# 2025-2026 Early Childhood Education Funding Review Ministerial Advisory Group

## Information and Data Synthesis on Targeted Funding and Promoting Equitable Outcomes

| *Topic* | *Engagement* | *MoE Data* | *MoE papers and advice* | *MSD / IRD data and papers* | *Other sources (e.g. surveys; cost to serve, international comparison)* |
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| **Participation patterns by ethnicity, location & SES/income** | • Engagements highlighted the importance of targeted and equity funding for reducing barriers to participation for low socio-economic status communities.<br>• The importance of rural/isolation equity funding given the specific mention due to participation challenges faced by these communities.<br>• Engagement suggested the frequent absence rule disproportionately affects disadvantaged families who may face greater challenges such as health issues and housing instability, which can impact participation patterns.<br>• Families who most need ECE often cannot afford fees. While equity and targeted funding help subsidise these families, the amounts are relatively small, and compliance requirements are high.<br>• Increasing equity funding could yield high benefits, but this would mean reducing universal funding under current budget constraints. | • Disadvantage can have noticeable impacts on ECE participation. There are differences in starting age, average weekly attendance, and years of ECE attendance before school between different level of socio-economic status (measured by EQI, or Deprivation decile) with higher disadvantage/deprivation having higher starting ages and lower average attendance.<br>• According to Education Counts data, in 2024, Children from least deprived areas attended ECE for 22.9 hours per week, in comparison to 22.1 hours for most deprived areas.<br>• Services in medium urban area consistently had lowest mean starting ages between 2018 and 2024 (~1.7 in 2024). Comparatively, since 2022, services in rural settlements have had the highest starting age (just over 2).<br>• In 2025, the average starting age of children attending ECE differentiated by ethnicity ranged from 2-years-old (Pacific) to 1-years-old (European). | • The co-funded model for ECE means government contributions are not intended to fully cover actual operating costs, so families' ability to pay is important for participation. While Equity and other targeted funding (including the Childcare Subsidy) can help, only a small portion of total funding is targeted, and the way these supports are administered limits their overall impact and effectiveness.<br>• Participation in high quality ECE can be an intervention for reducing the likelihood of negative outcomes associated with low socio-economic status. Research shows that children from low-socioeconomic communities benefit greatly from high quality ECE as it can provide an effective substitute to the low-quality learning environments they may experience at home (Van Huizen & Plantenga, 2018; Melhuish et al., 2015). Despite having the most to gain from ECE attendance, children from low socio-economic backgrounds are participating the least.<br>• Equity and targeted funding can support improved ECE participation in several ways. Broad parameter targeted funding, such as Equity Funding A and B, and Targeted Funding for Disadvantage (TFFD), can be used to reduce fees, provide transport, and supply essential items like food and nappies, all of which help remove participation barriers.<br>• Narrow parameter targeted funding, such as the Childcare Subsidy and FamilyBoost, also influences participation by specifically aiming to reduce fee related barriers for families. However, to claim FamilyBoost, families are required to pay fees upfront.<br>• The Ministry of Education also provides several small discretionary | • In general, research suggests that subsidies that reduce the private cost of childcare increases the childcare attendance of young children and have positive impacts on mothers' labour force participation and work hours. Recent research indicates Māori and Pacific families are two or three times more likely to experience issues accessing childcare than Pākehā families. Cost was cited as a major factor, particularly for Pacific parents. In general, more disadvantaged families have more persistent issues with access to childcare. This is particularly true for low-income households.<br>• Low-income parents tend to spend a greater proportion of their income on childcare. Data highlights that children from more socio-economically disadvantaged backgrounds participate in ECE at lower rates than children from less disadvantaged families. The vast majority of childcare/ECE subsidies are universal, with only a small proportion targeted to low-income families and/or focused on supporting affordability and access. It is likely that a considerably higher proportion of the universal spend is accessed by middle- to higher-income families.<br>• The table below summarises the hours of ECE attended by children receiving MSD's Childcare Subsidy (CCS) (October 2025). | • Participation in Australian's ECE system is high, with rates of 36% for under age 2, 65% for age 2, 71% for age 3, 87% for age 4, and 99% for age 5 (OECD, 2023). However, Indigenous Australians have lower rates of ECE participation, with only 86% enrolled in ECE in the year before full-time school (2018 data).<br>• The Australian Productivity Commission found that children experiencing disadvantage or vulnerability were the most likely to be missing out on ECE participation as services can be unaffordable, difficult to access, or exclude some children with additional needs.<br>• Parental motivation for enrolling children in ECE is in part driven by the need to work. According to the Growing Up in New Zealand (GUiNZ) longitudinal study, by two years of age, 56% of participating children were routinely cared for by someone other than their parent. Most parents (87%) stated the reason for this was the mother's professional or academic commitments. More recently, consultation undertaken by the Ministry for Regulation found that 75% of parents choose to enrol their children in ECE to participate in paid employment. Some families from lower socioeconomic backgrounds may not be engaged in employment, |

