2025-2026 Early Childhood Education Funding Review Ministerial Advisory Group

Information and Data Synthesis on system complexity and creating simplicity

<table>
<tr><th>Topic</th><th>Engagement feedback</th><th>Data (MSD, IRD, MoE)</th><th>Advice (MSD, IRD, MoE)</th></tr>
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<td>Building blocks of funding system (e.g., FCH / place)</td>
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Feedback that the ECE funding model favours services with high enrolment and a high proportion of registered teachers, typically large corporations in higher-income areas offering longer hours and higher fees
Feedback that funding based on attendance rather than enrolment impacts the financial viability of services especially those that may have more sporadic attendance due to the challenges faced by their communities – such as housing instability. There was comment that this particularly impacted ECE services associated with Teen Parent Units, noting that funding is reviewed annually and based around previous year's attendance.
Stakeholders noted the following issues with the Frequent Absence Rules:

can impact relationship with parents
Disproportionate impact on language-based services due to cultural factors
Funding levels inconsistent by being based on attendance not enrolment.
too narrow and challenging in communities with health and housing issues

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There are 138 different funding rates across all-day teacher-led ECE services (excluding sessional services), comprising:

60 for education and care services
60 for hospital-based services
15 for kindergartens
3 for home-based services

Certificated teacher funding bands have influenced a shift towards employing more certificated teachers. In 2005, 622 education and care services (39%) were in the 50-79% funding band, compared to 72 services (3%) in 2024. The proportion of certificated teachers in teacher-led ECE services has accordingly risen from 51.9% in 2005 to 70.4% in 2024.
Very few teacher-led, centre-based ECE services now deliver sessional provision (less than 2%), but it was the predominant length of daily provision until the 2000s. This may also reflect changing work arrangements and needs for families where both parents need to work.

OBSERVED VARIATION IN FUNDING RATES BY SERVICE CHARACTERISTICS

Analysis indicates limited variation in certificated teacher funding rate by network size and rural/urban location:
Standalone services are slightly more likely to fall into lower funding rates than networked services – with representation in the 80% and higher funding rates increasing gradually with network size.

<table>
<tr><th>Network size</th><th>100% band</th><th>80-99% band</th><th>Other bands</th></tr>
<tr><td>1 (standalone service)</td><td>32%</td><td>64%</td><td>4%</td></tr>
<tr><td>2 – 50 services</td><td>36%</td><td>62%</td><td>2%</td></tr>
<tr><td>50 – 250 services</td><td>42%</td><td>57%</td><td>1%</td></tr>
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7% of services in rural settlements fall below the 80-99% and 100% funding bands, compared to 2-4% of services in urban areas (as classified by StatsNZ Rural-Urban classifications).
However, standalone services and those in smaller networks displayed lower peak-time operating ratios compared to networks with more than 50 services, which is another structural indicator of quality – though again, the difference was limited:

<table>
<tr><th>Network size</th><th>Under 2s</th><th>2-year-olds</th><th>Over 2 years</th></tr>
<tr><td>1 (standalone service)</td><td>1 to 3.8</td><td>1 to 5.3</td><td>1 to 6</td></tr>
<tr><td>2 – 50 services</td><td>1 to 3.8</td><td>1 to 5.3</td><td>1 to 6.3</td></tr>
<tr><td>50-250 services</td><td>1 to 4</td><td>1 to 6</td><td>1 to 6.5</td></tr>
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Funding is based on shared public-private (government and families) contributions.
Regulatory settings (ratios, qualifications) have direct funding implications.
The majority (~85%) of funding is universally provided through the ECE subsidy and 20 Hours ECE – with children generating funding as they attend. The Funded Child Hour (FCH) is the core unit of subsidy funding, capped at 6 hours per day and 30 per week per licensed place.
Funding is therefore attendance-based, though some enrolled but non-attended hours are funded. The amount of non-attended hours which are funded is governed by the Three-Week Rule, and the Frequent Absence Rule:

Three-week Rule: continuous child absences up to three weeks are funded
Frequent Absence Rule: a child's attendance must match their enrolment for at least half of each calendar month

Absence rules are intended to maintain certainty and continuity of funding while managing costs to the Crown of children who are enrolled but not attending.
The rate at which a FCH is paid is determined by several factors, these include:

Service type: licensed ECE services are separated into service types for funding purposes
Whether the provision is all-day or sessional: determined by the service holding a sessional or all-day licence
The age of the child: primarily to reflect differences in the cost of adults required to meet minimum adult-to-child ratios.
Quality criteria: quality for teacher-led centre-based services is linked to the percentage of certificated teachers working in-ratio with children. Home-based services have a single funding rate.
Whether FCH are linked to the ECE Subsidy or 20 Hours ECE
What level of certificated teacher pay is being provided (the Pay Parity opt-in Scheme)

These factors reflect policy objectives built up over time, resulting in a large number of funding rates that support diverse ECE provision across service types, but also contribute to system complexity.
Hours of ECE attendance outside of the hourly and weekly caps are not funded through Ministry subsidies. ECE services determine how to fund these hours, typically through parent/caregiver fees.
Funding payments are made three times a year – on the first working day of March, July and November. Each payment is made up of an advance for the next four months and a 'wash-up payment' for the previous 4 months.
Service size can influence the daily operations of ECE services as larger services often benefit from economies of scale. The data shows that services in the lower funding bands tend to have smaller average roll sizes; however, it also shows that smaller services operate with marginally better peak-time ratios compared to larger services.

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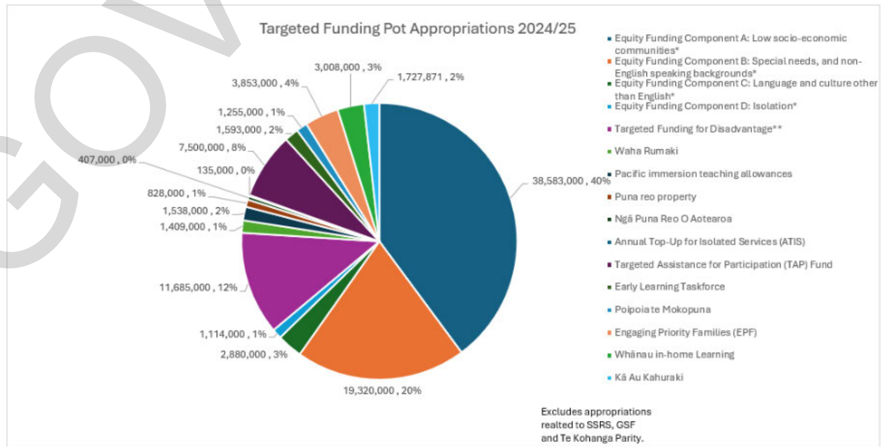
20 Hours ECE	• 20 Hours ECE settings are perceived as inflexible: – The 6-hour daily cap doesn't always align with family schedules and modern working arrangements – Limited flexibility around optional charges. • There is a perception from parents that its 20 hours 'free' ECE so they should not pay anything and that funding covers the service's running costs. • Suggestion that 20 Hours ECE should be able to be booked for 2 x 10-hour days and that this would support workforce participation and affordability. • Increasing flexibility creates tension with accountability and there is potential for system abuse so would require management and clear accountability.	• The vast majority of ECE services offer 20 Hours ECE, with only a single service not offering it in the ECE Directory. • In the 12 months following the introduction of 20 Hours ECE, participation of three- and four-year-olds increased by 2.2% (3,601 children); compared with 0.4% for zero- to two-year-olds. • In 2022, the Ministry identified that the real value of the 20 Hours ECE subsidy had eroded by 18% since 2010 based on comparisons with CPI data over that period of time.	• 20 Hours ECE (previously named 20 Hours Free ECE) provides a higher subsidy for 3-5-year-olds for up to six hours per day and 20 hours per week. These hours count toward the 30-hour weekly ECE subsidy cap, so children can receive up to 10 additional subsidised hours once their 20 Hours ECE allocation is used. • Unlike the ECE subsidy, services cannot charge fees for the hours covered by 20 Hours ECE, though they may request optional charges or donations. Some services require attendance beyond the hours covered by 20 Hours ECE as a condition of their enrolment; fees for these additional hours could be used to effectively contribute to the cost of provision for the hours covered by 20 Hours ECE. • In 2010, the policy was renamed '20 Hours ECE' to reflect that most services had introduced optional charges and that most parents were paying them. • There are unique interactions between 20 Hours ECE and other funding streams: – Home-based educators may charge parents a 'top-up' to cover the difference between their hourly fee and the 20 Hours ECE passed through by the service provider. – The Childcare Subsidy cannot be claimed for hours covered by 20 Hours ECE. • The real value of the subsidy has eroded over time (as a result of limited cost adjustments), and without updated cost surveys, it is unclear what proportion of the average cost of provision (or average cost of delivery in line with regulatory requirements) the subsidy currently covers.
Funding system elements and coherence	• Streamline targeted funding.	TARGETED FUNDING STREAMS The following figure shows the value of different targeted funding streams for 2024/25, demonstrating the range and variation in size. (Note: the figure includes only targeted funding streams within scope of the Review and within Vote Education.) 	FUNDING TYPES • There are various mechanisms by which funding can be allocated, each with associated advantages and disadvantages: – **Activity based**: Funds providers in proportion to defined activities (e.g., enrolments or hours), generally based on estimated unit costs. Supports a market-led approach and provider responsiveness to demand and government priorities. Funding relies on accurate costing and activity data and can be volatile as volumes change, creating risks for thin markets. – **Block based:** Provides lump-sum funding that is not directly linked to enrolments or activity levels. Supports provider certainty, particularly where demand is low or variable. Weak links to activity or outcomes can reduce incentives for responsiveness and efficiency without strong cost modelling and monitoring. – **Individualised:** Allocates funding based on individual or family circumstances, either to providers or service users. Supports a market-led approach, consumer choice, and access for specific groups. Places greater reliance on minimum regulatory standards to ensure quality provision and may need to be layered with other funding to support service viability. – **Needs based:** Provides funding to services based on assessed disadvantage or additional needs. Recognises higher costs of serving some groups and compensates for limited local resources, supporting culturally and linguistically appropriate provision that might not otherwise be viable. Effectiveness depends on accurate targeting and relies on services using the funding effectively.

