differentiate Equity C based on level of immersion, and/or priority language
 - » Do not change this setting
- ▶ Please explain your main reasons for supporting or opposing the options to improve mechanisms for targeted funding streams, and the effects / impacts you expect to result.

We want to hear your views – please complete our survey here:
[ECE Funding Review Survey](#)

Rebalance investment

Targeted funding currently makes up less than 3 percent of overall government funding for ECE. The MAG is considering whether this level of investment is appropriate and whether targeted funding should play a larger role in addressing barriers faced by some children, families, and communities. We want to know your views on the appropriate level of investment. While the spectrum below relates to equity funding overall, the MAG is also seeking input on how investment should be prioritised across each specific area (e.g. socioeconomic status, isolation, additional needs, and language).



**The spectrum is intended for illustrative purposes only and does not represent exact relativities between the options.*

What might these possible changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE providers and teachers	Effects on children, whānau, and communities
1h. Moderate increase to targeted funding	Current level of targeted funding may not adequately support its intended goals.	Providers that meet criteria for targeted funding may receive more support.	Children & whānau attending services eligible for targeted funding may benefit from additional funding to meet their needs.
1i. Significant increase to targeted funding	Current targeted funding may not adequately support its intended goals.	Providers that meet criteria for targeted funding may receive significantly more support.	Children & whānau attending these services may receive significant increases to support in these areas.

Questions: Rebalancing targeted and universal funding streams

- › The MAG found that around 3 percent of funding for providers is targeted based on need, and around 97 percent universal. To what extent do you support/oppose the options to provide more investment through targeted funding streams:
 - » Option 1h – moderate increase to targeted funding
 - » Option 1i – significant increase to targeted funding
 - » Do not change this setting
- › Please explain your main reasons for supporting or opposing the options to provide more investment through targeted funding streams, and the effects / impacts you expect to result
- › What other changes, if any, would you like to see to targeted funding streams direct-to-providers; and would you make any amendments to the options presented in this document?

We want to hear your views – please complete our survey here:
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An increase in the level of targeted funding would require funding to be reallocated from elsewhere. The amount depends on both the scale of increases to targeted funding and how these would be allocated. The amount also depends on the size and source of funding available to be reallocated, for example through reductions in universal funding, that is the per-child subsidies. We have called this rebalancing.

Funding component: Fees assistance

How this works now

While funding by government already reduces cost to parents significantly, the system relies on co-funding from parents by way of fees and other payments. There are different government fees assistance programmes that have developed over time to support tamariki to attend ECE, and parents to work, train or study.

The two main targeted programmes that help families with fees are the Childcare Subsidy (CCS) and FamilyBoost. These programmes operate alongside the 20 Hours ECE subsidy, which helps reduce the cost of ECE for children aged 3 to 5.

Some ECE services also use government funding and other sources of income to reduce fees for families. As a result, the affordability of ECE can vary depending on the service attended and the circumstances of individual families.

CCS is a longstanding scheme administered by the Ministry of Social Development (MSD). To be eligible, parents or caregivers must earn less than an amount determined by the number

of children in the family. A primary objective of the CCS is to enable parental employment, study or training, and the amount of fees assistance provided is subject to an activity test⁶. In general, parents who are not working or studying can receive up to nine hours a week of CCS, while those who are working or studying can receive up to fifty hours.

CCS payments are made directly to ECE providers after attendance has occurred, up to a maximum hourly amount. Families pay any remaining fees. If a family's circumstances change, such as a reduction in work or study hours, and this is not reflected in their CCS entitlement straight away, adjustments may be required later. This can result in families owing money to their ECE provider.

FamilyBoost was introduced in July 2024 to provide targeted cost-of-living support for families with children in ECE and is administered by Inland Revenue Department (IRD). Parents pay fees to their ECE provider and then apply to IRD every three months for a proportion (up to 40 percent of fees charged) to be paid back to them by the government, up to a maximum of \$1,560 each quarter. Families claim FamilyBoost for the remaining ECE fees invoiced after CCS and 20 Hours ECE are applied.

To be eligible for FamilyBoost, households must earn less than \$57,286 every quarter (equivalent to \$229,100 a year). The amount of fees that can be claimed back reduces for households that earn more than \$35,000 a quarter (equivalent to \$140,000 a year)⁷. Unlike CCS, FamilyBoost does not vary depending on whether parents are working, studying or in training. Recent figures indicate that around 58 percent of households who receive FamilyBoost receive the full 40 percent rebate, with the remainder receiving a lower percentage.

Both schemes are effective in reducing ECE costs for whānau that receive support. In October 2025, for families receiving the CCS the average weekly cost of fees paid by parents reduced from \$141 to \$34 a week. For families claiming the FamilyBoost rebate the average weekly cost of fees paid by parents for the quarter ending September 2025 reduced from \$141 to \$100 a week.

However, many families who could receive CCS or FamilyBoost do not use these schemes. Analysis suggests that more than 65,000 families who could receive CCS (based solely on their income) do not receive any assistance. In addition, less than half of potentially eligible whānau took up the FamilyBoost rebate in its first nine months. Changes to the scheme took effect from July 2025 to extend eligibility and improve take-up.

We heard that CCS eligibility and rules can be challenging for families. For example, if a parent has fluctuating work hours or income, or changes the number of hours their child attends ECE, they may need to repay some CCS funds, which can lead to debt, financial hardship and significant stress.

Parents who are re-entering the workforce can face challenges in organising their work, securing an ECE place, and accessing fees assistance simultaneously. Whānau experiencing literacy or numeracy, language or digital access barriers may find it particularly difficult to apply for and

6 MSD also administers two very tightly targeted childcare assistance subsidies: the Early Learning Payment is available to around 1100 FamilyStart participants and spends less than \$10 million per year; and Guaranteed Childcare Assistance Payment is paid to under 200 families of young parents.

7 To put this in context, the average annual gross household income in the year ended June 2025 was \$139,111. StatsNZ data indicates that about 83 percent of families with pre-school aged children earn up to \$200,000 per year, meaning a significant proportion of all families with young children are eligible for a FamilyBoost rebate.

maintain access to fees assistance.

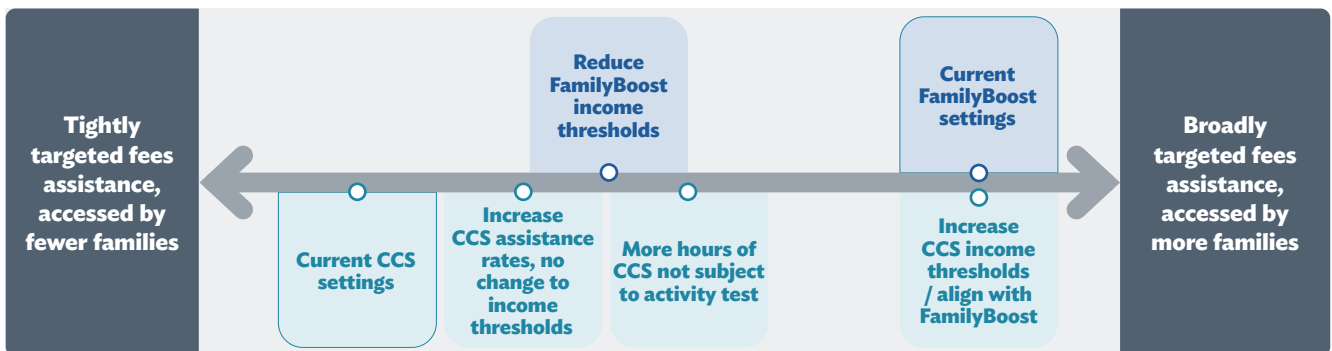
Some providers described adopting low-fee or fees-free as their philosophy and commitment to accessibility and participation. The ability to maintain low-fee or fee-free models can depend on access to targeted funding, alternative funding sources, organisational scale, shared services, and the underlying cost structure of the service. In some instances, not charging fees or keeping them very low may negatively impact on services' ability to deliver quality services and stay viable.

Whānau may choose to attend services that are free or have very low fees, rather than engage with more complex subsidy and rebate processes. This may affect participation and service choice across the sector.

What changes could be made?

