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Equity and Targeted Funding

In December the MAG considered an initial paper: "*Initial Overview of Equity and Targeted Funding*", which provided the information we'd gathered at that point on the small and discreet equity and targeted funds available in ECE.

The attached two papers complete the task of providing the information initially requested by the MAG:

- *Equity and Targeted Funding: Synthesis*
- *Overview of Equity and Targeted Funding: Paper 2*

The MAG has previously received separate papers on the larger universal and targeted funding streams—including ECE Subsidies, the Childcare Subsidy, Family Boost, and 20 Hours ECE. Whilst these funds have not been included in this report on Equity and Targeted Funding, we note it is important to consider all of the mechanisms available to address equity and other targeting when developing options for a future system.

Paper 1 – Equity and Targeted Funding: Synthesis

This paper serves as a high-level summary of our key findings. It outlines several possible principles the MAG may wish to adopt to guide future design decisions and presents a range of options for consideration. It concludes with general implementation considerations that may be helpful as the Group continues its work.

For the purposes of this advice, we are not addressing the split between universal and targeted funding. Instead, the intent is to consolidate insights from the key papers the Group has received to date that relate specifically to targeted and equity funding settings. However, for any changes to funding settings to be most effective, the universal-targeted split (or overall quantum made available for equity and targeted funding) should obviously be considered.

Paper 2 – Overview of Equity and Targeted Funding

This supporting paper covers the remaining detailed information requested by the Group, building from the December 2025 meeting where the paper *Initial Overview of Equity and Targeted Funding* was presented. We examine how equity and targeted funds are operating in practice across the system, including service characteristics of who receives equity funding and the impacts and issues associated with each fund.

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Equity and Targeted Funding

Synthesis

9(2)(a)

20 February 2026

Te Kāwanatanga o Aotearoa
New Zealand Government

Papers presented on Targeted Funding to MAG to date

- Overview of Ministry of Education-Administered ECE Funding (July 2025)
- Overview of Targeted Funding Typologies (Oct 2025)
- Initial Overview of Equity and Targeted Funding (Dec 2025)
- Enhancing Participation, Affordability and Sustainability Synthesis (Jan 2026)
- Information and Data Synthesis on Targeted Funding and Promoting Equitable Outcomes (Jan 2026)
- Information and Data Synthesis on system complexity and creating simplicity (Jan 2026)
- Overview of Equity and Targeted Funding: Paper 2 (Feb 2026)

Strengths and Weaknesses of Current System

Strengths	Weaknesses	Additional Considerations
• Differentiated service types including bilingual/immersion • Recognising language through Waha Rumaki and PITA • Funding supports that supports families as well as services • Flexibility in use of funds within a range of agreed parameters	• Lack of coherent system design • Decrease in purchasing power of funds over time • Increased complexity and administrative burden • Inconsistent and inefficient allocation mechanisms • Insufficient evidence and measurement	• Interactions with out-of-scope funding (e.g. learning support, PLD, Playcentre and Kōhanga Reo) • Policy trade-offs (e.g. equity, efficiency, certainty, simplicity and flexibility)

Setting principles for intentional redesign

If equity and targeting remain features, the MAG may wish to apply clear principles to guide future design decisions. These could include:

- **Integrated Overall System Design**
- **Set Clear Priorities that are Reviewed Regularly**
- **Accessible and Efficient System**
- **Modern and Consistent Targeted Funding Allocation**
- **Evidence-based and Outcome-focused**
- **Intentional Design that Recognises Policy Trade-offs**

Note: to maximise impact, the level of targeted funding should be reviewed as it is only a small fraction of the Government's total spend on ECE.

Array of Potential Options

Maintain Status Quo	Consolidation	Improved Mechanisms	Emphasise Priority Groups	Full Reset
Changes limited to redistribution across funds	Consolidate and simplify range of funds	Updated allocation mechanisms, stronger evaluation	Select which groups to prioritise targeted funding	Replace current system with a new model

All options, including combinations, could be considered alongside the proportion of universal and targeting funding

Array of Potential Options

Maintain Status Quo

In this example changes may be limited to redistribution across funds to improve value and impact, but keeps current funding parameters in place

Potential Pros:

- Improve value and impact where needed, reduce scale of underutilised funds
- Easy to implement and maintains familiarity
- Low disruption for services, programme providers and the Ministry

Potential Cons:

- Doesn't address broader issues with system e.g. overall coherence, unnecessary complexity, allocation mechanism issues, evaluation
- Risks spreading funds too thinly with limited impacts
- Doesn't allow for a reset or inclusion of new priorities

Array of Potential Options

Consolidation

Consolidate and simplify range of funds. Retire some existing programmes, merge similar programmes into a consolidated funds

Potential Pros:

- Reduces overlap, simplifies, keeps key objectives of current system
- Improved coherence and a clearer purposes for each consolidated fund
- Easier to manage and evaluate a lower range of funds

Potential Cons:

- Doesn't consider establishing new programmes or use of funding
- Continues to use outdated allocation mechanisms
- May restrict use of funding for services/providers that have been supporting broader parameters

Array of Potential Options

Improved Allocation Mechanisms

Updated allocation mechanisms and stronger evaluation through changing the design features for funding (e.g. basis for eligibility, broad or narrow parameters for use)

Potential Pros:

- Targeted using up-dated data, better positioned to adapt to changing demographics and contexts
- Could direct funding to highest need based on evidence
- Familiar funding streams for services and providers

Potential Cons:

- Some services that have been reliant on targeted funding will no longer be eligible
- Doesn't address underlying unnecessary complexity and duplication
- Doesn't allow for a reset or inclusion of new priorities

Array of Potential Options

Emphasise Priority Groups

Prioritise for selected groups (e.g. low SES, language based, age), with priorities reviewed regularly to align with government direction.

Potential Pros:

- Large impact for any selected priority groups, boost of funding where needed
- Concentrates resources to achieve meaningful change
- Regular review aligned with government goals, using a narrower set of objectives

Potential Cons:

- Other areas may receive less supports, potentially underfunding emerging needs
- Requires government to regularly reset priorities alongside ongoing evaluation; new priorities may have limited data to set allocation mechanisms
- Less flexibility for services and providers to set own priorities areas for spending

Array of Potential Options

Full reset

Replace current system with a new model e.g. proportionate universalism and/or amending the full range of funds into a Social Investment Approach

Potential Pros:

- Creates a modern system coherence by removing legacy and overlapping schemes
- Simplifies administration for services, providers and the Ministry
- Ensures targeting uses modern, consistent, evidence-based mechanisms

Potential Cons:

- Requires large scale design, modelling and transition impact studies
- System rebuilds are expensive and require time, capability and extensive engagement
- Significant disruption expected for services, providers, and their communities
- Higher risks of unintended consequences through implementing a new system

Implementation Considerations

The following factors may need consideration in implementing any options

- Transition stages and/or bridging funding
- Impact studies/modelling depending on scale of change
- Lead in time, including design and implementation
- Existing contracts
- Engagement on change

To maximise impact, the overall scale of targeted funding (currently 3% of Government's total ECE spend) should be addressed.

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He mea tārai e mātou te mātauranga
kia rangatira ai, kia mana taurite ai ōna huanga.

We shape an education system that delivers
equitable and excellent outcomes.

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2025 Early Childhood Education Funding Review Ministerial Advisory Group

Overview of ECE Equity and Targeted Funding: Paper 2

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Introduction

Our previous paper, *Initial Overview of Equity and Targeted Funding*, provided the Ministerial Advisory Group (MAG) with a summary of the small, discrete targeted and equity funds that support access to, and participation in, Early Childhood Education. It focused on descriptive information about each fund, their purposes, and how they sit within the wider system of universal and targeted funding. That paper was intended to support clarity and comparison across initiatives and to identify similarities, differences, and potential gaps.

This second paper builds on that foundation by examining how the small targeted and equity funds are being used in practice and the issues emerging across the suite of funds. It responds to the remaining elements of the Group's commissioning by drawing on existing accountability, monitoring, and administrative data held by the Ministry of Education and the Ministry of Social Development. While it does not repeat the comparative table included in Paper One, it uses that information as a baseline for deeper analysis. The MAG has previously received separate papers about the largest universal and targeted funds including the ECE subsidies, the Childcare Subsidy, Family Boost and 20 hours ECE, and these are not discussed in this paper.

The purpose of targeted funding

Targeted funding allows public funding to be directed to areas where it is likely to achieve the greatest impact and value for money. It recognises that families do not start from the same baseline and that achieving comparable outcomes across the population requires an equity-focused approach rather than a uniform one.

Both MSD and MoE use targeting to achieve equity, but they are targeting different things. MoE targets disadvantage in the education system; whereas MSD targets barriers to participation in work, education and training.

Complexity and policy trade-offs

The complexity associated with targeting should not be interpreted as a failure; rather, it is an inherent feature of directing ECE funding to those with the greatest need. Effective targeting requires the system to address challenging questions:

- Who counts as "most in need"?
  Targeting requires clarity about which groups face the most significant barriers or are experiencing the poorest outcomes.
- What barriers or outcomes are being prioritised?
  Decisions must identify whether the focus is on participation, affordability, child development, labour market outcomes, or a combination of these.
- At what point in time?
  Need is not static. Families move in and out of hardship, employment, and periods of crisis.
- For what purpose?
  The objectives of targeting must be clearly defined for example to improve participation, affordability, child development, labour supply, or a combination of these goals.

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Each of these choices introduces rules, thresholds, and exceptions. The more precisely policy tries to direct support to *actual need*, the more information it must gather and update — and the more complex the system becomes. This is also needed for fairness and fiscal responsibility of government funds.

Targeting creates inherent trade-offs between equity, certainty, simplicity, efficiency and flexibility. Systems must balance supporting those most in need (equity), providing stable and predictable funding (certainty), maintaining administrative processes that are easy to use (simplicity), ensuring resources are used effectively (efficiency) and allowing settings to adapt to changing circumstances (flexibility). It is generally not possible to maximise all these principles at once, requiring deliberate choices about where compromises are made.