- **Programme-based:** Funds specific initiatives or interventions to achieve defined policy objectives. Supports tightly focused policy priorities and testing/piloting of new initiatives. Programmes may be small scale and can lack clear pathways to sustain or scale impact.
- **Outcome based:** Links funding to the achievement of defined outcomes. Incentivises innovation and improved performance and can improve the value and impact of government funding. Effectiveness depends on robust outcome measurement and careful incentive design to avoid sustainability risks or unintended consequences.

DISTRIBUTION OF FUNDING IN NZ

- NZ's ECE Funding system uses a mix of funding types across several funding streams.
- There are differences in how funding levels are set across universal and targeted funding mechanisms with no consistent approach to updating or maintaining relativities. Adjustments are generally made on an ad-hoc basis (through cost adjustments) and can reflect fiscal parameters rather than a systematic assessment of provider costs.
- There are 16 targeted funding streams in-scope of the ECE Funding Review, with overlapping objectives and no unifying system design.
- New funding streams have been added over time without always reviewing or retiring existing ones, leading to multiple streams addressing similar issues in slightly different ways.
- The real value of multiple targeted funding streams, and appropriateness of their settings, has decreased over-time.
- Targeted funding is distributed using a variety of mechanisms, each with different rules and reporting requirements.
- Several streams use aggregated indexes or formulas to determine eligibility, including:
  - Equity Funding components A & B: [2006 census-based Equity index]
  - Equity funding component D: [Isolation index]
  - Annual top-up for isolated services [Isolation index]
  - Targeted Funding for Disadvantage [services with children who have spent the largest portion of their life as a beneficiary]
  - ECE lunches programme [eligibility is determined using a recently developed Equity Index]
- Other streams require applications submitted by services, parents, or caregivers, including:
  - FamilyBoost
  - Childcare Subsidy
  - Guaranteed Childcare Assistance Payment (GCAP).
  - Early Learning Payment
  - Equity Funding Component C
- Application-based funding streams sit across three different agencies, each with their own forms, processes, evidentiary requirements, and decision pathways.
- There are cross-programme interactions and rules, for example:
  - Childcare Subsidy cannot be claimed for hours covered by 20 Hours ECE.
  - FamilyBoost can only be claimed on gross fees after other subsidies have been applied.