Changes could be made to fees assistance. Potential areas for change include eligibility requirements, processes for receiving assistance, and/or the amount of assistance provided.

The range of possible options the MAG has identified for consideration are shown below, alongside existing settings. These options aren't mutually exclusive - some could be combined in a redesigned CCS or within a more integrated approach to fees assistance.



**The spectrum is intended for illustrative purposes only and does not represent exact relativities between the options.*

What might these possible changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE providers and workforce	Effects on children, whānau and communities
<p>2a. Reduce the frequency of CCS income and activity assessment from weekly to monthly or quarterly.</p>	<p>People eligible to receive CCS must provide information on their weekly income and work (or study) hours. Many families have irregular or unpredictable work patterns, and frequent re-assessments can lead to volatile entitlement changes, overpayments and debt.</p> <p>More flexible settings would reduce barriers to ECE access by providing continuity of support even as hours and income fluctuates.</p>	<p>Providers would receive more continuous funding support.</p>	<p>Greater stability of fee assistance would allow families to more confidently enrol children without the risk of incurring fee-related debt.</p> <p>Children may then be more likely to attend ECE.</p>
<p>2b. Change eligibility criteria for CCS to provide more base hours families can access. For example, increase the number of hours that are not activity tested from nine to 20-30 hours a week. This option would primarily benefit children aged 0-2 years as they are unable to access 20 Hours ECE.</p>	<p>Disadvantaged children benefit significantly from ECE, and many of these children are in families with low-work intensity. These same children have much higher barriers to participation in ECE due to affordability.</p> <p>Inflexible access to ECE while not in work or training is also a barrier to parents seeking work.</p>	<p>Providers would receive more government funding and may experience increased demand for ECE from low-income families.</p>	<p>Some families would be able to access fees assistance for more hours of ECE, resulting in improved access and higher overall participation by children in these households.</p> <p>Parents who want to work more or transition from study would find it easier.</p>

<p>2c. Increase the amount of CCS fees assistance some families can claim.</p>	<p>Current rates of fees assistance have not kept up with inflation and do not cover the full cost of ECE for many families, with most families who receive CCS still paying some fees even when their household income is low.</p>	<p>Providers would receive more government funding and may experience increased demand for ECE from low-income families.</p> <p>As fee supports improve for low-income families, some providers may increase fees to capture this increased support.</p>	<p>ECE affordability would improve for low-income families.</p> <p>Parents may be more likely to enrol their child in ECE, or to increase the hours they are enrolled, with positive benefits for children, and parental employment.</p>
<p>2d. Change or align income thresholds for CCS and FamilyBoost, for example CCS thresholds could be raised and/or FamilyBoost thresholds lowered.</p>	<p>FamilyBoost and CCS have different income thresholds at which fees assistance begins to reduce. This means higher income families can access FamilyBoost but not CCS, raising questions about who should receive fees assistance. A more consistent approach to fees assistance could improve affordability by providing more support to those most in need.</p>	<p>Greater system consistency means providers are more able to help families access assistance.</p> <p>Noting CCS is paid directly to providers while FamilyBoost is a retrospective rebate to families, providers are likely to prefer CCS.</p>	<p>Some higher income families receiving FamilyBoost may receive less.</p> <p>Some lower income families may receive increased fees assistance, improving ECE affordability and lowering barriers to participation.</p>

<p>2e. Integrate fees assistance into a new, single scheme, designed to be simple and effective as the primary mechanism to reduce affordability barriers to access and participation in ECE.</p>	<p>Having two schemes that provide fees assistance with different rules and different processes, creates complexity which may be confusing for families and onerous for providers.</p> <p>A single, simpler fees assistance scheme would reduce barriers to access and better target support for those who need it most.</p>	<p>Reduced complexity will enable providers to better support families to access fees assistance.</p>	<p>A new scheme would be designed to make it easier for families where affordability is a barrier, to access and maintain fees assistance to support ECE participation.</p>
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The cost of changes to fees assistance varies across the options identified above. Some, such as reducing the frequency of the parental income and activity assessment period and increasing the number of non-activity tested CCS hours, are likely to have only small to modest additional costs. Others, such as increasing the amount of fees assistance that can be claimed, would cost more depending on the specific changes.

Changes to the income threshold for FamilyBoost and/or CCS, or bringing the two schemes into closer alignment (or full integration) could potentially result in savings that could be reallocated to target fees assistance more tightly or increase the funding available in other parts of the ECE funding system.

Questions: Fees assistance for families

1. The MAG found that fees assistance has developed over time to include different schemes to support different families and policy objectives. In your opinion, with the current settings in mind, should the main sources of fees assistance (MSDs Childcare Subsidy and IR's FamilyBoost) be:
 - » more tightly targeted to a small group of those most in need
 - » more broadly targeted to a wider group of the general population
 - » about the same as they are currently
2. What other changes, if any, would you like to see to fees assistance to families; and would you make any amendments to the options presented in this document?
3. To what extent do you support/oppose the following options:
 - » Option 2a - reduce the frequency of CCS income and activity assessment from weekly to monthly or quarterly
 - » Option 2b - change eligibility criteria for CCS to provide more base hours for low-income families. For example, increase non-activity tested hours from 9 to 20-30 hours a week.
 - » Option 2c - increase the amount of CCS fees assistance some families can claim
 - » Option 2d - change / align income thresholds for CCS and FamilyBoost
 - » Option 2e - integrate fees assistance for CCS and FamilyBoost
 - » Do not change this setting
4. Please explain your main reasons for supporting or opposing the options for fees assistance to families, and the effects / impacts you expect to result.

We want to hear your views – please complete our survey here:
[ECE Funding Review Survey](#)

Funding component: Universal funding subsidies

Universal subsidies are the government's main mechanism for supporting ECE for tamariki, with funding helping to contribute to supply meeting demand at a cost accessible to parents. However, we heard the way this funding is delivered could be improved. For example, the current system may restrict parents from accessing more government funded hours, or fail to adequately reflect the needs of some service models, such as home-based providers.

Funded hours

How this works now

Under current settings, ECE services can claim government funding for up to six hours per day and a maximum of 30 hours per week. For children aged 3-5 years, up to 20 of these hours per week are funded through the 20 hours ECE policy at a higher funding rate. These 20 hours are also subject to the current six-hour daily cap. For non-20 Hours ECE funding, the daily and weekly caps apply to each licensed place in a centre; for 20 Hours ECE they apply to individual children.

The cost to providers of delivering additional hours of ECE must be met from overall revenue sources, including parent fees. We have heard these caps can make it harder for services to offer flexible hours that are affordable for families, may favour particular operating models, and can make it more difficult for parents to balance their employment and their children's care. The daily caps also mean that some children may receive less than 20 Hours ECE if they attend for more than six hours a day, but for three days or fewer per week.

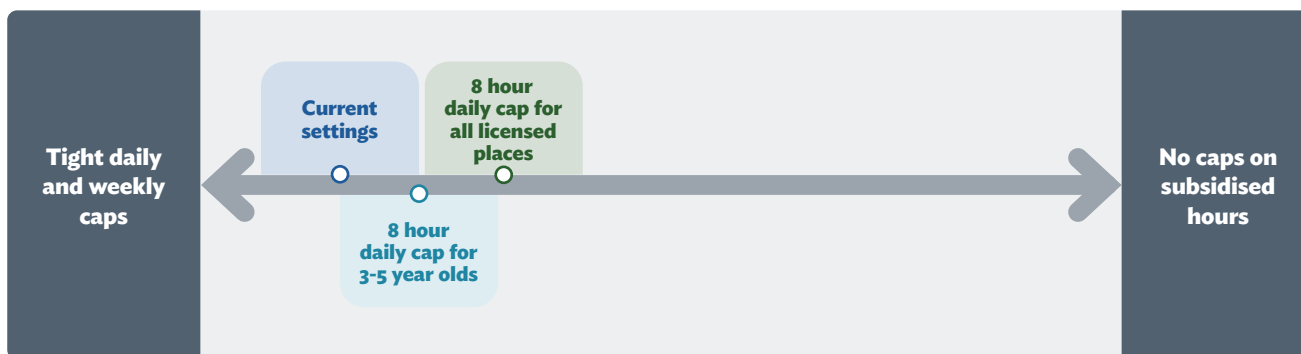
Feedback from services, parents and employers also suggests the current rules are more complex than needed. Rules are confusing and may prevent parents from realising the full benefit of 20 Hours ECE.