How this paper is structured

The funds discussed in this paper are structured in three sections. The first section focuses on equity and targeted funding received by ECE services from MoE. It explores the characteristics of services that receive this funding and how equity and targeted funding compares with their overall Ministry of Education funding. This section considers the role of equity and targeted funding as levers to reduce persistent disparities in participation and outcomes, including funding aimed at addressing socioeconomic disadvantage, geographic isolation, language and cultural provision, and support for puna reo.

The second section examines discrete participation focused funds from MoE, setting out their overarching purposes, the different participation barriers they are intended to address, and what is known about their effectiveness. This section includes an overview of available data on how these funds are being used and discusses issues related to the current delivery of these programmes.

The third section summarises targeted funds administered by the Ministry of Social Development. It outlines the differences in the purposes and targeting approaches of the funds, as well as issues identified and potential opportunities for improvement.

This paper does not include analysis of the key themes and options. The key themes were identified in *Initial Overview of Equity and Targeted Funding,* and these are analysed further in the presentation *ECE Equity and Targeted Funding: Synthesis*.

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Targeted funding for services

This section provides an overview of how equity funding compares with total subsidies across different service types, followed by more detailed data and examining the impacts and issues associated with each fund. It concludes with an outline of how Equity Funding (Components A–D) and TFFD are distributed across service types. The funding streams are broken down by overall purpose – providing supports to address socioeconomic need, language and isolation.

Proportion of equity funding received by service characteristics

Targeted funding makes up about 3% of the Ministry's total operational funding, but some services receive a greater proportion of equity and targeted funding than others. For the 2024/25 financial year, equity funding (including Targeted Funding For Disadvantage – TFFD) accounted for more than 11% of total funding for Hospital-based services and Kōhanga Reo, and between 7.9 and 8.9% for the other four language-based services (**Error! Reference source not found.**). Any changes to equity funding settings will therefore affect these service types to a greater extent given their higher reliance on targeted funding as a share of overall Ministry funding.

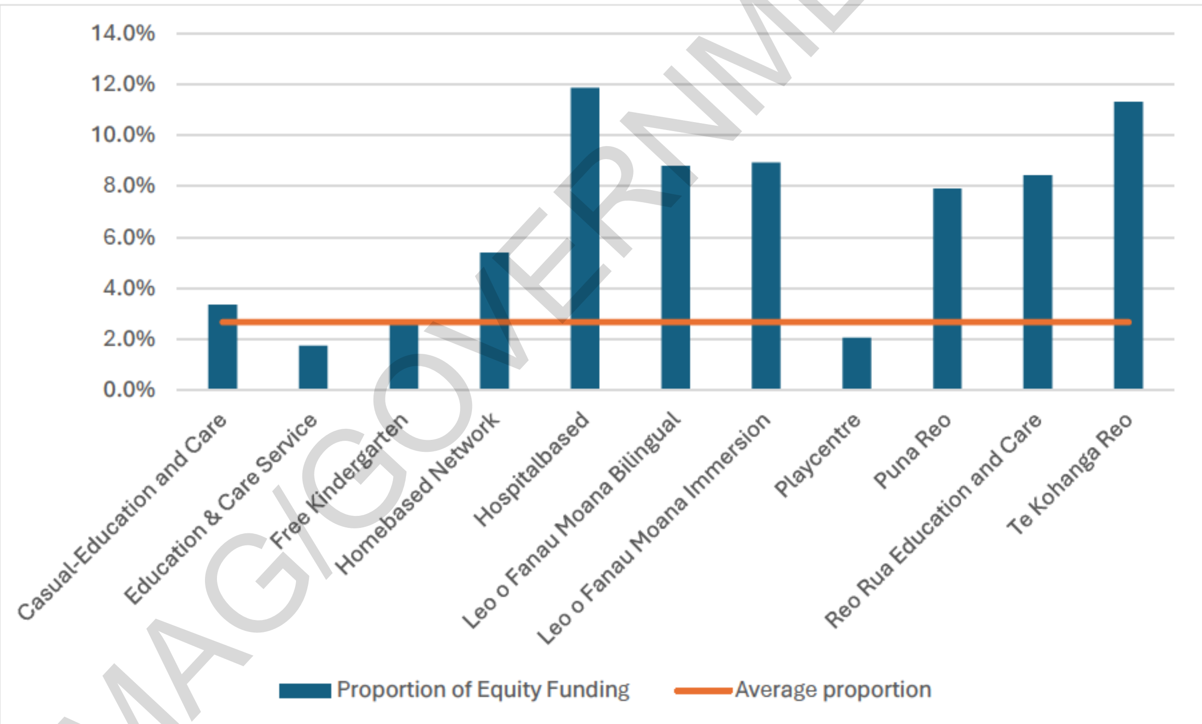

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Figure 1. Equity funding as a proportion of total funding by Service Type for FY2024/25.[1] Equity funding consists of all Equity components and TFFD[2]. Total Funding includes the equity components, TFFD, as well as general subsidies (20 hours, under 2, and over 2) and PITA and Waha Rumaki.

Equity funding currently makes up a much smaller percentage of funding for Education and Care services (1.7%) than other service types. This low percentage may reflect to some extent the higher proportion of large service sizes within Education and Care, and the lower proportion of Education and Care services with an Equity Index of EQI 1 (**Error! Reference source not f ound.**).

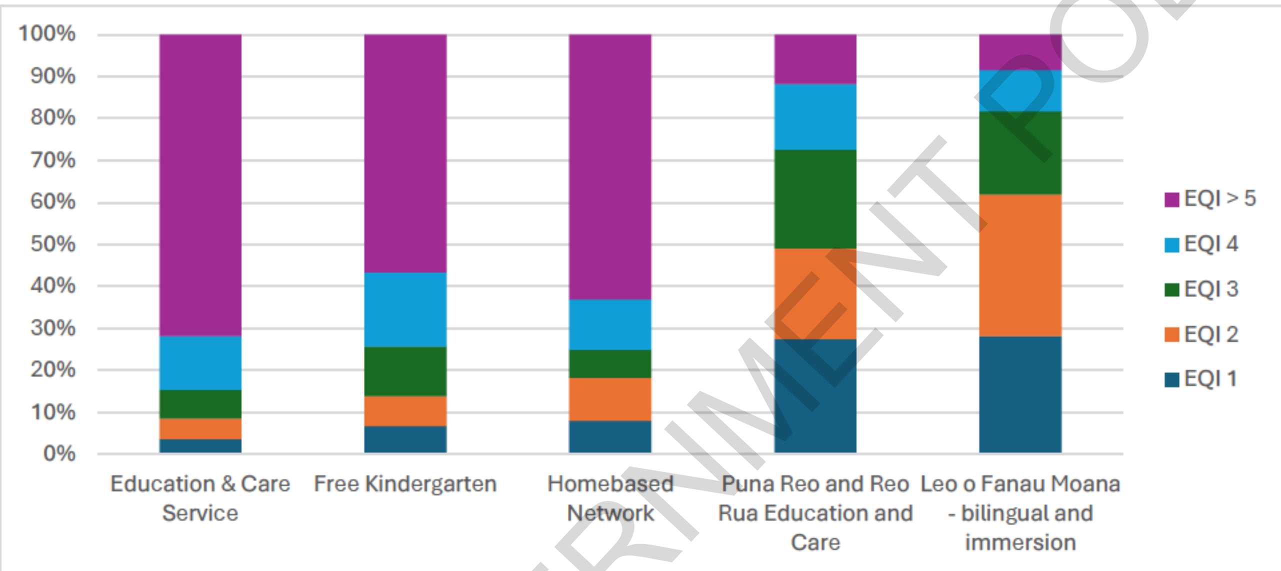

Figure 2. Proportion of Services in each EQI by Service Type, October 2025. Counts of services sourced from October 2025 ECE directory downloaded from Education Counts, using the current index. Low EQI score relates to greater level of socio-economic barriers.

Equity funding accounts for larger proportion of Ministry funding for smaller services (licenced up to 30 spaces) than for larger services (**Error! Reference source not found.**). Small services a lso typically have less capacity to absorb cost pressures, as fixed operating costs are spread across fewer children, resulting in lower per-child revenue relative to costs. In contrast, larger providers benefit from economies of scale and more diverse revenue, which can help mitigate funding volatility.

[1] Data calculated on amounts exclusive of GST. Figures differ from actual expenditure published elsewhere due to this data only including services that participated in the 2025 ECE Census. Additionally, changes between the two systems partway through the year (Pourato and Edumis) may lead to some differences.

[2] We have excluded ATIS from our analysis as this only relates to approximately 25 playcentres. ATIS can make up a significant proportion of funding for some of these playcentres.

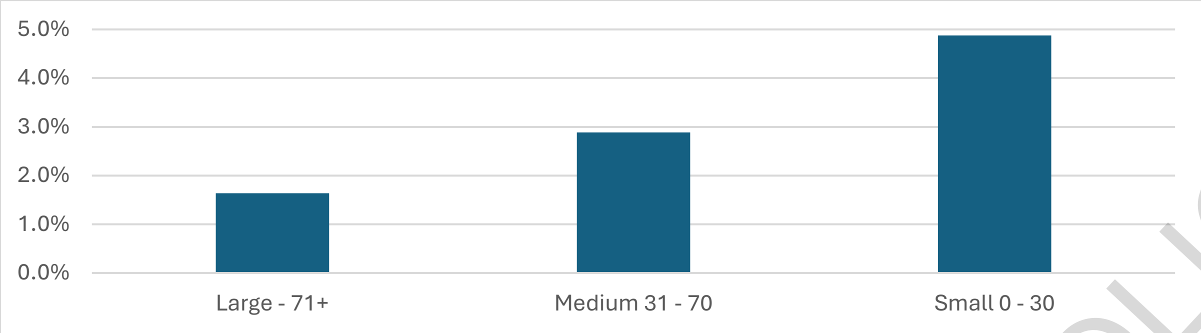

Figure 3. Equity Funding as a proportion of Total Funding by Service Size for FY2024/25.[Error! Bookmark not defined.] E quity funding consists of all Equity components and TFFD.[Error! Bookmark not defined.] Total Funding includes the equity components, TFFD, as well as general subsidies (20 hours, under 2, and over 2) and PITA and Waha Rumaki.