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<td>grants aimed at increasing participation in ECE, for example, Targeted Assistance for Participation (TAP), Early Learning Taskforce, Engaging Priority Families, Poipoia te Mokopuna, Whānau in Home Learning, and Kā Au Kahuraki.</td>
<td>
<table>
<tr><th colspan="3">ECE participation for children receiving CCS</th></tr>
<tr><th>Hours attended</th><th>Number of children</th><th>Proportion of children</th></tr>
<tr><td>0-10</td><td>5,649</td><td>29%</td></tr>
<tr><td>11-20</td><td>1,821</td><td>9%</td></tr>
<tr><td>21-30</td><td>5,070</td><td>26%</td></tr>
<tr><td>31-40</td><td>4,266</td><td>22%</td></tr>
<tr><td>41-50</td><td>2,997</td><td>15%</td></tr>
<tr><td>Total</td><td>19,800</td><td>100%</td></tr>
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<td>education, or training, and therefore may not have the same motivations to participate in ECE.<br>• Research from Motu Economic and Public Policy Research in 2022 identified that access to childcare is strongly influenced by socioeconomic status – measured both by household income and deprivation index. Ante-natal unemployment and benefit receipt could also predict lack of access to childcare. It found that higher income, higher educated, predominantly European women are more likely to be accessing ECE than other groups, and for longer hours.</td>
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<td>Quality indicators by SES</td>
<td>• There was an emphasis on the importance of quality for children’s outcomes and their right to high-quality ECE. Many said that adequate funding is essential for maintaining high standards, but current settings often force centres to make trade-offs between quality and financial sustainability.<br>• Maintaining appropriate teacher-to-child ratios was noted as critical, particularly in classrooms with children who have complex or specific learning needs.<br>• Engagement also highlighted the importance of qualified teachers for quality ECE. Many said that current funding settings do not adequately support the employment of qualified teachers.</td>
<td>• MoE data shows there is no significant difference in quality related non-compliance across different socio-economic groupings.<br>• Further, services with high and medium levels of disadvantage display similar levels of structural quality (proportions of certificated teachers and peak-time operating ratios). Low-disadvantage services also show similar ratios, with a small increase in the proportion of certificated teachers.<br>• A notable proportion of services in the 50-79% certificated teacher funding band are language services. This may indicate a difficulty with employing teachers who are both ECE qualified and have the required language capabilities.</td>
<td>• As noted above, the benefits of quality ECE are particularly pronounced for children from disadvantaged backgrounds, and yet these children are often less likely to participate in quality ECE.<br>• The co-funded approach to ECE means government funding is not expected to fully meet actual cost of different levels of structural quality. This may impact the quality that can be achieved for services that charge low to no fees (e.g. services in low SES communities). However, this is not indicated in the Ministry’s data.<br>• Structural quality inputs such as adult-to-child ratios and the proportion of certificated teachers are significant cost drivers within the ECE system. Therefore, changes to these settings should consider potential affordability impacts for disadvantaged populations.<br>• Funding is generally better suited to addressing matters related to affordability, supply (accessibility) and equity, rather than directly ensuring a set level of quality.</td>
<td>N/A</td>
<td>• Over half of submitters to the M4R ECE regulatory review said that government funding does not support high quality ECE. ECE workers and service providers generally thought more funding is required to support ratios, fair teacher pay / pay parity and more qualified staffing.<br>• Structural quality inputs, such as teaching qualifications and adult to child ratios, are essential and work largely by facilitating high process quality, which is what drives child outcomes. The evidence suggests that structural elements appear to be most impactful when they translate into richer teacher-child interactions, better curriculum delivery, and a more responsive learning environment. The research also shows that if structural requirements are implemented without attention to process</td>