What changes could be made?

Potential options for change in this area could include extending the daily six-hour limit for 20 Hours ECE and/or increase the daily hours where ECE subsidies are available. This would result in services being able to claim more funded hours for many enrolled children. The MAG recognises that any changes to 20 Hours ECE will require careful consideration, as they could reduce the hours services can charge fees for and affect revenue, and hence viability. Changes may need to consider the level of funding or rules for 20 Hours ECE as there is evidence that the funding has not kept pace with the cost of delivery.

Currently, funded hours for the ECE subsidy are linked to child places (which can be used by more than one child), whereas the 20 Hours ECE funded hours are linked directly to individual children. An option for change could be to simplify rules by linking all daily and weekly limits on subsidised hours to individual children.

Moving to a single, individual child-focused approach to allocating funded hours also strengthen the connection between funding and children, creating a clearer and more consistent entitlement. This approach may require parents to attest to how they choose to use their funded hours to help limit over-claiming (similar to the current 20 hours ECE). We would be interested in feedback on how any practical challenges this approach may create for services or families, and how these could be addressed if this option were implemented.



**The spectrum is intended for illustrative purposes only and does not represent exact relativities between the options.*

What might these possible changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE providers and workforce	Effects on children, whānau, and communities
3a. Extend current daily caps from six to eight hours for 20 Hours ECE.	Parents who enrol their 3- to 5-year-old child in ECE for longer hours but fewer days to support their work schedules are not currently able to access the full benefit of the 20 Hours ECE policy.	<p>Providers may experience greater demand for 20 Hours ECE places, across fewer days. Some services (e.g. kindergartens) may adapt their models to offer more than six hours per day.</p> <p>Funding rates may need to reduce proportionately, putting pressure on provider viability as they won't be able to charge fees for these hours.</p>	<p>Parents of 3- to 5-year-olds, who attend more than six hours ECE per day over one to three days per week may experience lower fees.</p> <p>Fees for children outside of the 20 Hours ECE scheme may go up. This may be more noticeable for families who do not receive fee assistance or attend services not eligible for targeted funding. The change may induce provider behaviour that makes it harder for some families to access shorter days.</p>

<p>3b. Extend current daily caps from six to eight hours for the general (30 hours) ECE subsidy; retaining current child-place funding.</p>	<p>Parents who enrol their child in ECE for longer hours but fewer days to support their work schedules do not currently receive general ECE subsidy for all longer hours.</p>	<p>Effects will depend on a service's current capacity. Unlike 20 Hours ECE funding, the ECE subsidy is tied to child places rather than individual children. As a result, only providers that are not operating at full capacity, that is using all available funded hours for child places, will see an increase in funding. Funding rates may need to reduce proportionately to the overall increase in funded hours.</p>	<p>Depending on the capacity of the service a child attends, parents who opt for longer days of ECE over one to three days per week may be able to access a greater proportion of their hours part funded by general ECE subsidy funding, which may result in lower out-of-pocket fees. These benefits would apply to children aged 0-5. The change may induce provider behaviour that makes it harder for some families to access shorter days.</p>
<p>3c. Change funded hours of ECE subsidy to be based on individual children rather than child places (can be layered with either option above).</p>	<p>20 hours ECE and the ECE subsidy are currently distributed differently, creating system complexity.</p>	<p>Providers may experience greater demand for part-week places. Funding rates may need to reduce proportionately to the overall increase in funded hours. There could be administrative implications involving attestation associated with this option.</p>	<p>Parents who opt for longer days of ECE over one to three days per week would have hours part funded by general ECE subsidy funding. This may result in more affordable ECE if not outweighed by higher fees. These benefits would apply to all tamariki under five-years-old. Parents who enrol children closer to full-time (five days per week) would receive less benefit from the change and may face increased overall fees.</p>

All three of these options expand universal funding for all tamariki and would need funding to be shifted from other areas of ECE. The highest additional cost would come from combining extended daily hours of ECE subsidy with funding linked to individual children. Extended daily caps for children aged two and under based on current rules would be less costly. The cost of the option to increase daily caps for 20 Hours ECE would depend on any changes to funding rules or levels used to support the change. However, some services may find changes to 20 hours ECE difficult to implement as it would further limit the fees they can charge.

Questions: Changing universal funding settings

Funded hour settings

5. What other changes, if any, would you like to see to funded hour settings; and would you make any amendments to the options presented in this document?
6. To what extent do you support/oppose the options to change funded hour settings:
 - » Option 3a - increase maximum funded daily hours of provision for 20 Hours ECE to eight per day (from six)
 - » Option 3b - increase maximum funded daily hours of provision for all ECE to eight per day (from six)
 - » Option 3c - change funded hours to be based on children not child-places
 - » Do not change this setting
7. Please explain your main reasons for supporting or opposing the options for caps on funded hours each day, and the effects / impacts you expect to result.

We want to hear your views – please complete our survey here:
[ECE Funding Review Survey](#)

Funding approach for home-based care services

How this works now

When educators provide ECE to individual or small numbers of children (up to four) in their own home, or in the home of one of the children, this is termed home-based care. These home-based services must meet regulatory requirements, including supervision of educators by a person responsible who is a certificated teacher - often called coordinators or visiting teachers. Individual in-home educators are grouped together under a licence held by a service provider, which is responsible for ensuring the in-home education and care services comply with regulations and licensing criteria.

Government funding for home-based care goes to the service provider that employs the person responsible. Educators are contracted or employed by families or providers, and parent fees are generally paid directly to the educator. In some cases, some 20 Hours ECE funding may be passed on to the educator, reducing the fees paid by parents of 3- to 5-year-olds.

There are around 240 licensed home-based services, with a median licence size of 60 child places. The home-based sector is largely made up of small to medium operators, with 49 percent of service providers holding one to three licences. There are only five service providers that operate more than 10 licences. Just under 10,000 children were enrolled with a home-based provider in 2025 (around five percent of all ECE enrolments).

Some parents prefer the small group sizes of home-based care, and the flexibility it provides, including non-standard hours. The MAG understands that almost all of government funding goes to providers and not to educators if employed directly by parents and families. This means the affordability of home-based care varies, depending on what individual educators choose to charge. In some locations, home-based care can be a higher cost option for parents. People told us this can prevent them using home-based care.

Licensed home-based services offer child safety and learning and development benefits. If these services are unaffordable, parents who want a home-based environment or need flexibility may use unregulated providers. No data is available to reveal the extent of this possible unintended effect.

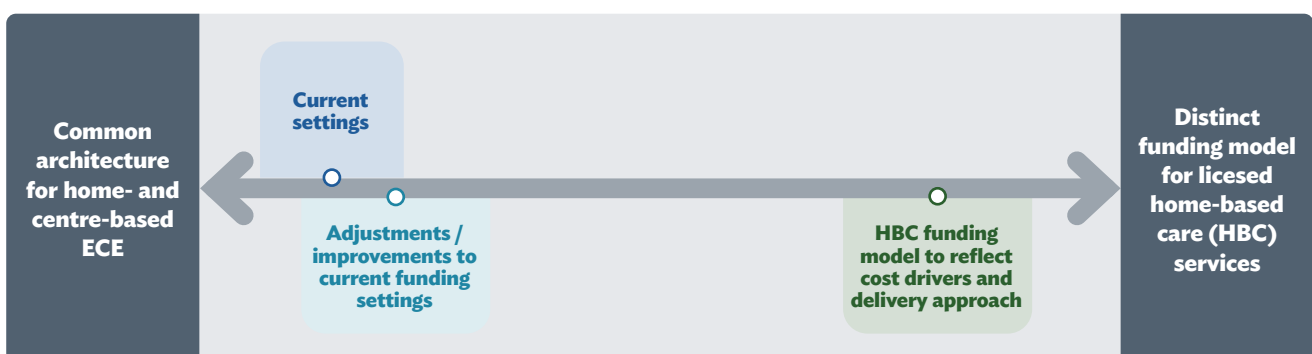
The current ECE funding system was designed for centre-based services, raising questions about how well it supports the home-based care sector.