Pay Parity

SUPPORTING VIEWS

- Pay Parity recognizes the work of ECE teachers and supports quality.
- Pay parity is critical to retaining experienced teachers and attracting new entrants.

CONCERNS

- The Scheme incentivises hiring less experienced staff and can hinder experienced teachers' ability to find jobs.
- Opting into Extended and Full Parity rates can risk squeezing operational budgets because funding rates do not cover the higher steps and pay rates.
- Teacher development incentives can weaken if less experienced/higher qualified staff are less affordable.
- Progression and step-verification processes are complex and unclear.
- Pay parity settings risk prioritising quantity over quality.
- The perception that kindergartens receive "extra" support is not matched by operational realities. It is not clear/transparent how KTCA bargaining outcomes are translated into funding rates.

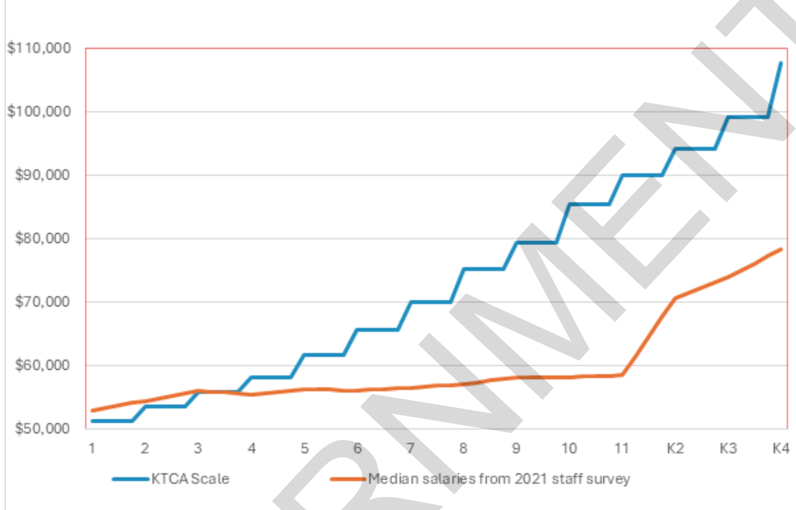
SYSTEM DESIGN FEEDBACK

- Additional funding or rate design changes are required to make the Scheme workable and sustainable.
- Newly qualified ECE teachers need pay parity too.
- Schools don't face same constraints when hiring. ECE teachers should be paid same as primary and secondary teachers.

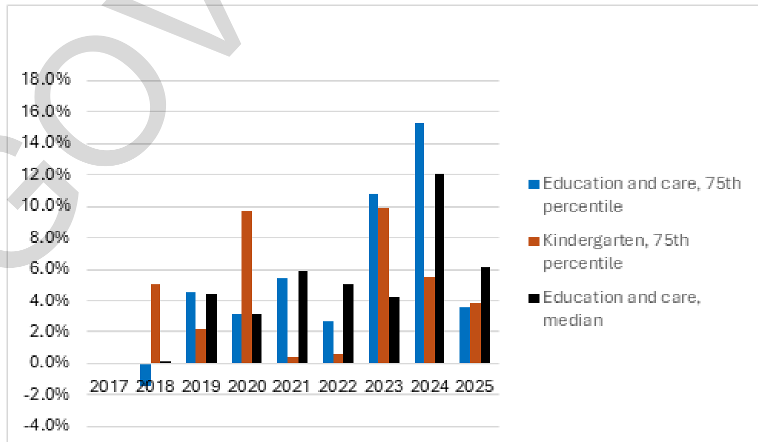
- The proportion of services opting into Full Parity has continued to increase across each funding period since its introduction.

Funding band	November 2023	November 2025
Full Parity	37%	66%
Extended Parity	39%	25%
Parity	19%	6%
Base	5%	2%
Opted out	<1%	<1%

- Prior to the introduction of pay parity, a 2021 staffing survey showed that certificated teachers in education and care services eligible for lower steps (1-3) were already earning slightly above parity rates, with rates diverging from step 4 onwards.