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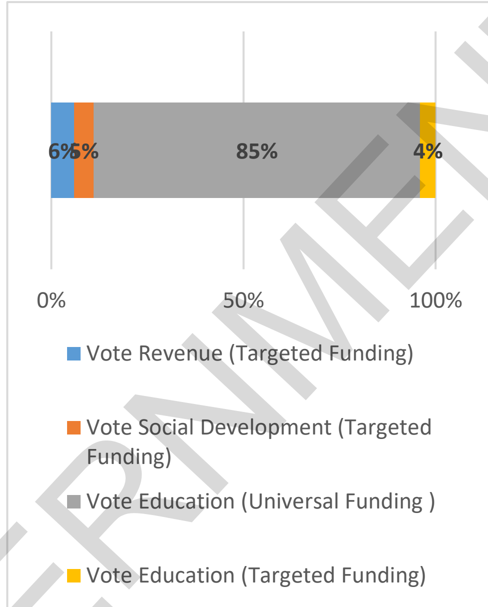
| | | | | | quality, the impact for children may be muted. |
| **MOE equity funding / targeted $ mechanisms (as % overall; coherence, impact)** | • The challenges with effective targeting under the current funding system include:<br>○ The blunt nature of current equity funding and need for individualised approaches to meet different needs<br>○ Some Equity funding streams being allocated by service rather than on a per child basis creating inequities between services of different sizes<br>○ Differences in funding for different age groups, in particular funding for under 3s. It was also noted that funding for 2-year-olds is inadequate for the care required.<br>○ Some services that may need and benefit from equity funding do not qualify.<br>○ Some components such as learning support, English as an additional language, and trauma are not well targeted.<br>• Some engagements suggested that equity funding need to be increased and expanded, though some also noted the need to balance equity funding with universal funding. There were mixed views with suggestions to phase out or remove targeted funding in favour of universal funding. | • Equity funding and TFFD makes up the following proportion of MOE funding for the following service types[1]:<br>○ Casual-education and Care: 3.3%<br>○ Education and care: 1.7%<br>○ Kindergarten: 2.7%<br>○ Homebased: 5.4%<br>○ Hospital based: 11.9%<br>○ Leo o Fanau Moana Bilingual: 8.8%<br>○ Leo o Fanau Moana Immersion: 8.9%<br>○ Playcentre: 2.1%<br>○ Puna Reo: 7.9%<br>○ Reo Rua Education and Care: 8.4%<br>○ Te Kohanga Reo: 11.3%<br>• Equity funding and TFFD makes up the following proportion of MOE funding for the following service sizes:<br>○ Large (71+): 1.6%<br>○ Medium (31-70): 2.9%<br>○ Small (0-30): 4.9% | • Equity and targeted funds make up a small proportion of Vote Education's funding for ECE. Even when all MSD childcare assistance products (CCS, ELP and GCAP) is accounted for, the total targeted funding in the broader ECE system remains a small proportion relative to universal subsidies.<br><br>• While the sector has expressed support for increasing the amount of targeted funding, doing so within the constraints of a fiscally neutral funding review would require reallocating existing universal funding. Universal funding also plays an important role in promoting equity.<br>• From a value-for-money or return on investment perspective, targeted funding can be more efficient compared to universal funding. Universal funding often results in resources being distributed to individuals who may not actually need as much financial assistance.<br>• No single targeted funding model works in every context; therefore, effectiveness of targeted funding will depend on how it aligns with the outcomes they are intended to achieve. | N/A | • As part of consultation on the Early Learning Action Plan in 2018, 97% of respondents supported reviewing equity funding. Respondents felt that funding needed to be better targeted to the needs of the child and that the amount of equity funding was insufficient.<br>• In the international deep dive, all countries had targeted funding for disadvantaged children. The Netherlands uses data-driven approaches (deprivation scores and education risk indicators) to allocate funding and support inclusion. Ireland has the most individualised mechanisms of targeted support, and England and Australia integrate their targeted support into their broader subsidy systems (e.g. through variable entitlements and subsidy rates). New Zealand appeared to have the largest number of different targeted funding streams aimed at supporting equitable ECE access and outcomes. The number of funding streams is not necessarily a reflection of the amount invested in equity. |