What changes could be made?

There are options for change to funding for home-based care.

Firstly, adjustments and improvements could be made to the current settings, while retaining the common funding approach across centre- and home-based ECE services. For example, the options for changes outlined in other sections (e.g. targeted funding, funding for isolated services, caps on funded hours) could be applied to home-based services.

Alternatively, consideration could be given to shifting to a more distinct funding model for home-based care, better designed to take account of the cost drivers and delivery approach for this form of ECE. More detailed work would be needed to determine the features of a home-based care funding model, but it could, for example, take account of the number of educators and key input costs of home-based care providers, as well as child attendance. It could also take affordability considerations into account.



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Any fiscal implications of moving to a different funding model for home-based care, would depend on the design of the model.

Separate to our work to review the ECE funding system, the Ministry of Education is working with the home-based sector on regulatory changes in response to recent recommendations by the Ministry for Regulation⁸. Both funding and regulation need to work well if there is to be a sustainable licensed home-based care sector. The MAG will receive updates on the work on regulatory settings, including any proposed changes.

Questions: Changing universal funding settings

Funding approach for home-based care services

- › What other changes, if any, would you like to see to funding for home-based ECE; and would you make any amendments to the options presented in this document?
- › To what extent do you support/oppose the options to combine similar targeted funding streams:
 - » Option 3d - make adjustments or improvements within current funding systems for home-based ECE
 - » Option 3e - a new funding system for home-based ECE to recognise differences from centre-based ECE
 - » Do not change this setting
- › Please explain your main reasons for supporting or opposing the options for funding for home-based ECE, and the effects / impacts you expect to result.
- › What other changes, if any, would you like to see to universal funding settings; and would you make any amendments to the options presented in this document?

We want to hear your views – please complete our survey here:
[ECE Funding Review Survey](#)

8 The Ministry for Regulation's report and recommendations can be found here: <https://www.regulation.govt.nz/assets/Publication-Documents/Regulatory-Review-of-Early-Childhood-Education-full-report-v2.pdf>

Funding component: Certificated teacher funding bands

How this works now

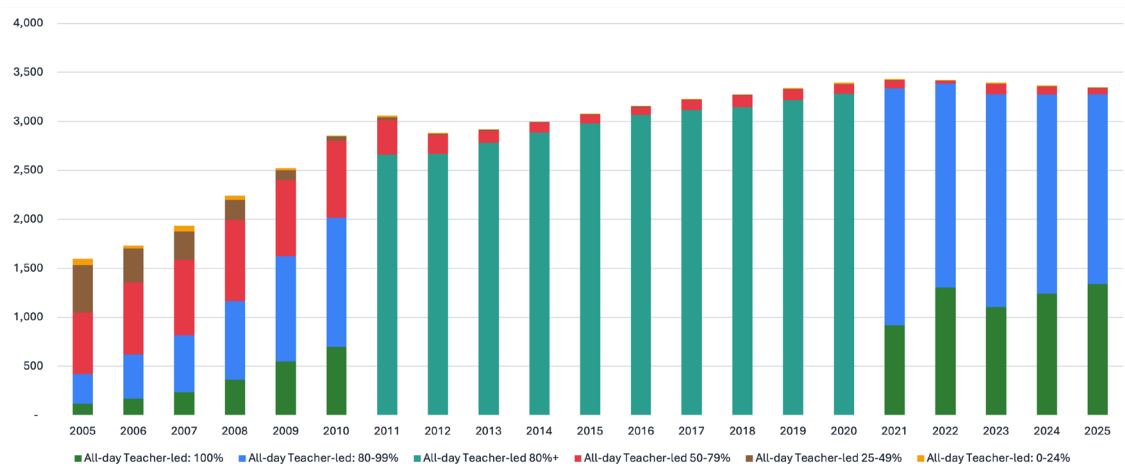
Certificated teacher funding bands were introduced in 2004 to incentivise ECE services to increase the proportion of certificated teachers (qualified teachers holding practising certificates) working with children.

Services with higher proportions of certificated teachers (qualified teachers holding a practicing certificate) working directly with children receive higher rates of funding. This reflects evidence linking higher proportions of certificated teachers to better learning and care experiences for children.

There are five bands, based on the proportion of certificated teachers working in contact with children and on required ratios: 0-24 percent, 25-49 percent, 50-79 percent, 80-99 percent and 100 percent. The amounts paid per hour in each band differ depending on the type of provider, and for 20 Hours ECE funding.

Over time, most education and care centres have moved into the highest two bands, indicating a growing proportion of certificated teachers in the workforce. In 2024, only 3 percent of services were in the 50-79 percent band (Figure 5), with very small numbers in the bands below this.

Figure 5: Number of all-day education and care centres and kindergartens in each certificated teacher funding band



Note: the funding system was changed in 2010 to replace the top two bands with a single 80+ percent band. From 2021, the 80-99 percent and 100 percent bands were re-introduced.

While this policy has contributed to higher qualification levels across the workforce, people told us about challenges with the current settings. Higher funding incentives attached to the top certificated teacher bands can intensify competition for qualified teachers, particularly in areas where services can pay for these – for example through parent fees or other revenue sources.

Some services, including bilingual and immersion services, and services in smaller or isolated communities, can find it more difficult to attract and retain certificated teachers. This can make it harder for them to achieve higher proportions of certificated teachers and may contribute to

an uneven distribution of certificated teachers across the sector.

We heard from services that non-certificated teachers can bring skills and knowledge that enables them to deliver ECE that reflects the culture, language and context of the children and communities they serve. Employing these kaimahi can mean providers may not qualify for higher funding rates.

Some services also reported concerns that funding settings requiring certificated teachers to spend a very high proportion of their time in contact with children can reduce flexibility. Activities that support overall quality, such as professional development, coaching, mentoring, planning, cultural leadership, and curriculum development can be affected. Some people suggested the funding system could better recognise the important activities that occur away from direct contact with children as part of teaching responsibilities.

We received varied views on certificated teacher funding bands. Some people suggested that changes to the certificated teacher funding bands could help address the challenges identified above, while others emphasised the importance of maintaining strong incentives for the employment of certificated teachers to support ECE quality.

Research literature identifies qualified teachers as an important contributor to quality; however, it does not provide clear guidance on the optimal proportion of certificated teachers required to achieve high-quality outcomes, or whether there is a point at which further increases provide diminishing benefits.

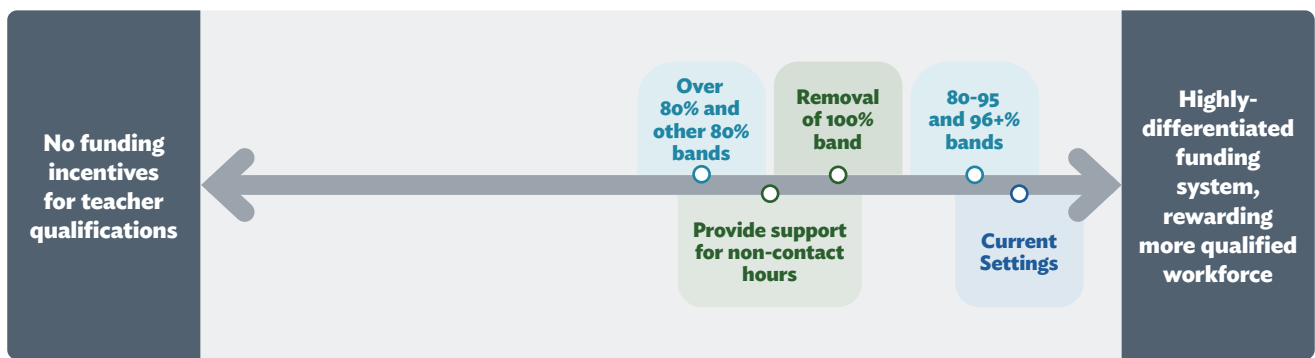
We also heard that high-quality ECE is influenced by a broader range of factors. Some people said high-quality ECE is influenced by the overall capability of the teaching team, including leadership, experience, cultural knowledge, relationships and professional support. People also highlighted the contribution that experienced and capable non-certificated staff make.