As a result, smaller centres are more reliant on targeted equity funding to support financial viability and service sustainability. Changes to equity funding settings are therefore likely to have a proportionately greater impact on smaller services, particularly in maintaining quality provision and access for children and whānau in higher need communities.

Socioeconomic funds: Equity Funding components A & B, and TFFD

Socioeconomic funds: background

Equity funding was introduced in 2002 and was initially available to community-owned ECEs that met the criteria for one or more of the Components A to D. In 2011, equity funding was extended to privately owned services.

Equity Funding addresses persistent gaps not covered by base funding. An initial independent review on the impacts of equity funding was completed in 2006: [Evaluation of initial uses and impact of Equity Funding | New Zealand Council for Educational Research](). At this time, most services chose to use equity funding to improve quality over increasing participation, with most funding spent on resources, PLD and staffing.

Targeted Funding for Disadvantage (TFFD), introduced in 2018, this funding strengthened the Government's commitment to supporting children who face additional barriers to early learning. It aims to improve affordability and quality for children from disadvantaged backgrounds, helping ensure they start school ready to succeed.

Together, the equity and targeted funding settings form a significant part of the Government's strategy to promote fairness, reduce structural barriers, and enable ECE services to meet diverse community needs. Currently 60% of the targeted funding administered by the Ministry in scope of this review goes towards Equity components A & B, and another 12% towards TFFD.

Both Equity Funding and TFFD are automatically allocated to eligible services and paid alongside universal subsidies.

Distribution of socioeconomic funds by service characteristics

The level of Equity A and B funding a service receives varies significantly, depending on Funded Child Hours (FCH) and a service's EQI. Across eligible services in the 2024/25 financial year, Equity A and B Funding ranged from $343 received by a Playcentre to $327,312 allocated to an

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education and care service (Annex 1 – Table 1). For most service types, the median level of combined Equity A and B was approximately $30,000.

For the 2024/25 Financial Year, 924 Education and Care services received TFFD funding, ranging from $346 to $45,164, with a median of $5,005 (Annex 1 – Table 2). Noting that this data is reported on financial year rather than the TFFD funding period (from 1 March to 28/29 February the following year). Where a service moves in or out of TFFD funding it can mean that only a single pay period is captured, rather than the total TFFD year annual funding amount. The funding is also based on hours, and for some services they might not operate many hours.

Reo Rua Education and Care had the highest median funding level for TFFD at $6,549. The shorter hours of Playcentre sessions influences their low TFFD funding overall (minimum $35, maximum $1,181) and a median of just $215, well below all other service types.

Impact: Equity A & B

Equity funding A & B are intended to address service gaps not met by other funding streams and to support improved service quality and participation outcomes. Reporting indicates that services most commonly use Equity A and B funding on free or discounted fees, enhancing staffing (professional development, increased ratios, learning support, and cooks), educational resources, nappies, clothing, kai, transport and excursions.

The Ministry collects information on how Equity Funding is used through accountability and reporting requirements. To make better use of this information collected, the financial declaration form for the year ending 2025 (due 30 June 2026) is being updated. Services will select from standardised tick-box options, rather than providing free-text descriptions that can be difficult to compare. This change applies to Equity components A–D and will enable more consistent, accurate and comparable data, supporting improved analysis similar to that used for TFFD reporting. TFFD data is further broken down into percentages. The updated declaration form was made available on the Ministry's website from February 2026.[3]

Recent policy changes may also influence future use of Equity funding. The introduction of the ECE lunch programme in Budget 2024 may reduce services' expenditure on kai, while the significant investment in learning support in Budget 2025 may alter how services use Equity component B.

Impacts: TFFD

In 2024, services typically direct TFFD funding towards subsidising fees, staffing, food and basic necessities, and educational resources (**Error! Reference source not found.**). Across all service types, 35.68% of TFFD funding supported subsidising fees. Some services also spent TFFD funding on transport, activities and professional development.

[3] Financial declarations for licensed early learning services - Ministry of Education

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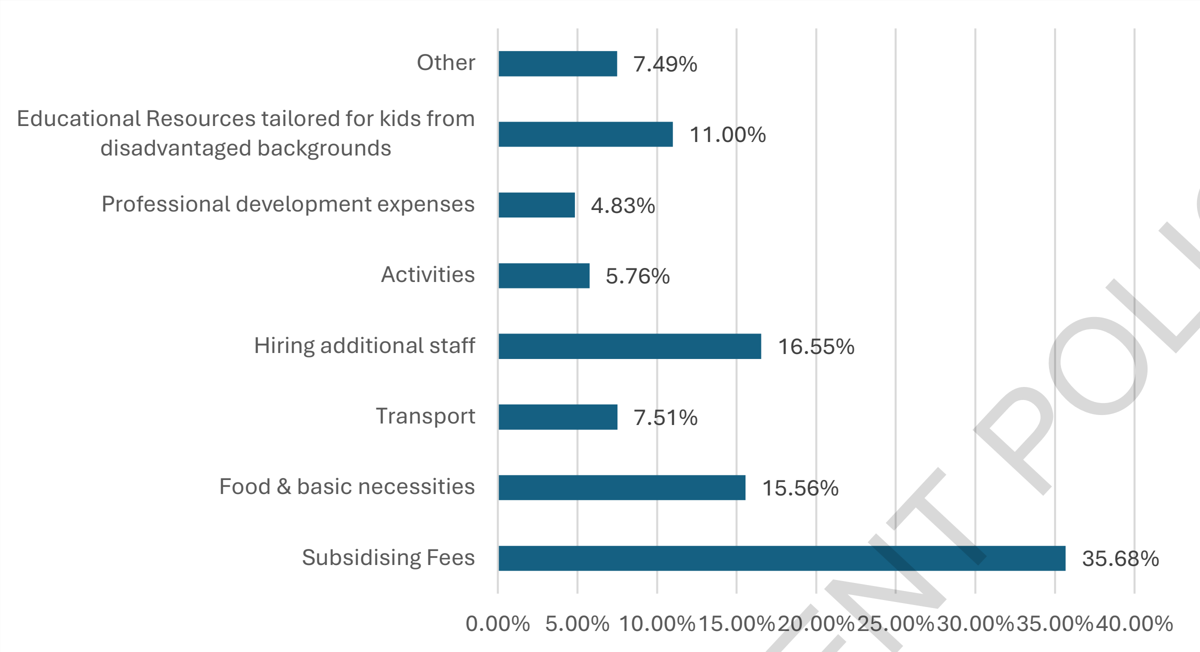

Figure 4. Breakdown of how TFFD was spent across all eligible services for 2024[4]

A large proportion of TFFD funding is used to subsidise fees (**Error! Reference source not found.**). In 2024, 50% TFFD funding for homebased services, 40% for Kindergartens, and 41% for Education and Care services was allocated towards discounting fees. Kōhanga Reo generally have low fees, and were less likely than other service types to spend TFFD for fee subsidisation.

In 2024, Kōhanga Reo targeted TFFD funding towards essentials, with 28% of this funding spent on food and basic necessities, 16% towards transport and 15% on resources. Home-based services allocated 12% of TFFD funding towards both activities and resources. Kindergartens prioritised 24% of TFFD funding towards additional staffing and 12% on resources. Education and Care allocated 17% towards additional staffing and 15% towards food and basic necessities.

[4] In our previous paper on Overview of Targeted Funding Typologies, we presented this data for the 2023 funding year. This paper updates the data with funding for the 2024 year.

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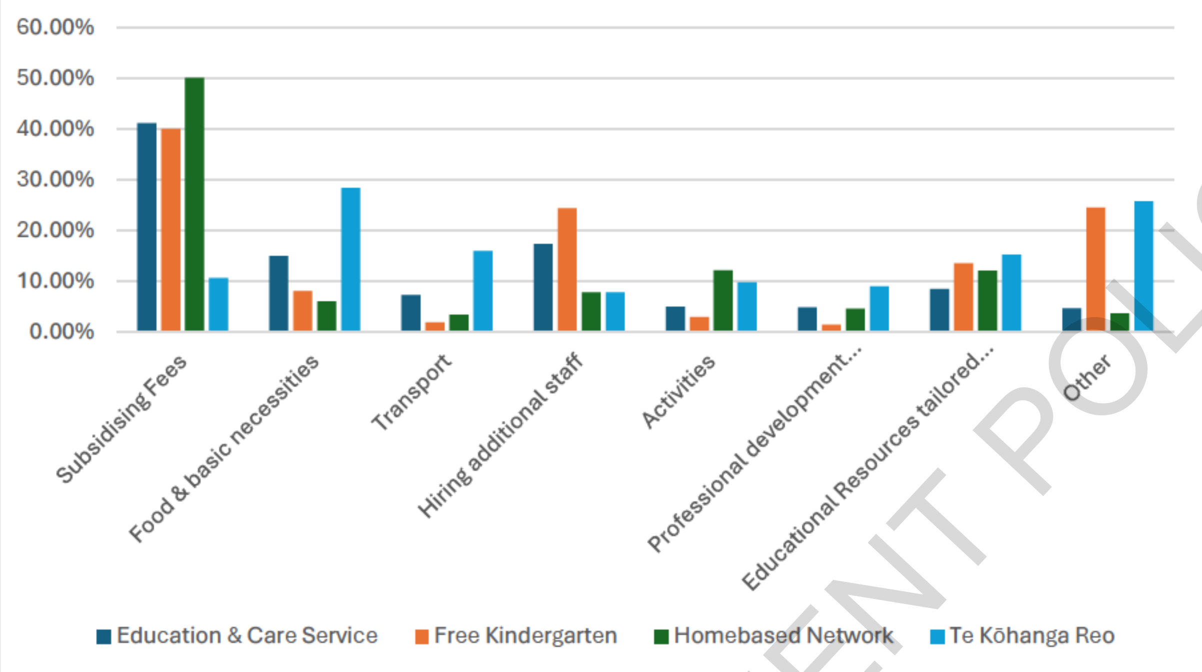

*Figure 5. Breakdown of TFFD spending differentiated by service type for 2024*Error! Bookmark not defined.