[1] This data will be presented further at your February hui

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<td><ul><li>The Ministry has accountability information for some Equity and Targeted funds that gives us some sense of how the funding is used. However, there is little to no process or outcome evaluation of many of the funds. This makes it challenging to assess the impact and effectiveness of the current system.</li><li>The methodology for the current isolation and decile-based ECE equity index have become out of date over time, as has the data it relies on.</li></ul></td>
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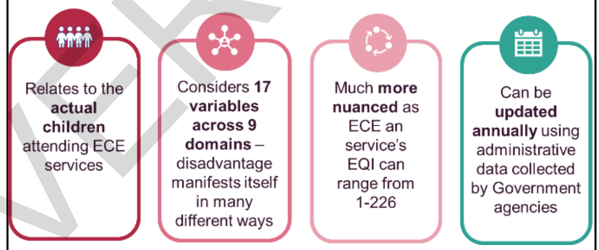
<td>New Equity Index/isolation and data driven targeting</td>
<td><ul><li>While there was limited direct reference to the new equity index/isolation index throughout engagements, it was emphasised that equity funding requires revision because the existing mechanisms and underlying data are outdated and could be improved.</li></ul></td>
<td><ul><li>Year to year there are minimal changes in the new ECE Equity index. However, some populations have more change than others. For example, homebased services experience larger shifts than education and care services. Overall, the absence of substantial variation indicates that funding would remain stable under this mechanism if implemented, although the design of a funding curve would also influence stability.</li></ul></td>
<td><ul><li>A new equity index has been created to address issues with the current system. Developed in collaboration with a sector reference group (SRG), it draws on IDI data related to the children actually attending a service, rather than census-based data on the communities where those children live. This provides a more accurate and up to date reflection of the service's users. The key attributes of the new equity index are highlighted below:</li></ul>


<table>
<tr><th>Current equity index</th><th>New equity index</th></tr>
<tr><td>Early learning services are assigned an index number between 1-4 or 5+</td><td>Early learning services are assigned an index number between 1-226</td></tr>
<tr><td>Uses Census 2006 data</td><td>Uses data from the IDI for most services. A proxy index is calculated outside the IDI for new services & kōhanga reo</td></tr>
<tr><td>Looks at socio-economic circumstances at the mesh-block level (neighbourhoods)</td><td>Looks at socio-economic status at an individual child level</td></tr>
<tr><td>5 variables used to calculate a service's index number</td><td>17 variables used to calculate most services' index numbers (excl. services on a proxy index)</td></tr>
<tr><td>Only updated if a service requests a recalculation of their number</td><td>Is updated annually to reflect changing circumstances</td></tr>
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<ul><li>At present, the new index is exclusively used for the ECE lunches programme and occasional pieces of data analysis.</li></ul></td>
<td>N/A</td>
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| | | | The next step in linking the index to funding is to develop a funding curve, which will determine how index scores translate into funding levels for services.<br>• However, while the updated Equity Index better reflects both socio-economic status and the children actually attending the service at a point in time, it would still be limited to providing additional funding on the average circumstances of children attending a particular service, meaning service providers would have the responsibility for ensuring this resource promotes participation and meets the differing needs of the families attending their service.<br>• The Ministry have also developed a more up to date isolation index that has not yet been implemented. This provides an updated and more accurate way of identifying isolated services that could be used to target more funding to support services. It should be noted this index is about isolation not rurality. | | |
| **Targeted funding from other agencies** | • It was noted that FamilyBoost and MSD subsidies are not working well and are under-utilised due to issues such as the administrative burden associated with applying and the stigma of receiving support.<br>• It was suggested that FamilyBoost funding be provided directly to the ECE services rather than family due to the administrative challenges. There were also suggestions about alternative uses for FamilyBoost funding such as redirecting to funding for specific age groups or increasing funding rates more broadly. | N/A | • A key drawback of these funding streams is the administrative burden it can place on parents and caregivers. For instance, MSD's Childcare Subsidy involves a 28-page paper-based initial application form and ongoing provision of information to confirm eligibility and maintain up-to-date information about employment, childcare and personal circumstances. Incorrect information can result in over-payment and resulting debt to MSD. This can create barriers to access and discourage eligible families from applying.<br>• Stigma can also contribute to low uptake, especially when families feel uncomfortable seeking financial assistance. These perceptions may deter families from engaging with application processes, even when they are eligible and would benefit from the support offered.<br>• That said, an application model does offer the benefit of collecting detailed information directly from families, which | • MSD's childcare assistance products in scope of the ECE Funding review are the:<br>o Childcare Subsidy,<br>o Early Learning Payment and<br>o Guaranteed Childcare Assistance Payment.<br>• Key issues identified with MSD based targeted funding are as follows:<br>o The 2022 New Zealand Income Support Survey found that almost half of respondents did not know about CCS or OSCAR subsidies.<br>o Even after income thresholds increased in 2023, the number of children receiving assistance remain below forecast levels.<br>o Eligibility assessments are time consuming, as mentioned, requiring a 28-page manual, paper-based form. | N/A |