What changes could be made?

Changes to funding band settings could create opportunities for different workforce models and may enable funding to be directed towards other aspects of quality ECE (such as professional learning and development), or to support improvements in access, equity, participation and inclusion.

Different approaches to the certificated teacher funding bands would affect how funding is distributed across different service types, and the level of funding individual services receive. Over time, significant changes to funding band settings could influence employer behaviour and workforce composition. The nature and extent of changes would depend on the design of the funding settings and the workforce decisions made by individual services. For example, many kindergartens operate with a fully certificated teaching workforce and therefore receive funding at the highest band. Changes to these settings could have a more significant impact on their funding and operating model than on some other services.

The MAG considers quality, including a strong and qualified workforce, to be one of the foundations of the ECE system. This document therefore presents options that retain meaningful incentives for services to attract, achieve, and maintain high levels of certificated teachers. At the same time, we recognise there may be different ways to support these objectives.



**The spectrum is intended for illustrative purposes only and does not represent exact relativities between the options.*

What might these possible changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE providers and workforce	Effects on children, whānau, and communities
4a. Adjust the boundaries of the top two funding bands (currently 80-99 percent and 100 percent) so that they sit at 80-95 percent and 96 percent plus, but retain the existing 80-99 percent and 100 percent funding rates.	The current top band (100 percent) has almost no flexibility to allow for situations where certificated teachers fall below 100 percent on any given day. This limits the flexibility to deploy teachers in ways that could further enhance quality ECE.	Strengthens incentives for providers to achieve greater than 80 percent certificated teachers. Gives providers and certificated teachers in services operating close to 100 percent greater flexibility to undertake non-classroom activities that support quality ECE (e.g. mentoring, planning, professional learning and development).	The effects on the quality of ECE provided to children is uncertain as there is a lack of evidence to indicate the additional quality effects of shifting from high (80-95 percent) to very high (more than 96 percent) proportions of certificated teachers. Where quality does improve, this is likely to be beneficial to children .

<p>4b. Remove the 100 percent rate but retain the other bands and rates.</p>	<p>The current approach can drive unintended consequences for services seeking to remain in the 100 percent band, including increased reliance on short-term relivers and reduced opportunities for professional development and planning.</p>	<p>Would have a significant impact on the revenue of the providers operating in the 100 percent band (about 78 percent of kindergartens and a third of education and care services). These services may need to change the way they operate or to increase fees to maintain 100 percent certificated staffing. Would therefore need to be phased in, to allow services and teachers time to adjust.</p>	<p>Communities that value a 100 percent rate may need to pay higher fees to enable local services to offer this.</p> <p>Could reduce children's engagement with certificated ECE teachers (for those services at 100 percent).</p>
<p>4c. Reduce the number of certificated teacher funding bands to two: one for services with more than 80 percent of their teachers qualified, and another for those with less than 80 percent qualified.</p>	<p>The current approach creates unnecessary complexity and cost pressures for providers. It can also have unintended consequences as services attempt to remain in top funding bands.</p>	<p>Reduced complexity of current funding bands, including removing lower bands used by few providers. Could enable simpler record-keeping and funding rules.</p> <p>Funding implications for providers depend on where funding rates are set; changes most likely to affect providers operating in current top bands.</p> <p>Over time, it's likely almost all providers would be eligible for the more than 80 percent+ funding band (only about three percent below this currently).</p>	<p>This may benefit children in services where diverse ECE staffing is important for providing ECE that addresses their language, culture and additional needs.</p>

<p>4d. Change the way of assessing whether a service has met the 80 percent threshold.</p> <p>This option could be combined with other possible options identified above.</p>	<p>The current approach is complex, with high compliance costs (e.g. 15-minute staff hour counts).</p> <p>Non-contact hours are not prioritised in the current settings, despite being critical to quality teaching and learning.</p>	<p>Increased flexibility for providers to deploy certificated teachers in ways that contribute to quality ECE, including more time undertaking activities such as professional development and mentoring.</p> <p>Likely to reduce record-keeping and funding rules.</p> <p>Financial impacts will depend on where funding rates are set, but most likely to affect the revenue of providers operating in the current top bands.</p>	<p>Allowing greater flexibility for PLD and other non-contact activities (e.g. planning, mentorship) could improve quality and thereby benefit children.</p> <p>However, it could also reduce children's day-to-day engagement with certificated ECE teachers, particularly in services currently at 100 percent.</p>
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Each of these options has quite different cost implications. Adjusting the boundaries of the top two funding bands would require a small amount of additional funding. Simplifying the system to two bands (less than 80 percent, and 80 percent and above) and removing the 100 percent rate but retaining other certificated teacher funding bands both achieve savings of around \$50 million a year, which could be reinvested elsewhere in ECE.

Changing the approach to assessing how thresholds are met may increase government costs over time, as a greater number of providers would become eligible for the highest funding band. Savings would be needed from somewhere else in the system, or subsidy rates would need to be adjusted.

Questions: simplifying teacher funding bands

- › What other changes, if any, would you like to see to the current certificated teacher funding bands; and would you make any amendments to the options presented in this document?
- › To what extent do you support/oppose the following options:
 - » Option 4a - adjust the boundaries of the top two funding bands (currently 80-99 percent and 100 percent) so that they sit at 80-95 percent and 96 percent plus, but retain the existing 80-99 percent and 100 percent funding rates
 - » option 4b - remove the 100 percent funding band rate but retain the other bands
 - » option 4c - reduce the number of certificated teacher funding bands to two (under 80 percent certificated teachers, and 80 percent and above certificated teachers)
 - » option 4d - change the way of assessing whether a service has met the 80 percent threshold
 - » Do not change this setting
- › Please explain your main reasons for supporting or opposing the options, and the effects / impacts you expect to result.

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Funding component: Funding for teacher pay and progression

How this works now

The current funding system has two main mechanisms that influence teacher pay. Both are supported by significant government funding to enable providers to provide higher pay for teachers.

The first is distinct funding arrangements for kindergartens. Kindergarten teachers are defined in legislation as being part of the education service workforce.⁹ Because of this, the Public Service Commissioner has a statutory role in negotiating collective employment agreements with kindergarten teacher union representatives, on behalf of the 27 Kindergarten Associations who own and operate around 669 kindergartens across the country.

Since 2006, the Kindergarten Teachers, Head Teachers and Senior Teachers' Collective Agreement (KTCA) has included provisions linking kindergarten teacher pay rates to those of primary school teachers. Government subsidy rates for kindergartens take account of, and are regularly adjusted, to reflect these agreements.

The second mechanism influencing teacher pay is the pay parity opt-in scheme. This was introduced in 2022 to provide higher funding for education and care services to pay certificated teachers according to minimum salary scales against eleven pay steps, originally based on the pay bands in the KTCA. The scheme aimed to provide the same pay conditions of certificated teachers in similar roles across teacher-led centre-based ECE services. The scheme requires that certificated teachers in education and care services automatically progress up a pay step when they have completed 2080 paid hours of work, provided they are assessed by their service as meeting relevant Teaching Council standards. This progression continues until the teacher reaches the highest pay step in the funding band their service is eligible for.

The opt-in scheme has been amended since late 2023 in response to implementation, affordability, and operational sustainability challenges identified by both the government of the day and the sector. The two key changes are:

- › The full pay parity scale was frozen at rates in the December 2023 KTCA pay scale, despite three KTCA increases since then. As a result, the pay parity rates are now lower than current kindergarten teacher pay rates.
- › Since October 2024, only permanently employed teachers in services that have opted in to the scheme are paid at pay parity rates. Previously, any certificated teacher working in the service was required to be paid in keeping with the relevant pay steps.

Additionally, a two-year moratorium since July 2025 prevents movement to higher pay parity funding rates for the Full and Extended Parity opt-in schemes.