Issues: Socioeconomic funds Equity A & B, and TFFD

The three socio-economic targeted funds (Equity A, B and TFFD) are distinct but overlapping and are often spent on similar types of expenditure. While having multiple funding components encourages services to consider how best to respond to different types of need (supported by guidance in the funding handbook), the components themselves have not been reviewed. Services continue to have a very broad remit in how funding can be spent, which may dilute strategic targeting over time.

At the time of the initial comprehensive evaluation on the impact of Equity Funding in 2006, funding was distributed across 1,249 community-based services. Since then, eligibility was expanded to include privately owned services, with 1,611 services receiving funding for Equity A & B in FY2024/25. The data the Ministry collects on how Equity Funding is used has not been subject to an in-depth analysis and evaluation since the 2006 review.

Current reporting for Equity Funding components A through D, relies on narrative descriptions in financial returns. This way of reporting limits the Ministry's ability to analyse and compare spending patterns across services due to inconsistent terminology and levels of detail. As mentioned above, data collection for Equity Funding components is being updated, supporting improved analysis similar to that used for TFFD reporting.

A service's eligibility for TFFD can change from year to year, making it difficult for services to forecast budgets in advance of receiving notice about their eligibility from the Ministry.

The current Equity Index (EQI) is static unless a service relocates or requests a recalculation. The EQI of a service may no longer reflect the socio-economic characteristics of the community a service currently serves. In addition, the EQI is based on outdated data and a mechanism that does not accurately reflect socio-economic need. As a result, Equity funding may not be targeted to services in proportion to the needs of their communities.

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Equity funding and TFFD rates are not set as a fixed proportion of total or equity funding. Any changes to rates are determined through the annual Budget process, contributing to funding uncertainty.

Language related funds: Equity Funding component C, Waha Rumaki and Pacific Immersion Teaching Allowance

Languages related funds: background

Equity Funding component C is for services providing ECE in a language and culture other than English (including sign language). This is applied for by services and paid as a fixed monthly grant per service, regardless of size of service and the number of funded child hours claimed.

Equity C funding is capped at a maximum of $4,903 per service for a full year of funding.

Language teaching allowances were introduced in Budget 2023 for all certificated teachers working in either Māori[5] or Pacific[6] immersion and bilingual education and care services. These allowances are intended to support the recruitment and retention of these teachers in ECE. Since the allowances were introduced four new centre-based, teacher-led Māori medium and Pacific bilingual and immersion services have been introduced, which are now linked to the language allowance funding.

These teaching allowances align with the rates and conditions for the Māori Immersion Teaching Allowance (MITA) and Pacific Bilingual Immersion Teaching Allowance in the primary school collective agreement. Note that MITA level 3 (31-50% te reo Māori) is not part of the ECE equivalent Waha Rumaki. Waha Rumaki and PITA were established with the purpose of increasing bilingual and immersion levels and must meet at least 51% of the time in either Te Reo Māori or a single Pacific language. The language level that a service attests to meeting is assessed across the entire service licence.

Impact: Language related funds

Services receiving Equity C funding commonly use this funding to support staffing above minimum ratios, professional development, language resources, cultural celebrations and activities, family engagement and support, transport, and kai.

The ECE teaching allowances is a relatively new initiative that has been welcomed by the sector. It has not been evaluated since implementation in 2024. Language teaching allowances are passed on directly to certificated teachers to help attract and retain bilingual and immersion teachers in early childhood education. The allowances are intended to align with similar initiatives in schooling, recognising additional language and cultural expertise.

Issues: Language related funds

- Services must apply to receive Equity C funding. Once approved, funding generally continues annually on the assumption that the service continues to teach at a bilingual

[5] The allowance for Māori medium is Waha Rumaki. The name was given to us by Ngā Puna Reo o Aotearoa. Waha means to carry or to uplift, to raise up. It is also a person's mouth, voice, and the action of speaking. Rumaki means to immerse or be immersed. It also means to plant (sowing te reo Māori).
[6] Pacific Immersion Teaching Allowance (PITA).

or immersion level. Services agree to advise the Ministry if their eligibility changes in future when applying for Equity C funding.

- Puna Reo, Reo Rua Education and Care, Leo o Fanau Moana immersion and bilingual services are also required to apply for Equity C funding, despite inherently meeting the eligibility criteria by the nature of their service.
- Funding for Equity C is small, provided at a single flat rate per service, regardless of the size of the service and number of funded child hours claimed.
- A single rate applies for Equity C applies across all languages, with no targeting to specific language groups or consideration of differing delivery costs.
- As with other targeted funds, if there are any adjustments to Equity C rates, these are decided and announced through the government's annual Budget process.
- The allowances are available per kaiako on application. Demand for the allowance may exceed the available fixed appropriation, limiting the Ministry's ability to meet costs within this fund as the bilingual and immersion sector grows. One way to address this issue is to structure this fund as demand driven to accommodate for sector growth and workforce expansion.
- Changes to the school MITA and PITA rates and conditions should be monitored to ensure that the ECE teaching allowances remain competitive in attracting and retaining certificated teachers with additional language and cultural expertise.

Isolation funds: Equity Funding component D, and ATIS

Isolation funds: background

Equity Funding component D: This is funding for the geographical isolation of a service and is based on a distinct Isolation Index score with greater levels of isolation resulting in a higher payment. It is paid as a fixed monthly grant.

Under Equity D, the most isolated services received up to $3,467 in total, with the median level of funding across most eligible service types approximately $1,797.

ATIS Description: Licensed private and community-based services with an Isolation Index of 1.65 or greater which receive less than $20,000 per annum in ECE Subsidy, 20 Hours ECE and Equity Funding are eligible to receive the ATIS.

Impact: Isolation funds

Services receiving Equity D tend to spend this funding on resources, excursions, fees, travel costs, staffing, professional development, fees and kai.

ATIS supports isolated services with small rolls to remain open and retain their expertise.

The current isolation index is based on population data from 2001 and the distance to the nearest population centres of 5,000, 20,000 and 100,000 people. A new index has been developed using updated data and will use both distance and travel time from three population centres of 5000 (trade services), 20,000 (regional professional development and computer support) and 60,000 (range of specialist services). The new index will use updated census population data and road data to measure distance and travel time.

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Issues: Isolation funds

- Funding for Equity D is small, provided at a single flat rate per service, determined by the service's isolation band (with funding available across three isolation bands). The funding level does not vary based on the size of the service or the volume of funded child hours claimed. The current rates for Equity D provide a total annual funding amount of between $1210 and $3519 excluding GST, depending on the isolation level of the service.
- All service types are eligible for ATIS, but in practice only playcentres meet the conditions of this grant as other service types generally generate larger amounts of Ministry funding. It does support playcentres in isolated areas to remain open and provide early learning opportunities for children in these isolated communities. In FY2023/24, there were 25 playcentres receiving ATIS funding. It ranged from $890 to $9700 (GST inclusive), with a median of $6100 received.
- An updated isolation index was introduced in 2019, which would affect eligibility for isolation funding for some services. However, this updated index has not yet been applied to the ECE sector.
- Neither the current nor updated Isolation Index accounts for isolation related to access for language services. The index assumes that the nearest town can provide the required services, which may not be the case for immersion education.
- Preliminary analysis of services in the 2020 ECE census, examined the potential impact of applying the new isolation index, with a particular focus on Kōhanga Reo and Playcentres. For the purposes of this analysis, the isolation threshold was set at 1.27 in line with the new school index (the current ECE threshold is 1.65). The analysis found that 13 Playcentres and 5 Kōhanga Reo would gain isolation status, while 17 Playcentres and 21 Kōhanga Reo would lose isolation status.
    - Service that gained isolation status generally resulted from the lower isolation threshold and updated methodology taking into consideration of travel time rather than distance alone.
    - Services that lost isolation status were affected by the revised definition of proximity to centres reducing the largest population centre in the analysis to 60,000 rather than 100,000. These were particularly noticeable in Nelson and Tasmin (due to proximity to Nelson), and in the Hawkes Bay and Gisborne region (due to proximity to Napier/Hastings and Gisborne).
    - Seven out of the 17 playcentres that lost isolation status as part of this analysis received ATIS in 2025.

Distribution of equity funding by service characteristics

The proportion of services in each service type receiving each equity funding component A through D (Annex 1 – Table 3) varies noticeably across service groups, reflecting differences in eligibility, service characteristics, and need.

About one quarter (26.6%) of Education and Care services receive Equity A and B during the 2024/25 financial year. There is a low uptake of Equity C amongst this group (1.6%), reflecting that English is the primary language used at most centres. About 36.6% of Education and Care services received TFFD. Kindergartens have higher proportions than Education and Care receiving Equity A and B (43.1%), D (11.6%) and TFFD (60.7%). There are very few bilingual or immersion kindergartens, with only 0.89% claiming Equity C.

Home-based services provide the opportunity for bilingual and immersion in a small group, and 16.2% of services claim Equity C. Over a third of home-based services (35.5%) receive Equity A and B, and nearly half of them (48.2%) received TFFD in the 2024/25 financial year.

All hospital-based services are eligible for Equity A and B and funding at EQI1 level. These services are not eligible for TFFD, and there are no bilingual or immersion hospital-based services, excluding them from Equity C. One hospital-based service receives Equity D, it is based in Nelson, one of the most geographically isolated centres in New Zealand. Note that under a new isolation index, this service would no longer be considered isolated.

A small proportion of playcentres receive Equity A and B funding (15.3%). About a fifth of Playcentres receive equity funding through Equity D (19.2%), and a similar proportion received TFFD (20.5%) during the 2024/25 financial year.

Kōhanga reo and the four teacher-led, centre-based immersion and bilingual service types have high uptake across most equity components. Approximately 90% these services received Equity A and B, ranging from 85.7% in Reo Rua Education and Care to 92% of Puna Reo. Correspondingly TFFD was also high for these groups with 80 to 90% of Leo o Fanau Moana, Puna Reo and Reo Rua receiving TFFD during the 2024/25 financial year. Kōhanga had the highest proportion (95.6%) of services receiving TFFD.