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| | | | can enable more precise and targeted allocation of support than some alternative mechanisms. By drawing on up-to-date, individual-level data, assistance can be targeted to specific circumstances. | Childcare subsidies had not increased in line with rising fees.<br>o Administrative processes and subsidy rules do not always reflect current labour market patterns.<br>• In October 2025, 19,800 children received the CCS,198 children received GCAP, 1,014 clients received ELP, and 132 FCA.<br>• FamilyBoost is a childcare tax credit administered by Inland Revenue that provides financial assistance for families with ECE fees. Although this is targeted funding, the income threshold is comparatively higher than other supports. Therefore, a fair proportion of FamilyBoost goes to middle-income families. Similar to MSD's childcare assistance products, FamilyBoost requires families to know about and actively register for the payment. This means it shares similar issues with uptake and administrative burden. It additionally requires parents to pay ECE fees upfront, which can create further barriers to access.<br>• In Sept 2025, 59,430 families received FB, however, there is an estimated 127,000 who qualify. | |
| **Interface with other funding / supports not in-scope (e.g. Learning Support)** | • Although learning support is out of scope of this Review, ECE services are seeing more children present with complex and/or diverse needs. This includes children with trauma, neurodiversity, and other diagnosed conditions.<br>• The sector expressed that there is not enough funding to support children with complex needs. They noted that some services covered the shortfalls themselves and providing what they can, while some services did not have enough capacity | N/A | • Equity Funding Component B (in scope) provides additional funding to services in low socio-economic communities, in recognition that a greater proportion of children in these communities have learning support needs or are from non-English speaking backgrounds.<br>• While separate learning support funding exists, it may not cover all costs for services, and children may not be able to be assessed or diagnosed in the early years. Therefore, Equity B provides services with flexibility to meet learning support needs that may not be fully funded through other channels.<br>• Some targeted funding, while technically open to all service types, is used almost | N/A | N/A |

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| | or resources to accept children with complex needs | | exclusively used by one service type (e.g. TAP for Kōhanga Reo and ATIS for Playcentre). Even though these service types fall outside the review's scope, any flow-on effects from changes should be considered. | | |
| **Language based services (Puna reo, Reo Rua Education and Care, Leo o Fanau Moana – bilingual and immersion)** | • It was noted that language and culturally focused services are an important and unique feature of the system, including full immersion and bilingual services in particular Te Reo Māori and Pacific languages.<br>• Cultural aspirations are not being met under the current system, including for Māori whānau that wish to enrol their tamariki in tikanga and Te Reo immersion services. There was feedback that parents are struggling to get children into kura.<br>• For te reo revitalisation, sustained attendance of around 30 hours per week is desired, but current funding models do not support flexible attendance patterns, such as those offered by puna reo.<br>• It is challenging to find fluent qualified and registered teachers for immersion or language-based services.<br>• It was suggested that equity funding criteria should place more weight on language, particularly for Māori and Pacific language services. | • The proportion of teacher-led ECE services using a main language other than English increased from about 3% in 2014 to around 5.5% in 2024, with some fluctuations over time. In 2024, the main service types offering other languages were education and care services (129) and homebased services (63).<br>• The most common languages used for ECE delivery, other than English, are currently Māori, Tongan, and Samoan.<br>• As mentioned above, a notable proportion of services in the 50-79% certificated teacher funding band are language based. | • The relationship between bilingualism in indigenous languages and educational outcomes has been widely studied internationally. May et al. (2004) summarises extensive literature on the cognitive benefits of bilingualism. They conclude that research since the 1960s has broadly demonstrated advantages to being bilingual in a variety of cognitive and metacognitive tasks.<br>• Language immersion ECE services may face higher costs than English medium services. This includes challenges with recruiting and retaining qualified teachers who also hold the necessary language skills, as well as the added expense of language-specific teaching resources and PLD.<br>• The Ministry provides immersion teaching allowances to services delivering Māori-medium and Pacific-medium ECE. The allowances are designed to give practical effect to protecting te reo Māori as a taonga under Te Tiriti, recognise the additional skills required to teach the curriculum in other languages, and support these services to attract and retain certificated kaiako with required language capabilities.<br>• A recent development in this area occurred in May 2025, when the Ministry of Education recognised four new ECE service types to acknowledge and better support Māori and Pacific language ECE services. These new service types are:<br>  o Puna Reo<br>  o Reo Rua Education and Care<br>  o Leo o Fanau Moana Immersion<br>  o Leo o Fanau Moana Bilingual<br>• A key motivation for introducing new service types was to strengthen the visibility of Māori and Pacific language services within the Ministry of | N/A | N/A |