As described above, due to the cost of maintaining parity of pay steps with the KTCA, the Government of the day made the decision to freeze the full pay parity pay scale required to be paid at the 1 December 2023 KTCA pay scale. The Government considered it was not affordable at the time to continue to commit to pay parity and pass on the full settlement

9 In the education service, the government is not the direct employer of staff but negotiates with staff and their representatives over pay and conditions on behalf of employers. Kindergartens were first made part of the education service in 1948, and apart from a short period between 1990 and 1993, have remained in the education service since then.

to education and care services. The Ministry of Education consulted with the ECE sector in 2023 on potential changes to the pay parity opt in scheme. This consultation did not result in agreement on a clear way forward, which highlights the challenging nature of change in this area at the nexus of funding, employment and industrial relations.

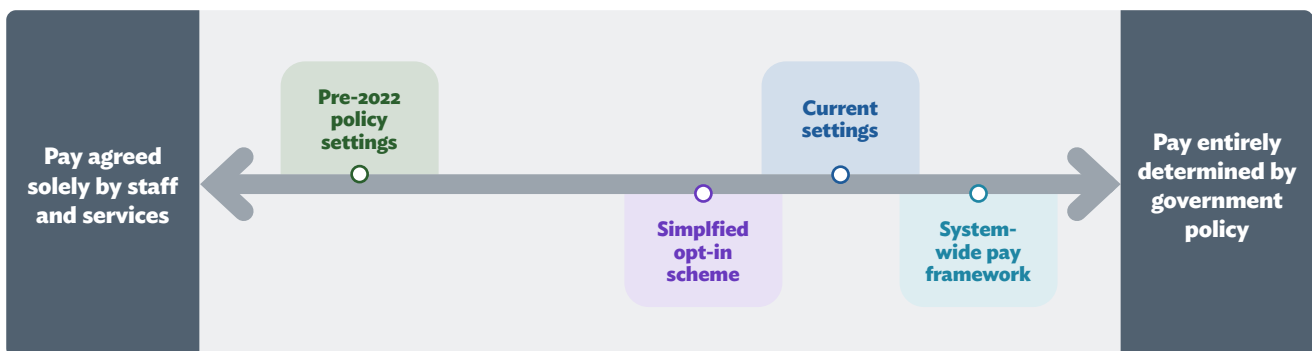
Through our engagement we have heard broad support for the intent of the scheme and acknowledgement of benefits including improved pay consistency across parts of the sector, and reduced staff turnover in some services.

We also heard a range of concerns from both providers and the workforce that aspects of the scheme may have created undesirable consequences. These included pressure on some services' financial sustainability and in some cases, fee-costs to families. Significant complexity and administrative burden, reduced flexibility in workforce management, disincentives to employ highly experienced teachers, downward pressure on wages for the unqualified ECE workforce, and constraints on ability to reward people for performance or additional responsibilities were also noted.

What changes could be made?

This feedback, considered alongside the successive changes made to the opt-in scheme since its introduction, reinforce the need to consider whether the current settings remain the most effective and sustainable approach for the future. Changes to existing settings related to teacher pay could also create opportunities to simplify the system, lower the cost of provision (with benefits for affordability), free up resources to support other ECE funding system changes, and provide greater flexibility for staff and services to negotiate pay that recognises performance and responsibilities.

In considering any future changes, we recognise the need to balance workforce sustainability, affordability for the government, services and families, and equitable outcomes for children and families. To support discussion, we outline three illustrative examples of alternative approaches. These examples are intended to demonstrate a range of options and do not represent preferred approaches. We welcome feedback on these options, as well as any other suggested approaches.



**The spectrum is intended for illustrative purposes only and does not represent exact relativities between the options.*

At one end of a change spectrum, an option would be to revert to the funding policy settings that applied prior to the introduction of the pay parity opt-in scheme in 2022. Under this option, the distinct arrangements for kindergartens would remain in place. For other teacher-led services, government funding would support minimum salary requirements for certificated teachers entering the profession, while employers and employees would have flexibility to

negotiate remuneration, progression, and employment conditions.

An alternative would be to retain the opt-in scheme that applies to education and care centres but simplify its scope and operation. This might include, for example: retaining some of the lower pay steps, while allowing greater flexibility for employers and employees to negotiate remuneration and conditions for leadership, specialist, and management positions; and modifying the current progression requirements so progression is not solely based on completing a prescribed number of paid hours.

At the other end of the spectrum, the opt-in scheme could be entirely replaced. A new pay and progression scheme or framework could be designed to apply more broadly across the sector, potentially including those parts of the teaching workforce who are not certificated teachers. Amongst the important design choices that would need to be made with this approach are: whether the scheme should be mandatory or 'opt-in'; whether the scheme should include kindergartens (or if they should retain their distinct arrangements¹⁰); and how pay progression and leadership and specialist pathways should be recognised. Any future framework would also need to successfully balance workforce sustainability, affordability and flexibility across different service types.



10 It is important to note that the MAG does not have a mandate to recommend changes to industrial relations legislation or to collective bargaining arrangements. However, the MAG's Terms of Reference require consideration of how funding settings support the objectives of the ECE system. In undertaking this work, we may identify situations where legislative or regulatory changes could be necessary to enable or support changes to the funding system. Where relevant, we may provide advice to the Minister on these interactions and their implications.

What might these possible changes mean for those in the ECE sector?

Change	Rationale	Effects on ECE providers and workforce	Effects on children, whānau, and communities
5a. Pre-2022 policy settings. Retain existing kindergarten settings	Retains minimum salary protections for newly certificated teachers while providing greater flexibility for employers and kaiako to negotiate pay and conditions for experienced, specialist and leadership roles. Reflects the funding approach that existed prior to the introduction of the pay parity opt-in scheme in 2022.	<p>May reduce administrative complexity and compliance costs for some services and provide greater flexibility in workforce management and remuneration.</p> <p>Greater flexibility for services may reduce cost pressures in some settings.</p> <p>Could result in greater variation in teacher pay and progression across the sector, with potential workforce implications for some services and teachers (e.g. attracting and retaining teachers).</p>	<p>Financial impacts on families differ by service type and how services respond to changes in funding and workforce costs.</p> <p>Changes to workforce stability or quality could affect family experiences differently (either positively or negatively) depending on provider responses.</p>

<p>5b. Simplified version of current scheme. Retain existing kindergarten settings</p>	<p>Retains the current pay parity framework while simplifying aspects of its operation and reducing administrative complexity. Could maintain minimum salary expectations for some pay steps while allowing greater flexibility for progression and leadership roles.</p>	<p>Could improve flexibility for services and reduce some unintended consequences associated with the current scheme, including workforce compression and administrative burden.</p> <p>May continue to support workforce attraction and retention while allowing more differentiation for experienced and specialist kaiako. Impacts would depend on the detailed design of the simplified model.</p>	<p>Tamariki may experience greater workforce stability and continuity as a result of teacher retention.</p> <p>The effect on fees and affordability for families would depend on funding settings and how services implement any changes.</p>
<p>5c. System-wide framework, potentially across all certificated teachers regardless of employer, and/or the entire ECE workforce (including kindergartens)</p>	<p>Explores a broader sector-wide approach to teacher pay and progression that could apply more consistently across different ECE service types. Could create greater alignment in workforce expectations, progression pathways and funding settings across the sector.</p>	<p>Could support greater consistency in pay and career progression across the ECE workforce and create clearer pathways for kaiako, including those not currently eligible for registration as a teacher.</p> <p>Depending on design, it could also create significant implementation, funding and industrial relations challenges, particularly for services operating under existing distinct arrangements.</p>	<p>This option would involve significant change and is likely to involve transition arrangements. This could create uncertainty for providers, the ECE workforce and families.</p> <p>Implications for providers, ECE staff, and families would depend on detailed design of the approach and which types of services it covers.</p>

The three alternatives outlined above have different cost implications. Options that remove or simplify the scheme could create opportunities to reconsider how funding is allocated. For example, some or all the current funding associated with the pay parity scheme could be used to support alternative approaches to teacher pay and progression.