Equity C was fully utilised by all full immersion services, Kōhanga Reo Puna Reo and Leo o Fanau Moana – immersion. The bilingual service types had a lower uptake with 91% of Leo o Fanau Moana – bilingual, and 75% of Reo Rua Education and Care claiming the fund. Pacific centres tend to be in urban communities, and the Leo o Fanau Moana services were not eligible for Equity D. In contrast, approximately 40.0% of Puna Reo, 21.4% of Reo Rua Education and Care and 29.2% of Kōhanga Reo received Equity D in the 2024/25 financial year.

Funding for Puna Reo: Puna Reo Property Maintenance

Puna Reo Property Maintenance: background

Puna Reo Property Maintenance was established through Budget 2023 as part of the Māori Medium Education (MME) Infrastructure programme expansion. It provides property maintenance funding to support repairs, preventative and planned replacement maintenance for puna reo, services that generally serve low socio-economic communities and charge their families low or no fees.

Ngā Puna Reo o Aotearoa (NPRA) does not have the operational capacity to distribute the pūtea to its affiliated members, so the Ministry currently administers payment of the funding grant directly to individual services. Puna reo membership includes services operating across the service types[7] Puna Reo, and Reo Rua Education and Care, all of which are eligible to receive the property pūtea.

[7] 9(2)(g)(i) [redacted]

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To date, funding has been distributed in two main tranches:

- FY2023/24 to FY 2024/25: 41 puna reo received $40,390.24 excl GST for the first two years of the grant.
- FY2025/26: 44 puna reo received $18,400.00 excl GST for the third year of the grant. Four puna reo received the pūtea for the first time this financial year.

Funding is distributed evenly across members, meaning per service funding reduces as membership grows.

Impacts: Puna Reo Property Maintenance

The property maintenance fund has recently been established, with initial reporting received for the first two funding tranches. Final milestone reports for these tranches are due in June and July 2026, which will provide a more complete assessment of outcomes.

Use of funding (FY2023/24-FY2024/25) shows that puna reo are applying the pūtea as intended, across reactive repairs, routine preventative maintenance, and planned replacement maintenance. Expenditure has focused on essential building, electrical, plumbing, safety, security, playground, and grounds related works.

Reporting indicates that 20 of the 41 funded puna reo have fully allocated their funds. Ngā Puna Reo attribute the underspend of $397,775.54 (excl. GST) across 21 puna reo to waiting for Ministry approvals for school-based sites, project scoping extensions, impacted by regional trade shortages, and pending resource consents. The final milestone report for this tranche is due 1 June 2026.

For the initial reporting for FY2025/26, a comprehensive dataset was compiled to indicate where funds are planned to be utilised across property pūtea repairs and maintenance categories over the current financial year. Of the 40 Puna Reo reports that were received, evaluated, and collated for the purpose of this milestone:

- **27 puna reo** identified expenditure across both **repairs and maintenance**.
- **2 puna reo** identified expenditure for **repairs only**.
- **11 puna reo** identified expenditure for **maintenance only**.

This indicates a moderate to high level of property investment activity. The average projected spend per puna reo is approx. $25,259.55. The average projected spend is more than the funding allocated demonstrating a consistent pattern of medium-to high scale maintenance and upgrade projects across the puna reo network.

NPRA state that all puna reo report that property funding makes a positive contribution to creating and maintaining safe, healthy, and well-presented learning environments for tamariki. The funding supports ongoing efforts to ensure that the facilities are attractive, inviting, and accessible, reinforcing commitment to providing high-quality, culturally grounded spaces that enhance learning and wellbeing.

9(2)(g)(i) [redacted]

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Puna Reo responses were mixed with respect to the potential impact of property funding on increasing licensed maximum numbers. Of the 40 Puna Reo 12 did respond, while 6 reported that they are currently operating at full capacity with waiting lists. A further 7 Puna Reo indicated that property improvements are likely to contribute to an increase in licensed numbers, whereas the remaining 15 assessed that the funding is unlikely to result in a capacity increase.

Final reporting for FY2025/26, due in July 2026, will provide a clearer assessment of expenditure, outcomes, and whether property investments contribute to capacity growth, including impacts on under-2 and over-2 child places and staffing requirements.

Issues: Puna Reo Property Maintenance

- Rising building and maintenance costs, reducing the real value of funding over time.
- Decreasing per service allocations as membership to puna reo increases.
- Delivery delays caused by unavailability of tradespeople and contractors, shortages of building materials, increased project costs during the reporting period and delays through approval processes, particularly for services on Crown or third-party sites.

Funding for Puna Reo: Ngā Puna Reo o Aotearoa – Operational Services

Ngā Puna Reo o Aotearoa – Operational Services: background

This funding recognises the unique role of NPRA in Māori medium early years education and in the revitalisation of te reo Māori and tikanga Māori. It supports the continued operation of NPRA as a national body, including its participation in national and Government forums.

The funding enables NPRA, as the peak body, to effectively support its members to consistently deliver on national Ministry priorities and education strategies, thereby strengthening the growth and wellbeing of puna reo services.

NPRA's key educational objectives are to support high-quality learning and teaching, a sustainable teacher supply, and equitable resourcing for curriculum approaches and professional learning. The provision of operational funding affirms and strengthens the Ministry's relational approach to working with NPRA.

Please note, in our previous paper we incorrectly noted that Puna Reo Operational Funding was fixed appropriation until FY2027/28. In fact, it is fixed appropriation, with ongoing funding of $541,000 per annum in outyears (agreed and appropriated as part of Budget 2024). The Ministry's current funding agreement with the NPRA runs until 2027/28.

Impact: NPRA Operational Services

Ngā Puna Reo o Aotearoa does not charge its members fees. It is reliant on grants to fund its activities. Operational services funding allows NPRA to employ three staff members to support and progress the activities of the organisation.

NPRA has established a Theory of Change (ToC) and agreed on reporting metrics with the Ministry to reflect progress towards the impacts outlined the ToC and meet the Ministry's reporting standards. Reporting metrics include how NPRA:

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- retains and strengthens te reo Māori and tikanga Māori
- supports puna reo
- provides a voice for puna reo in Māori Medium Kaupapa Māori and early years education forums
- engages the ECE funding review and changes to regulations
- shares high-level data

Reporting is due annually, with the first progress report for their current operational services agreement due in July 2026. The extent to which NPRA can deliver on the expected activities as described in their Theory of Change will depend on the availability of other resourcing.

Issues: Resources and factors affecting delivery

Ngā Puna Reo o Aotearoa has raised concerns through hui and their critical issues paper regarding the following funding and supports:

Funding adequacy and equity

- NPRA considers that funding for puna reo is inadequate and should, at minimum, be aligned with maximum rates provided to other services such as kindergartens.
  - Puna reo services employ registered teachers who are fluent in te reo Māori, resulting in higher salary costs to attract and retain staff
  - Equity C funding for services delivering education in languages other than English is insufficient to meet these additional cost pressures.

Subsidy settings

- NPRA recommends that the highest funding subsidies for puna reo be extended to 30 hours, for all ages, noting that:
  - Research indicates that full-time immersion attendance of at least 30 hours per week is most effective in supporting high-quality language acquisition.

Workforce supply and capability

- There is an ongoing shortage of certificated teachers who are also fluent in Te Reo Māori.
- NPRA considers that professional learning support for puna reo is insufficient, noting that as standalone and geographically isolated entities, puna reo face challenges in facilitating whole-centre professional learning due to limited funding, including the impact of the staff hour count and closure days.

Access to supports

- NPRA considers that puna reo currently lack sufficient access to:
  - SELO and TAP funding
  - Culturally responsive professional development
  - Reliable data to support decision-making, advocacy and tracking impact for reporting purposes, including better access to data collected through Ministry systems such as ELI and ECE Census relevant for puna reo
  - Consistent and sustainable funding for property and staffing
  - Support to achieve and maintain full language immersion
  - Leadership and governance capability across the puna reo sector

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- Learning support workers with fluent in te reo Māori, and access to learning support that continues through school holiday periods.

Discrete Participation Funds

Targeted Assistance for Participation

Targeted Assistance for Participation: background

Targeted Assistance for Participation was part of the Improved Early Childhood Education Property Assistance initiative approved by Cabinet in April 2010. At the time the Government's priority for ECE was to improve participation by Māori and Pacific children and children from lower socio-economic backgrounds. Cabinet agreed to fund a package of initiatives designed to increase participation in ECE by priority groups. TAP replaced the earlier Discretionary Grants for capital works funding. The primary role of TAP is to support the establishment of new ECEs and create additional child spaces and are available to both community-based and privately-owned ECEs.

TAP is split into two programmes:

- TAP 2 provides funding of up to $12,000 per child place, or 50% of total project costs, whichever is lesser.
- TAP 3 provides funding of up to $100,000 per project.

The provider is accountable for:

- Meeting all contract milestones and deliverables.
- Completing the project within the agreed timeframes.
- Where the Recipient has committed resources from other sources for the project, those resources must be used before Ministry TAP funding.
- Maintain adequate contractors work insurance throughout the term of the project.
- An existing early learning service must hold a current licence for a licensed early childhood service.
- Continue to provide service at the early learning service until a specified anniversary of their early childhood education licence change of management date (post project build). The contract does not officially end until the specified anniversary term expires.[8]

Impact: TAP

TAP funding is an important mechanism to support supply of early learning services in under-served communities. The rationale for TAP funding remains valid today. Māori and Pacific children and children from low socio-economic status backgrounds participate in ECE at persistently lower rates than other populations.

[8] For TAP 3 contracts the anniversary term is usually 12 months after the ECE commencement milestone but can be five years. For TAP 2 projects the anniversary is usually five years but for some older TAP 2 projects may have a 10-year term.

Each contract is held with a specific Early Learning Service provider. Thirty-one separate contracts are held with providers, totalling $26.66m. Contract values range from $98,000 to $2.7m, with an average of $718,000 per contract.