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| | | | Education's systems. Improved visibility enables more streamlined and efficient allocation of funding, as these language services can now be more readily identified and assessed for eligibility. | | |

The following Insights material alludes to options or changes that could be made to address the insights and issues considered in this report. Please note, these are included as examples only and do not constitute Ministry advice. Options to address problems and issues will need to be considered, analysed and assessed alongside a full spectrum of policy options at the appropriate time.



**Section 2: Contrasting and Consistent Views and Evidence**

- Overall, the insights gathered through the MAG's engagements align with the information provided through the Ministry's data, papers, and other key sources. Several common themes emerge across the sets of information, including:
  - Targeted supports play an important role in reducing barriers and addressing inequities within the ECE system.
  - The amount of targeted funding within the system is relatively small when compared with universal funding streams, or when compared to targeted funding in the schooling sector (approximately 20% of schooling's operational grant expenditure is equity funding).
  - Application-based funding through MSD and IR is underutilised due to low uptake, suggesting that these resources could potentially be used more effectively, or settings improved to better support eligible families to access this funding.
  - The Ministry's current targeting mechanisms are outdated, and consideration needs to be given to implementing a new targeting mechanism to ensure resources are distributed effectively.
  - Language services are an important and unique part of the system that should be supported.

- While there is broad agreement across stakeholders and other information sources on the key issues to prioritise in this subject area, there are some areas where the information diverges, including:
  - Although most engagements highlighted the importance of equity funding and suggested expanding current offerings, there was also feedback that equity funding should be phased out, arguing families should be able to support themselves.
  - Overall, the concerns raised about MoE targeted funding differ from those associated with MSD and IR funding. This is expected given the design features of each funding stream, but it is important to keep in mind as the MAG moves into problem definition and options analysis. For MSD and IR, the main issues relate to low uptake, administrative burden, and eligibility criteria that do not reflect the circumstance of many low socio-economic communities. For MoE, the more significant challenges involve system complexity, multiple overlapping funding streams, and less precise targeting mechanisms.
  - Quality provision has been shown to be important for achieving equity, however, evidence on quality varies across sources. M4R and ERO data present a different picture of quality in the current system than MoE data. MoE data does not indicate that structural quality variations are associated with the socio-economic profiles of services. M4R feedback suggests services face trade-offs when trying to achieve high quality. Further, ERO data shows that a proportion of services do not meet quality standards. This does not align directly with MoE data, which shows most services meet structural quality indicators (e.g., certificated teacher bands, peak time

ratios). These differences may reflect the types of indicators used (e.g. structural vs. process quality), or an overall lack of data on this topic. Quality remains difficult to measure in a comprehensive way, leaving information gaps in the policy making process.

- Lower funding rates for 2-year-olds has been described by some stakeholders as an equity issue, however, the Ministry would view this more as an access or system complexity issue because universal funding settings may better address the problem. Further, this issue may be of varying importance to different parts of the sector, particularly given the differing age profiles of service types (e.g., few under2s in kindergartens, whereas language-focused services prefer tamariki to enrol before they are talking).