However, changes to the specific funding provided to participating services for teacher pay

purposes would have effects. Depending on how individual services respond,

Questions: Government support for a sustainable ECE workforce

- › What other changes, if any, would you like to see to government support for a sustainable ECE workforce; and would you make any amendments to the options presented in this document?
- › To what extent do you support/oppose the following options:
 - » option 5a - return funding for teacher pay and progression to pre-2022 policy settings
 - » option 5b - create a simplified version of the current opt-in scheme for pay parity
 - » option 5c - create a broader system wide framework for teacher pay and progression that is consistently applied across service types
 - » Do not change this setting
- › Please explain your main reasons for supporting or opposing the options for change, and the effects / impacts you expect to result.
 - » If Option 5c (to create a system wide framework for teacher pay and progression that is consistently applied across service types) progresses, then:
 - » Should the new framework be mandatory (rather than 'opt-in'?)
 - » Should the new framework include kindergartens (or kindergarten distinct arrangements remain)?
- › Please explain your main reasons for supporting or opposing the choices within option 5c, and the effects / impacts you expect to result.

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Changes to funding levels may place pressure on operating budgets and could result in changes to workforce practices, service delivery, or fee levels. For example, some services may seek to maintain existing pay settings by increasing parent fees or identifying savings in other areas.

Conversely, options that expand or strengthen support for teacher pay and progression may require additional government investment or funding reallocated from elsewhere.

The impacts of any future approach would depend on its detailed design, implementation arrangements, and the extent to which existing funding is retained, reprioritised, or supplemented.

Funding system component: Better information and system transparency

A problem identified earlier in this consultation document was the lack of reliable information to support informed decisions by whānau and the government. This makes it difficult for families to make good choices about what ECE is best for them, and for government to understand the potential benefits of any additional investment or re-allocation of existing funding. This can make it difficult to assess whether government investment is being directed in the most effective way and achieving the intended outcomes for children, families and communities.

Information for whānau

A key gap in information for whānau relates to fee schedules. While providers are required to disclose fee information to enrolled families, fee schedules are not readily available to parents and caregivers when they are comparing ECE options. This means families need to contact services directly or attend visits before obtaining detailed information about fees, optional charges, and enrolment requirements. This can make it difficult and time-consuming for whānau to make informed decisions about ECE.

Whānau can also lack easy access to information on key aspects of the system, such as fees assistance and ERO reports that provide information about the quality of services. Our engagement and other evidence confirm that many families are unaware of the assistance that's available or that they're eligible for, with implications for their ECE and employment decisions.

What changes could be made?

Requiring ECE providers to publish their fee schedules online is one option to increase transparency to families. As fees are often structured very differently across services, publication would increase transparency but would not make it much easier for parents to compare between services. Therefore, we are also interested in hearing your ideas for how to make it easier for parents to make informed comparisons across services, including fees.

Another way to improve transparency could be to create a webpage that brings together key information currently held by the government in a single, accessible location for families. This could include the services available in their community, contact details, the date and findings of recent ERO reviews, and fees assistance available for families. It could link to key information including online fees assistance calculators. We are interested in feedback on these ideas, their workability, and how they could affect you in practice.

Better information on adult to child ratios

Many services and whānau told us they would like to see more adults working with children in ECE services.

However, Ministry of Education data shows that, on average, services already operate with more staff than the minimum ratios required by regulation. This may be because services tend to staff for anticipated attendance levels (not actual attendance levels which can be materially lower at any given time), or services employ staff at higher than regulated minimums as a quality factor

they choose for their service.

What changes could be made?

We considered whether additional funding incentives could encourage even lower adult-to-child ratios. However, we concluded that such incentives would likely be unaffordable for a fiscally neutral review, may have limited impact in practice, and could create additional workforce pressures for services.

Another option would be to collect, and publish, better information on actual ratios, in addition to the information collected once per year through the ECE Census. The possible design of this collection would be subject to consultation feedback. Better, richer information on ratios would allow the government to make better-informed policy decisions in the future, and support parent choice about ECE. We are interested in feedback on if you support this idea and how it could be operationalised in practice.

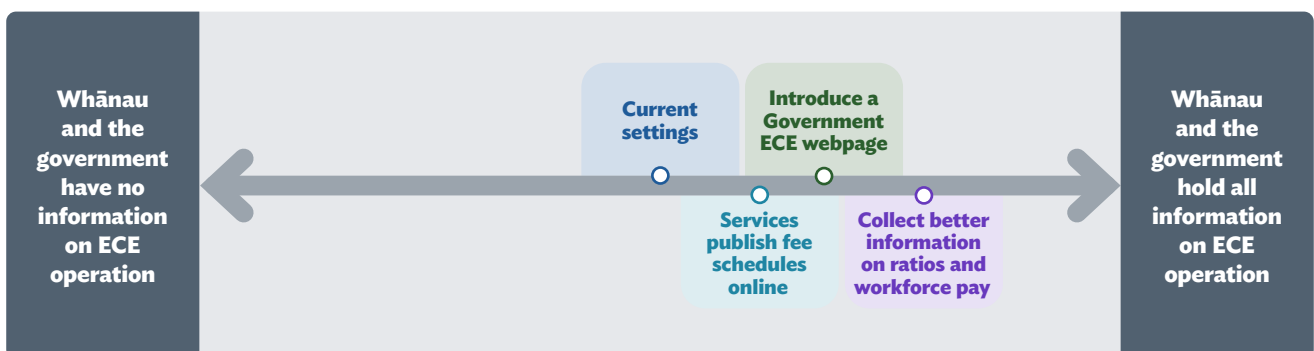
Better information on pay of the ECE workforce

Workforce costs are the largest operating cost for most ECE services, typically making up between 70 and 90 percent of total costs. However, government currently has limited information about workforce costs and pay levels across the sector, which makes it hard to assess the impact of changes to ECE funding policy on staff and services.

What changes could be made?

Some people have suggested that collecting additional information about workforce costs and pay rates could help improve understanding of how funding changes affect services, teachers, and other staff. Any information collected would need to protect individual privacy and would likely be reported in aggregated form rather than at an individual service level.

Provision of such data could, for example, inform changes to pay-related policies, as well as contributing to an enhanced understanding of cost pressures faced by services. We are interested in feedback on whether additional workforce cost and pay information should be collected, and how this could be done in a way that balances transparency, usefulness, and privacy.



**The spectrum is intended for illustrative purposes only and does not represent exact relativities between the options.*

What might these possible changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE workforce and services	Effects on children, whānau, and communities
6a Require ECE providers to publish their fee schedules online	Parents find it difficult to access ECE fee schedules, and to compare prices across different services.	Providers may have added compliance and cost burden associated with publishing and updating their fee schedules online.	Parents can more easily access and compare fee information for ECE services.
6b Introduce a webpage that brings together key ECE information currently held by the government (e.g. overview of ECE options, information on fees assistance, link to ERO website)	Some families are unaware of the information they can access to help them understand and access ECE services and assistance.	Minimal effects on providers under this option.	Parents can more easily access key information to help inform their ECE choices, including which services they select and the additional supports available to them.
6c Collect better information about adult-to-child ratios	Current ratio data is only collected once per year through the ECE Census.	Providers may have added compliance and cost burden associated with collecting better information about adult-to-child ratios.	Ratios are a key quality input to support children in ECE. Better, richer information on ratios would allow the government to make better-informed policy decisions in this area.

<p>6d Collect better information about ECE workforce pay</p>	<p>The Government does not currently hold up to date information on the ECE workforce.</p>	<p>Provision of such data could support conversations about changes to workforce pay related policies, as well as contributing to an enhanced understanding of cost pressures facing services.</p> <p>Providers may have added compliance and cost burden associated with collecting better information about workforce pay.</p>	<p>Not directly impacted, but supporting a sustainable ECE workforce may have impacts on the structural quality children experience at ECE.</p>
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Better information, more generally

There may also be opportunities to collect information from services more frequently than through the annual ECE Census. One option could be to use information already held in student management systems.

Before any such approach was introduced, further work would be needed to understand the costs, benefits, privacy implications, and how to ensure the information collected is accurate and reliable.

Questions: better information and system transparency

- › What other changes, if any, would you like to see to provide for better information system transparency; and would you make any amendments to the options presented in this document?
 - » To what extent do you support/oppose the following options:
 - » Option 6a - require ECE providers to publish their fee schedules online
 - » Option 6b - introduce a webpage that brings together key ECE information currently held by the government
 - » Option 6c - collect better information about adult-to-child ratios
 - » Option 6d - collect better information about ECE workforce pay
 - » Do not change this setting
- › Please explain your main reasons for supporting or opposing the options for change, and the effects / impacts you expect to result.