These contracts are providing part funding property works to establish new centres or enable more spaces within centres and therefore there is not a direct correlation to individual learners.

A suite of six participation programmes, including TAP, was initially reviewed through the ECE Participation Programme Evaluation.[9] This series of evaluations collected data from services between 2010 and 2013, shortly after these participation programmes were introduced. Because building projects such as TAP require time to establish, only limited data was available for assessment during this early period. As building projects were completed, they created additional child spaces. There has been no in-depth evaluation on how TAP funding is utilised since the initial evaluations.

There has been a decline in TAP 2 applications over the past decade. The Ministry usually seeks TAP 2 funding applications via the Government Electronic Transaction System (GETS). The number of respondents has been decreasing, with most applications from Te Kōhanga Reo National Trust and Playcentre Aotearoa. These large organisations have capacity for building at scale. Individual puna reo and other ECE services have accessed TAP to a lesser extent.

In October 2025 there were 22 active TAP contracts with $5,092,283 in accrued funding. The oldest contract dates from FY2012/13. The Ministry's assessment of these 22 contracts noted that 8 contracts were still on track to deliver the new child places, the others were not. Even among the eight contracts assessed as "on track," many are several years old and have experienced delays. 9(2)(g)(i)

Issues: TAP

An issue with TAP is that the funding criteria has not changed since 2010. Reasons why TAP funding policy settings may no longer be effective or efficient in terms of increasing early learning licensed child places, targeted at Māori, Pacific and low socio-economic communities include:

- Outdated settings: TAP funding criteria and funding rates have not changed since 2010 and no longer reflect current construction, land, consenting, and compliance costs.
- Procurement open tender process: Criteria to assess the capability and resources of prospective TAP providers through the procurement process may not have been fit-for-purpose.
- Poor delivery performance and contractual delays: Some TAP providers are unable to deliver on the terms of their contracts due to a range of reasons some of which are beyond their control. MOE contract management practice needs to be able to effectively manage contracts where there is a lack of delivery.

[9] These reports are available on education counts: Early Childhood Education Participation Programme evaluation: baseline; Early Childhood Education Participation Programme evaluation: stage 2; Early Childhood Education Participation Programme evaluation: stage 3; and Early Childhood Education Participation Programme evaluation: stage 4.

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- New TAP contracts have been on hold since FY2024/25 because of the high rate of delays in existing TAP contracts. The application process could be strengthened to ensure applicants have the capability and resources to deliver on these building projects.
- Misaligned targeting and decline in applications: The fund could be better structured to ensure that projects are occurring in the right place. There was a change in TAP funding from South Auckland, that became over supplied to rural areas between 2018 and 2020.
- Provider capability gaps and high co-funding barrier: Applications continued to decline because most rural ECE providers do not have the resources to deliver. Many prospective providers in rural and low-socioeconomic areas lack the financial, governance or project delivery capability to meet TAP requirements. TAP funding is intended to support children in low socio-economic communities and these services may find it difficult to raise funds to meet the 50% financial commitment criteria.
- TAP only supports property costs. However, once a service is built, new services in low socio-economic communities often struggle to remain open without a sustainable funding base.
- The timeframes associated with completing some of the project steps can be unrealistic or changing over time which has not been reflected in TAP contracts.
- Unaddressed participation barriers: There are also social, health and financial barriers to participation. For example cost of fees, transport and/or lack of trust in the education system can limit uptake of ECE in places where new services are delivered. Some of these barriers are addressed through other participation programmes and equity funding.

Previous considerations for amending TAP:
In 2022, the Minister considered looking into options for amending TAP including:

a. amend the TAP funding criteria to ensure it is fit for purpose in today's market and aligns with the new network management framework

b. repurpose a portion of TAP funding to support the sustainability of new TAP funded services

c. repurpose a portion of TAP funding to support other existing early childhood participation initiatives

d. repurpose a portion of TAP funding to support new early learning participation initiatives to address emerging barriers to participation.

These options were not progressed as TAP would be incorporated into the wider ECE system funding review.

Early Learning Taskforce: Supported Playgroups

Supported Playgroups: background

Supported Playgroups are an initiative to increase participation in quality early learning for traditionally low participation groups, including Māori, Pacific, and low socio-economic status families, in priority areas. They also provide early learning options for rural and isolated communities.

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Supported playgroups are funded through a flexible participation fund, which supports projects that engage non-participating whānau. As a form of certificated playgroup, they are required to meet standards for curriculum delivery, parent engagement, and transitions to school. Funding enables providers to employ a coordinator in meeting these requirements. Providers may also hold contracts with the Ministry to deliver on other targeted participation programmes in early childhood.

Supported playgroups aim to:

- provide a flexible model to suit a variety of community needs (including rural and isolated communities)
- offer support for whānau engagement with their children's learning
- broker relationships with other early learning services and schools
- offer a low-cost early learning option for whānau.

Impact: Supported Playgroups

Supported playgroups were initially evaluated shortly after establishment as part of the ECE Participation Programme Evaluation discussed above.[9] The evaluation found that supportive playgroups were meeting its objectives and had surpassed its initial target caseloads. The majority of children attending were from 0-2 years. Providers used strong community links and were able to communicate with families in their home languages to discuss the importance of early learning and address barriers to participation. The programme provides a pathway into attending ECE services.

The Ministry currently manages 12 contracts with providers delivering supported playgroups to engage families from Māori, Pacific and Low SES backgrounds. Collectively these providers operate approximately 30 playgroups. Some of these playgroups are in rural communities, supported playgroups are the only option for 'formal' early learning in some districts such as South Westland. Some supported playgroups cater for families with tamariki with learning support needs, and families from refugee and migrant communities. Contractors have caseloads ranging from 10 to 95 tamariki,[10] most of these playgroups have a contract minimum of 20 tamariki attending regularly. Contract hours also vary with provider, ranging from 3 to 20 hours per week, operating for at least 40 weeks per year.

Contracts are reviewed annually and terminated if providers are not able to meet the required contractual requirements.

Issues: Supported Playgroups

- Supported playgroups can face some of the same challenges as the Targeted Participation Programmes (see below).
- Contract values vary widely, there isn't a robust process of accessing costs to the provider taking into account travel, operating hours and caseloads.

[10] This provider has mobile playgroups across four rural sites in the South Island – the caseload of 95 tamariki is across all sites.

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- Supported playgroups are sometimes established in remote areas to cover the gap in ECE provision where there are no licensed ECE services. Sustaining supported playgroups in remote areas can be difficult to maintain (see also Whānau in Home Learning).

Targeted Participation Programmes: Poipoia te Mokopuna, Engaging Priority Families and Whānau in Home Learning

There are three nationwide participation programmes with the goal of getting children enrolled in an early childhood service. These programmes share many similarities, with slightly different targeted groups and rates associated with each group. Providers may hold contracts for one or more of these programmes, some providers also deliver on the supported playgroups initiative.

Poipoia te Mokopuna is a programme that engage Māori whānau and their tamariki under three years of age, building understanding of the importance of early childhood education and supporting enrolment. Providers identify whānau with tamariki in the target age group and engage them through group or one-on-one meetings. They support whānau to design and participate in mainstream ECE or kōhanga reo that meets the education needs of their tamariki.

Engaging Priority Families (EPF) is a programme that supports improved early learning outcomes for 3 and 4-year-old tamariki, with a focus on Māori, Pacific and low socio economic whānau who are not regularly engaged with early learning services. Providers engage families – often through home visits – to share information about the importance of early learning.

Providers will work with families to develop an early learning plan with incremental achievable goals that encourage learning in the home, such as shared reading, creative activities, and everyday learning experiences. These steps build confidence, strengthen understanding of early learning, and support families towards enrolment in an ECE service.

When families are ready, providers support enrolment and broker relationships with early learning services, helping whānau navigate the early learning system and sustain participation.

Whānau in Home Learning (WIHL) supports families with children aged 2 to 5 years to develop strong educational foundations at home and transition into early learning services or school. Introduced in 2022, the programme builds parent and caregiver confidence in their child's development through culturally responsive activities and resources delivered in the home. The programme is aligned with *Te Whāriki 2017*, *Kā Hikitia*, the *Learning Support Action Plan 2019-2025*, and the *Action Plan for Pacific Education 2020-2030*. It supports families to create rich home learning environments and understand the value of early learning.

The 2025 to 2026 WIHL contract renewal refined eligibility criteria for participants to prioritise low income whānau including those where parents have lower levels of educational attainment, speak English as a second language, or are geographically isolated. Tamariki in other Ministry funded participation programmes are not eligible to enrol in WIHL. The Ministry defines priority geographical areas for the programme within eight education regions.

Impact: Targeted Participation Programmes

Many of the families in targeted participation programmes are high risk families and may be reluctant to interact with social service or government agencies. Targeted participation programmes allow families a low-barrier pathway to connect with wraparound supports

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including child development advice, child protection services where needed, and broader social assistance, while enabling children to participate in formal early learning.

Analysis of reporting from 15 Poipoia providers over the three year period to 30 June 2022 indicates that contractual obligations were largely being met in relation to caseloads and transitions. These providers rolling caseloads were set between 15 and 35 child places. On average 14% of children transferring to ECE every three month.

EPF was initially evaluated shortly after establishment as part of the ECE Participation Programme Evaluation discussed above.[9] The evaluation found that the programme was meeting its objectives to effectively engaging families who were predominantly Māori, Pacific, from low socioeconomic backgrounds and/or had limited formal education. Providers relied on strong community connections, language, culture and personal relationships to understand whānau aspirations and needs. Before discussing ECE, providers commonly helped families with basic needs such as health, housing, and income support, recognising that these barriers had to be addressed before engagement in ECE could occur. The programme encourages parents to navigate ECE options and take an active role in early literacy, numeracy, communication and social skills through creating early learning plans. The evaluation reports that EPF has played a role in connecting families to ECE services and increasing enrolments as part of the wider participation programmes.