**Section 3: Insights**

- The discovery and engagement phases of the MAG's work have highlighted that targeted funding plays an important role in improving equity in ECE and supporting better outcomes for children from disadvantaged backgrounds. However, they have also revealed key challenges in the system that reduce the effectiveness and impact of the current targeting approach.
- Evidence shows that participation in high-quality ECE can reduce the likelihood of negative life outcomes commonly linked to socio-economic disadvantage. However, children from low socio-economic backgrounds are less likely to participate in ECE. The provision of targeted funding, either to parents or providers, can support ECE participation by addressing access and affordability barriers.
- Compared to universal funding approaches, targeted funding can also improve the efficiency and effectiveness of the overall system by directing resources where they generate the greatest value. Particularly in a co-funded system with tight fiscal parameters. However, targeted approaches bring their own challenges, including administrative burdens for providers, families, and Government.
- Well-designed- targeting requires clear objectives and alignment between policy intent and delivery. No single model works in every context; therefore, effectiveness will depend on how funding mechanisms align with the outcomes they are intended to achieve. For example, if the objective of the funding is to achieve a high level of targeting accuracy and address ability to pay, an approach like MSD's is likely to be the most appropriate. However, if the objective is to provide broader, more adaptable support to address a wider range of barriers, a more flexible funding mechanism (e.g. Equity A, B, TFFD) may be preferable.
- New Zealand currently uses a broad range of targeting mechanisms, each with different eligibility criteria, bases for targeting, recipients, and levels of investment. Many stakeholders have noted that current funding settings do not always target the right populations, and that the current balance between universal and targeted funding is not optimal.
- The Ministry has developed two new indexes for equity and isolation to replace existing ones which have become outdated over time. These updated indexes offer more robust and accurate basis for targeting and could be incorporated into future funding models.
- Stakeholder engagement highlighted growing concerns about learning support, with increasing behavioural and complex needs placing pressure on services. Although learning support sits outside the immediate scope of this review, it is closely connected to broader equity issues. Many needs are not fully covered by formal learning support funding; therefore, some services may use broader equity funding to bridge gaps and provide additional support.

- Stakeholders also noted the importance of language and culturally focused services, including full immersion and bilingual services. Related discussions also touched on whether language-based- cultural roles, such as kaumātua or other cultural experts who significantly contribute to learning quality, could be recognised within certificated teacher funding bands.
- The introduction of new service types for Māori and Pacific immersion and bilingual services enables more direct targeted funding to support language-based services.
- Overall, the targeted funding landscape is complex, but it also presents meaningful opportunities for improvement. Key changes could strengthen targeted funding and help resources to be directed to the children and communities who need them most.
- Options for improving targeted funding settings could possibly include shifting funding between universal and targeted components, consolidating duplicate funding streams, updating outdated allocation mechanisms, and improving administrative processes and eligibility settings to increase uptake and reduce inefficiencies.

**Section 4: Information gaps and limitations**

- Despite the MAG's best efforts to gather information during the engagement and discovery phases of their work, there are some key remaining information gaps and limitations:
  - Reporting requirements for Equity Funding and contracted providers (e.g. discrete participation programme providers) are largely descriptive. Further, these data sources have not been subject to recent in-depth analysis, which limits the Ministry's ability to draw insights about service performance or outcomes over time. The Ministry is working on collecting more detailed and consistent metrics for targeted funding. This includes introducing new requirements for Equity Funding to enable more robust, comparable analysis across the approximately 1,600 services that receive this funding. However, this will not be ready in time to be considered in the MAG's engagement and discovery phase.
  - More comprehensive information on both parent fees and the operating costs of different service types would be helpful to better understand how policy settings influence affordability and access for low-socioeconomic communities. This includes clearer data on cost variations by region, service type, and service size. While the MAG is collecting some insights on this through their cost to serve work and parent engagements, the absence of centralised and consistent data collection remains a limitation.
- The current data and information limitations make it difficult to fully determine the impact of existing and possible future equity and targeted funding approaches. Therefore, improved Ministry data and evaluation capabilities would strengthen the evidence base for decision making.