We want to hear your views – please complete our survey here:
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Other potential areas of change

There are several additional areas we will continue to explore. In general, they relate to opportunities to modernise, simplify, and improve the operation of the funding system, including use of digital tools, improved information, and streamlined administrative processes, including in relation to absences.

We heard that the ECE funding system has many rules and requirements, creating a compliance burden for services and parents. Generally, these rules and requirements ensure that providers receive the right level of funding for the services they are delivering. Nevertheless, we think there are opportunities to adjust these rules to make them easier to comply with, while still supporting accurate funding and robust accountability.

The following examples highlight potential areas where funding processes and administrative arrangements could be modernised or improved. We are interested in feedback on the potential benefits, risks, and practical implications of these ideas.

What might these changes mean for those in the ECE sector?

Option	Rationale	Effects on ECE workforce and services	Effects on children, whānau, and communities
7a. Streamline reporting on targeted funding (e.g. consistent timing and reporting format).	At present there are different reporting requirements for different types of targeted funding. Providers are not always clear what information they need to provide. Information isn't always in a form that is easily analysed.	Reporting by providers would be simpler and clearer.	No direct impacts.
7b Provide the option of monthly payment of funding to ECE services.	The Ministry of Education currently pays services on a 4-monthly payment cycle. This can lead to large fluctuations in revenue, particularly over holiday periods when services have reduced hours or attendance. This can be particularly challenging for smaller services.	For some providers , more frequent payments would smooth cashflow and help them meet ongoing fixed costs.	No direct impacts.
7c. Simplify requirements and processes related to attendance and absence (e.g. forms and verification).	The amount and frequency of information services have to ask parents to provide can be onerous for both parties. Many services also require parents to physically sign forms. There is scope for more use of electronic / digital documentation, and to reduce the amount of information from parents, while still ensuring key information is provided for funding, regulatory and health and safety purposes.	Reduced administrative burden for providers .	Reduced paperwork for parents .

<p>7d. Simpler and more consistent requirements for provision of annual financial information by ECE providers to government</p>	<p>Currently, ECE providers must provide the Ministry of Education with copies of their audited financial reports, with the type of financial report differing depending on ownership structure (community-based or private).</p> <p>In some cases, audited financial reports are also required by other agencies (e.g. the Charities Commission in the case of not-for-profit ECE providers). While audited financial reports can help identify risks (e.g. non-compliance, fraud) there are other ways to achieve this (e.g. information-sharing across agencies, or other risk assessment approaches).</p>	<p>Providers may not need to prepare separate audited financial reports specifically for the Ministry of Education.</p>	<p>No direct impacts.</p>
<p>7e Investigate (in collaboration with key stakeholders) the challenges faced by hospital-based services</p>	<p>Hospital-based services are currently funded the same as education and care services. This may not be appropriate given their operating model and the unique role they play in the system.</p>	<p>Indicates further work is required, impacts cannot be identified at this stage.</p>	<p>Indicates further work is required, impacts cannot be identified at this stage.</p>

Questions: modernise, simplify, and improve the operation of the ECE funding system

- ▶ What other changes, if any, would you like to see to modernise, simplify or improve funding processes and administrative; and would you make any amendments to the options presented in this document?
- ▶ To what extent do you support/oppose the following options:
 - » Option 7a - streamline reporting on targeted funding
 - » Option 7b – provide the option of monthly payment of funding to ECE services
 - » Option 7c - simplify requirements and processes related to attendance and absence (e.g. forms and verification)
 - » Option 7d - simpler and more consistent requirements regarding the provision of annual financial information by ECE providers to government
 - » Option 7e - investigate (in collaboration with key stakeholders) the challenges faced by hospital-based services
 - » Do not change this setting
- ▶ Please explain your main reasons for supporting or opposing the options for change, and the effects / impacts you expect to result.

We want to hear your views – please complete our survey here:
[ECE Funding Review Survey](#)

Summary questions

- › After reading all the proposed areas for change, are there any areas, or options within them, that stand out to you that you either strongly support or strongly oppose? Please explain your reasons
- › The consultation document presents seven potential areas for change to the ECE funding system, and potential options within each area. Please go to our feedback survey and rank the following areas for change in order of priority (1 being highest priority and 7 being the lowest priority).
 - » Rebalance targeted funding to services, to better support the needs of specific children, families, communities, or government priorities.
 - » Changing the approach to fees assistance to help families struggling with affordability, to meet the cost of ECE.
 - » Changing universal funding settings such as the number of hours funded by the government each day, and the funding approach for home-based services.
 - » Simplifying and creating greater flexibility around funding bands linked to teacher qualification levels, while continuing to encourage qualified staffing.
 - » Changing the ways in which government supports a sustainable ECE workforce.
 - » Strengthening information and reporting requirements to improve transparency around things like fees, staffing, ratios and use of public funding.
 - » Changes to better use digital tools, improved information, and streamlined administrative processes to modernise, simplify, and improve the operation of the ECE funding system.
- › Based on your involvement in ECE, to what extent do you agree with the impacts identified for the areas of change you would prioritise most highly?
- › Please identify any significant impacts of these areas of change that you believe are not identified for those changes.
- › Is there anything else about ECE funding, that we haven't directly asked, you would like to tell us about?

Where to from here

We have developed this consultation document to share our thinking to date. The areas for change and options reflect our work as a group so far, including the valuable information and insights we received through engagement.

We have not yet made any decisions on the recommendations we will provide in our final report, as we intend to use consultation feedback to shape our decisions going forward.

We want to hear what whānau, communities, and others involved in ECE think about these options, including how they might be impacted, and where you think we should make adjustments. We need your feedback by 6 August.

You can provide your feedback in several ways.

- › There is an online survey that can be used to respond to the questions in this document, and additional more specific questions about how the potential options for change would affect them and the children, families and communities they serve
[ECE Funding Review Survey](#)
- › You can send us a written response ECE.FundingReview@education.govt.nz
- › We will be holding online hui to help key stakeholders understand the possible effects of options [Consultation on early childhood education funding system - Ministry of Education](#)

After consultation closes, we will review the feedback we receive and consider it alongside research, modelling, survey results, and advice from government agencies. We will use this information to develop our final recommendations to government by the end of the year.

This work will include considering how different options affect children, families, communities, services, and the ECE workforce, as well as how potential changes could be implemented within the requirement for overall government spending to remain fiscally neutral.

We are committed to developing practical recommendations that support a more equitable and sustainable ECE funding system. We look forward to hearing your views.

Appendix

We have received and considered information and advice on a range of topics, including:

- › the structure of the early childhood education (ECE) sector, including different types of services
- › the effects of current funding settings on service viability, affordability for parents, and administrative and accountability requirements
- › ECE regulations: how regulatory requirements affect services and their operation
- › the purpose and distribution of targeted and equity funding
- › previous funding changes, earlier reviews, and changes that were or were not implemented
- › links between fee assistance provided by different agencies, including uptake and eligibility across funding streams
- › comparisons between ECE funding in New Zealand and international approaches
- › how funding and other factors affect the quality of ECE services
- › the design and effect of pay parity and teacher pay settings on ECE services
- › evidence on the relationship between ECE participation and outcomes for children, including attendance and Before School Check data
- › analysis of data and evidence to support the development of problem definitions and response options
- › options for change while considering fiscal constraints, legislative settings and relevant policy frameworks.

We also commissioned further advice, external research, surveys, data requests and modelling, including:

- › the costs of providing ECE for different types of services
- › potential demand for ECE and 'unmet demand'
- › how ECE funding settings affect parents, employers and ECE workforce
- › the financial impacts of a range of possible options for different service types and the people who use them.

To provide for transparency and information to people interested in ECE, we will continue to release the materials we have received and commissioned in bundles as we complete each phase of work. All materials released to date are on our website here: [Ministerial Advisory Group funding system review information releases - Ministry of Education](#).

The materials we have released may have minor redactions consistent with the provisions of the Official Information Act 1982, which can be found here: [Official Information Act 1982 | New Zealand Legislation](#).



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Te Kāwanatanga o Aotearoa