The Ministry records, in its annual report, the number of children who have enrolled in early learning as a result of the EPF programme. Contracted outcomes required at least 90% of the target caseload to be met and 805 of participating children to have an Early Learning Plan. As a child transitions into an early learning service they are removed from the programme place, and a new child is identified for the place. The programme exceeded its target range of 870–1,000 transitions in 2023/24, recording 1,121 child transitions. In 2024/25, the programme did not meet its target, with 840 transitions (97% of the target caseload was met) attributed to it.

Established in 2022, underspends in the WIHL budget line for FY2023/24 were subject to cost savings and uncommitted funding was returned. This did not affect the WIHL contracts. The current target caseload is 1,175 children across 27 priority areas which are primarily isolated and low socio-economic areas with low early learning participation. The programme is funded at a much lower child place rate than the other two participation programmes. Currently, there are three contract providers. Two are regional providers in Eastern Bay of Plenty and the West Coast, the third provider distributes the programme across eight Education regions.

Issues: Targeted Participation Programmes

- Providers delivering the EPF programme reported concerns about their capacity to sustain target volumes, noting that limited availability of places in early childhood education services constrains their ability to transition children. The availability of some types of provision such as kōhanga reo can impact on the transition side of the service for some areas. Providers have noted up to 18 months wait-list for some full-day services.
- Providers have signalled that raised costs for ECE are becoming a barrier for parents when accessing ECE, particularly those ineligible for 20 hours ECE. Also, the lack of places in specific ECE provision, and resources and support for extended periods for young children with high and complex or learning support needs.

- While caseloads are mostly being maintained, there may be a waitlist to get on to either an Poipoia or EPF caseload if there is a sudden increase in the number of young families in the area. Some providers will, from time to time, get queries from former families that were on its caseload and have come off after the child was enrolled in an ECE service for further advice.
- Providers note that for families in geographically isolated areas, transport logistics and travel costs can present a barrier to accessing ECE. For example, the region on the West Coast there is no centre based ECE provision south of Hokitika, and families living between Harihari and Jackson Bay (an area spanning 238 km) would need to travel over an hour each way to access an ECE centre. Weather events can also affect ECE attendance.
- Providers note that some whānau choose to keep children at home due to limited trust in the education system, previous negative experiences with ECE, differencing education philosophies, or the lack of suitable options that align with the family's needs including social, cultural and geographic circumstances. Families with English as a second language can find it difficult to approach an ECE or the child's teacher.
- WIHL providers are working in more geographically isolated areas than either EPF or Poipoia providers, but have the lowest per child place rate. Feedback from WIHL providers notes the challenge inherent in WIHL coordinators having to cover large geographic areas, both for networking with ECE services, connecting with local social services such as housing navigators working in transitional housing, training of WIHL tutors, and delivery of resources to enrolled WIHL families.
- For one WIHL provider starting in new regions they noted how the organisation and the WIHL programme was viewed with suspicion, and it took time to build trust and confidence in the programme. WIHL was also perceived by some ECE services as competing with them.
- It can take time to enrol families in WIHL: establishing connections, travel across isolated areas, oversight and training of tutors to carry out home visits, and working with families already enrolled in WIHL.

Combining participation programmes into a single funding pool would increase flexibility in allocating funds across focus areas. This approach would allow underspends in one focus area to be reallocated to enhance participation in another, rather than being reprioritised elsewhere.

Kā Au Kahuraki

Kā Au Kahuraki: background

This programme is part of a cross-agency collaboration between New Zealand Police, Ministry of Education and Mana Whenua, in East Christchurch. It aims to build safe, connected and equitable communities where children aged 0-5 can thrive, learn and develop a strong sense of identity and belonging. The initiative's objectives include increasing presence, participation and progress in early childhood education, creating good health outcomes, reducing child poverty and safe communities for all.

In Christchurch East, ECE engagement has been declining, with post-earthquake challenges including behavioural issues, developmental delays, poverty, overcrowding, and family harm. The Kaitiaki Kaupapa initiative within the Kā Au Kahuraki collaboration addresses these issues

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by placing Kaitiaki in ECE centres to provide holistic support—such as food, clothing, social service navigation, advocacy, and mental health referrals. This support helps reduce stress and workload for kaiako and centre leads, allowing them to focus on teaching, learning, and building strong relationships with families.

Funding is provided through Vote Justice and allocated to MoE.

Impact: Kā Au Kahuraki

Formal evaluation has been done through Impact Lab: 2023 Good Measures report estimates the social return on investment at $1.20 for every $1 spent on this initiative.

Providers of kaitiaki services are asked to complete regular reporting against milestones and these are reported to steering group. Reports on the programme note:

- Increased ECE participation and engagement.
- Improved access to health and social services via Kaitiaki connectors.
- Strengthened cultural identity through Mana Whenua kaupapa.
- Implementing community safety initiatives.

Issues: Kā Au Kahuraki

- Following a review of internal staffing, there is now sufficient permanent resources in place to manage the programme's administrative functions. Procurement of contracts remains centrally managed, and delays in procurement are a known and recurring issue.
- The Ministry is currently assessing scalability. Existing capacity enables limited expansion of service delivery to additional centres. However, any significant expansion across other areas of Christchurch would require additional resourcing. In particular, increased investment in Kaitiaki contracts and Mana Whenua support would need to be progressed through a formal business case.

MSD – related targeted funding

The Ministry of Social Development (MSD)'s two smaller,[11] targeted ECE funds included in this review are The Early Learning Payment (ELP) and The Guaranteed Childcare Assistance Payment (GCAP). The intention of GCAP and ELP differ in that the purpose of ELP is to enable children to participate in ECE where the families are enrolled in Family Start or Early Start Programmes, and there are no employment, job seeking, education or training requirements for the child's parents. GCAP is aimed at reducing cost barriers and supporting young people with children to stay in school or education, study or training. The targeting of ELP is narrow and is only available until the 20 Hours ECE is available at 3 years of age.

On introduction, both ELP and GCAP were paid at a higher hourly rate than the Childcare Subsidy (CCS), so as to better enable children from vulnerable families to access ECE. The rate of GCAP has eroded overtime as it was not indexed to upwards movement in CPI annually until 2024, where it was aligned with the highest rate of CCS.

[11] Relative to MSD's Childcare Subsidy (CCS). The MAG has previously received advice on this fund.

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For both payments, moving to an online process would likely save time, reduce errors and make it easier to track and process applications. It would also allow young parents to apply directly, making the system more accessible and application process less burdensome.

Early Learning Payment

Early learning payment: background

The Early Learning Payment (ELP) is a targeted non-taxable payment to provide earlier access to Early Childhood Education (ECE) for families with specific needs.

This payment is available to assist families enrolled in Family Start or Early Start programmes and subsidises up to 20 Hours attendance each week between the ages of 18 and 36 months when 20 Hours ECE starts. The settings for Family Start and Early Start are managed by Oranga Tamariki—Ministry for Children. MSD is responsible for the administration of the ELP. The ELP is available whether or not the person is in receipt of a main benefit (from MSD), provided other criteria are met.

Depending on the client's circumstances, they may also qualify for Childcare Subsidy (CCS) over and above the 20 hours ECE (to a maximum of 30 hours per week based on the total number of hours of their activity (employment, education or training).

The application form requires the Family Start or Early Start programme worker to complete some parts of MSD's application form to verify the parent or caregiver is enrolled in Family Start or Early start. The service provider is required to complete another section on the fees and hours for each child.

Rates: The rate of payment is the lesser of the ELP rate and the actual fee charged, up to a maximum of $9.72 per hour per child (as at 1 April 2025). The maximum weekly amount payable (not exceeding 20 hours) for each child is $194.40. This is paid directly to the provider. The convention is to adjust the ELP by the upwards movement in CPI annually on 1 April as part of the Annual General Adjustment (AGA).

From 1 October 2017, if your family leaves Family Start or Early Start, you may be able to continue getting the payments.

Your child must be:

- the child that the Early Learning Payment was being paid for when your family left Family Start or Early Start
- aged between 18 months to 3 years
- a dependent child and
- attending an approved early childhood service.

Families receiving Childcare Subsidy (CCS) or Guaranteed Childcare Assistance Payment (GCAP) cannot get ELP for the same hours. Families who are receiving the maximum 20 Hours ELP cannot also receive 9 hours CCS.

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Impact: Early Learning Payment

The ELP is a component of the Family Start Programme. Family Start is an early home visiting programme, focused on tamariki. The programme works with whānau to improve the health of tamariki, learning and relationships. Funding decisions relating to Family Start will have a direct impact on access to the ELP.

In 2020, an evaluation of the Family Start Programme was published.[12] With respect to the ELP, qualitative data suggested that the ELP is valued by families as it provides an opportunity for their children to participate in ECE at a younger age. One Family Start manager noted that:

> *Without the ELP it would be difficult if not impossible to attend ECE before the children are three years old, as early learning is far too expensive for Family Start whānau. Access to ECEs is essential for whānau who are under stress and living in crisis mode, and the ELP has helped a lot.*

Issues: Early Learning Payment

The ELP was intended to provide childcare assistance to enable the children of families who are enrolled in selected Family Start or Early Start programmes and who are not less than 18 months and not more than 36 months of age to attend approved early-childhood programmes.

On establishment, the rate was set at a higher rate than that of the CCS. Over time rates of early-childhood education have increased and while the rates are the most generous of all MSD's childcare assistance produces, the rates have not kept up with the rise in ECE cost.

The application process for the ELP is paper based and involves engaging with early childhood centres. Whānau receive wrap around support from programme workers. This may include assistance with finding an early learning provider and support in applying for the ELP. A client is required to tell MSD of any changes in their circumstances that may affect their entitlement to the ELP.

The Social Investment Agency and Oranga Tamariki are working together to identify Early Support and Prevention funding and services that could be transferred to the Social Investment Fund. Family Start (of which the ELP is a component) is one of the services in this Early Support and Prevention Services category. The Minister for Children and the Minister of Finance are expected to report back to Cabinet on this in March 2026.

Guaranteed Childcare Assistance Payment (GCAP)

GCAP: background

The Guaranteed Childcare Assistance Payment (GCAP) is a non-taxable payment for young parents under 20 years old (or under 18 if not receiving a benefit and enrolled and attending secondary schooling) who are in full-time education, training or work-based learning (or fulfilling youth-activity obligations). It helps cover the costs of childcare at an approved early

[12] Oranga Tamariki Evidence Centre and Allen + Clarke. (2021). Evaluation of the Family Start Programme: Synthesis of Process and Impact Evaluations. Wellington, New Zealand: Oranga Tamariki—Ministry for Children.https://www.orangatamariki.govt.nz/assets/Uploads/About-us/Research/Latest-research/Family-Start/Evaluation-of-the-Family-Start-programme.pdf Evaluation of the Family Start Programme | Oranga Tamariki — Ministry for Children

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childhood education programme or service childcare for eligible children, for up to 50 hours per week. There is no income or asset test to get GCAP.

Rates: The rate of payment is the lesser of the GCAP rate and the actual fee charged, up to a maximum of $6.52 per hour per child (as at 1 April 2025). The maximum weekly amount payable (not exceeding 50 hours) for each child is $326. This is paid directly to the provider. GCAP is adjusted by the upwards movement in CPI annually on 1 April as part of the AGA.

GCAP cannot be paid for the same hours a person is receiving either CCS, ELP or 20 Hours ECE, except for home-based ECE top-up payments.

Impact: GCAP

GCAP was introduced as part of the Youth Package to ensure that childcare costs did not prevent young parents from studying and to encourage young people to enrol their children in ECE.

The Youth Service was also established as a new approach to working with young people. The service aims to help young people build an independent future and reduce their risk of transitioning to a working-age benefit, through achieving a qualification of NCEA Level 2 or higher and developing life skills.

Under the Youth Service, MSD contracts community-based service providers to work intensively with young people and provide a wrap-around service to support them into education, training or work-based learning. Provider funding is based on an incentivised outcome-based contract consisting of administration fees, milestone payments and success fees for achieving outcomes.

A report from the Treasury in December 2016 "Evaluation of the Impact of the Youth Service: Youth Payment and Young Parent Payment"[13] found that the Youth Service raises enrolment in formal education for young beneficiaries, relative to the previous youth beneficiary case management approach, with the effect being largely sustained over a two-year period for young parents, and a shorter period for other youth beneficiaries.

The proportion of Youth Payment recipients who complete a level 1 or 2 qualification is raised slightly through participation in the programme, while the impact for young parents occurs slightly later, is larger, and occurs at levels 1, 2 and 3. Participation in the programme appears to raise subsequent benefit receipt rates in the short term, but there is some evidence that it encourages a move off benefit and into work in the medium term (24 to 30 months after starting benefit), especially for Young Parent Payment participants.

Issues: GCAP

Rate of GCAP

GCAP was introduced in 2012. The intent was to ensure that the cost of childcare would not be a barrier for young parents meeting their obligations to be in full-time education, training or work-based learning.

[13] [5] Evaluation of the impact of the Youth Service: Youth Payment and Young Parent Payment (WP 16/07) | The Treasury New Zealand

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At the time, the GCAP rate was set at a significantly higher rate than the CCS, with GCAP paying $6.00 per hour compared to CCS at $3.91 (for the highest CCS rate in 2012).[14] However, unlike the CCS, the GCAP rate did not increase with the AGA. This put young parents at a disadvantage compared to some parents accessing CCS.

Over time, this gap closed and then reversed. By 1 April 2023, the highest CCS rate had increased to $6.10 per hour, while GCAP remained at $6.00.

In 2024, the rate of GCAP was aligned with CCS and a provision was made to index it annually based on upwards movement in CPI thereafter. However, the rate had already fallen behind the real cost of childcare. Childcare costs have continued to rise each year, and many providers now charge well above the current GCAP rate, particularly if you have more than one child. As a result, childcare is again becoming a barrier for young parents who are trying to stay in education, training or work-based learning.

Administration challenges

The current application process for GCAP involves multiple steps, is complex and paper based, and many of these young teen parents need the help of a Youth Service coach.

In some cases, young people who have difficulty with completing application forms can go into debt with their childcare provider. Where MSD becomes aware of this, we provide them with support to complete their application, access childcare and reconnect with education.

A young parent is required to advise MSD or their service provider of any changes in their circumstances that may affect their entitlement to GCAP.

[14] Note that GCAP is a single flat rate, in contrast CCS has different rates depending on the household income (before the deduction of tax).

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Key Messages

The key issues previously discussed with the MAG still hold, these include:

1. Lack of Coherent System Design

- Funding mechanisms have evolved in an ad hoc way rather than as part of an integrated strategy.
- Many parts of the system, including parts of targeted funding, aim to achieve similar outcomes.
- Funds are not managed or evaluated as a whole, making it difficult to understand system-level effectiveness.

2. Complexity and Administrative Burden

- Multiple overlapping funding streams target similar or related needs, adding administrative complexity for services, programme providers, parents/caregivers and government.
- Participation programme contracting arrangements can be unnecessarily complicated and overlap.
- Some funds have not been updated to reflect changes in the operating, cultural or social context.
- The system must balance a tension between diversification and differentiation (to respond to need) and the complexity that the diversification creates.

3. Inconsistent and Inefficient Allocation Mechanisms

- Funding is targeted through a mix of different allocative criteria, because it is pursuing different policy objectives at different levels of the system.
- Although improvements have been developed to targeting mechanisms such as updating the equity and isolation indices, these have not yet been applied.
- Some funds are too small to meaningfully support their intended goals.
- Fixed funding appropriation does not recognise demand and growth in bilingual and immersion settings, resulting in funding being spread too thin.
- Despite strong evidence that quality ECE is especially beneficial for disadvantaged children, current targeting mechanisms do not sufficiently ensure their access to high-quality provision.

4. Insufficient Evidence and Measurement

- Many funds are not evaluated well and current reporting metrics used by providers and services are not well suited for supporting a robust evaluation
- This limits the ability to improve the system or ensure funding is directed to areas it is intended to support.

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5. Balance of Targeted to Universal Funding

- The total level of targeted funding may not be adequate to meet priority needs.
- The real value of multiple targeted funding streams, and appropriateness of their settings, has decreased over-time.

6. Interactions with Out-of-Scope Funding

- Parts of the funding landscape sit outside the scope of the review, but still interact with targeted funds.

7. Policy Trade-offs

- Choices about how to simplify, target, or expand funding involve unavoidable trade-offs between equity, efficiency, stability, simplicity, and flexibility.

See *Initial Overview of Equity and Targeted Funding* for further details. These issues will be discussed further in our presentation *ECE Equity and Targeted Funding: Synthesis*, along with possible principles and options the MAG may wish to consider in a redesign of the system.

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Annex 1 – Data on distribution of equity funding across service types

Table 1. Minimum, maximum and median Equity A and B Funding received by Service Type, FY2024/25.Error! Bookmark not defined.,Error! Bookmark not defined.

Service Type	No. of services	Equity A			Equity B		
		Min	Max	Median	Min	Max	Median
Casual-Education and Care	1	$6,471	$6,471	**$6,471**	$5,662	$5,662	**$5,662**
Education & Care Service	671	$349	$222,687	**$21,202**	$305	$104,624	**$12,406**
Free Kindergarten	291	$3,840	$93,221	**$16,284**	$2,358	$36,129	**$9,150**
Homebased Network	83	$1,046	$86,904	**$27,026**	$915	$39,519	**$13,696**
Hospital-based	20	$4,332	$42,313	**$21,022**	$2,035	$19,880	**$9,877**
Leo o Fanau Moana Bilingual	30	$7,278	$106,901	**$28,879**	$3,245	$41,436	**$13,266**
Leo o Fanau Moana Immersion	38	$6,979	$61,770	**$28,860**	$3,389	$29,021	**$13,052**
Playcentre	58	$183	$12,083	**$1,603**	$160	$4,683	**$938**
Puna Reo	23	$2,539	$55,658	**$21,474**	$1,123	$25,757	**$10,454**
Reo Rua Education and Care	24	$8,666	$77,622	**$28,464**	$4,788	$36,467	**$13,269**
Te Kohanga Reo	372	$667	$89,966	**$19,222**	$584	$42,268	**$8,096**

Table 2. Minimum, maximum and median TFFD Funding received by ECE Services by Service Type.Error! Bookmark not defined., Error! Bookmark not defined.

Service Type	No. of services	TFFD		
		Min	Max	Median
Education & Care	924	$346	$45,164	**$5,005**
Kindergartens	410	$367	$14,103	**$4,631**
Homebased Network	114	$335	$17,779	**$4,556**
Leo o Fanau Moana Bilingual	30	$482	$12,242	**$4,625**
Leo o Fanau Moana Immersion	34	$1,408	$10,576	**$3,885**
Playcentre	78	$35	$1,181	**$215**
Puna Reo	20	$517	$8,851	**$4,503**
Reo Rua Education & Care	25	$1,677	$20,019	**$6,549**
Te Kōhanga Reo	393	$424	$18,130	**$3,982**

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Table 3. Number of services in each service type receiving subsidies during the 2024/25 financial year

Service Type	Distinct Count of Licensed Services receiving Funding in 2024/25 Financial Year				
	Equity A and B	Equity C	Equity D	TFFD	Total Count receiving subsidies[15]
Casual-Education and Care	1	0	2	N/A	3
Education & Care	671	40	193	924	2526
Kindergartens	291	6	78	410	675
Homebased Network	83	38	17	114	234
Hospital-based	20	0	1	N/A	20
Leo o Fanau Moana Bilingual	30	31	0	30	34
Leo o Fanau Moana Immersion	38	42	0	34	42
Playcentre	58	N/A	73	78	380
Puna Reo	23	25	10	20	25
Reo Rua Education & Care	24	21	6	25	28
Te Kōhanga Reo	372	411	120	393	411

[15] Services that receive any of the MoE subsidies (Equity Funding, TFFD, Under 2s, Over 2s, 20 hours, Waha Rumaki, PITA, and ATIS) in the 2024/25 FY.