- IDI data suggests the Scheme has had the greatest impact on more experienced teachers, with top-quartile earners receiving higher pay increases in 2023 and 2024 than those at the median. This aligns with the introduction of extended and full pay parity rates



- Turnover for permanently employed certificated teachers in education and care services has fallen from 20% in 2022 to 15% in 2025, while kindergarten turnover has remained at 6%.

- Kindergarten teacher pay and conditions for certificated teachers are set through the Kindergarten Teachers' Collective Agreement (KTCA).
- Kindergarten funding rates are adjusted to reflect changes to the KTCA but these increases do not flow through to other service types, though they may compete in the same labour market for certificated teachers.
- The pay parity opt-in scheme (the Scheme) was introduced in 2022 to close the pay disparity between certificated teachers in education and care services (including hospital-based services) and certificated teachers in kindergarten services.
- The Scheme introduced three sets of funding rates that services can opt into by attesting to paying their certificated teachers at least certain steps of the KTCA.
- A teacher's pay step is agreed upon by the service provider and certificated teacher. Certificated teachers automatically progress up a pay step when they have completed 2080 hours work (one year of full-time 40 hours per week employment) and have been assessed by the service provider as meeting applicable Teaching Council standards.
- The Ministry considers the Scheme not fit-for-purpose. It does not respond to granular, service level changes in pay as a result of different teacher pay step mixes in each service – meaning two services could be different pay parity costs due to a different mix of teacher experience levels but receive the same level of funding.
- While the Scheme still refers to pay parity, the salary steps are no longer at parity with the current KTCA rates. The pay parity salary scale was frozen in December 2023, and the KTCA scale has increased twice since then.
- Subsequent changes have also been made which have further unlinked the pay parity scheme from the KTCA:
  - The Scheme was limited to permanently employed certificated teachers, excluding teachers on fixed-term contracts.
- From July 2025, services may set the initial pay step for newly certificated teachers and those new to the ECE sector for a two-year period. This flexibility was introduced alongside a funding-rate moratorium that restricted movement between pay-parity funding rates.

Admin & accountability settings for MoE ECE subsidies	• Many services view current reporting and accountability requirements as burdensome (particularly frequent absence rules) and costly, with feedback that expectations can be unclear. • Enrolment and compliance processes are overly complex and paper heavy, with compliance costs being described as a full-time job. • Feedback notes a lack of digital tools and suggests making processes more digital. • Families can struggle with enrolment forms and application processes. • EC12 and EC13 (absence exemptions for health or special needs reasons) forms are long and complicated; EC13 creates backlog in health system and there can be challenges in accessing doctors etc. • There was a suggestion for funding to support administrative requirements, especially for small services that have same compliance requirements as larger ones with fewer resources. • Feedback suggests balancing compliance demands with funding – if reporting requirements increase, funding should too. • Targeted Funding for Disadvantage eligibility is unclear and inconsistent, with changes from year to year. • Differences in financial reporting requirements between community-based and private services were noted; suggestion that all services should follow the same reporting standards. • There needs to be clear, consistent expectations for paperwork (e.g., forms for changes in hours must be signed before the change, or funding is lost); Administrators often learn new rules only after audits, causing confusion • Regulatory standards previously cost less to meet, and current verification for attestation is now stricter than bank processes. • Accountability for public funding is essential. There is a disparity in how funding is allocated, monitored and reported across different service models. Greater transparency and accountability are required to ensure funding is directed towards qualified staffing, ratios and quality provision. Tagging or earmarking funding for staffing is an option • Difficult to explain ECE funding system to families or non-ECE staff, language barriers can also make understanding of rules challenging. Explaining rules and the funding systems is also time-consuming for staff. • Some centres get questions around the 20 Hours ECE rules vs 9 hours vs 50 hour rule – and have noted that it shouldn't matter if the parents work or not. *[The Ministry has interpreted this as relating to the requirements and interaction between the 20 Hours ECE subsidy, and MSD's Childca e Subsidy].*	2024 AUDIT RESULTS • 9(2)(g)(i) [redacted] • Targeted Funding for Disadvantage (TFFD) reported expenditure across all eligible services. *(note: percentages do not add up to 100% as some serv ces reported spending more than 100% of their TFFD funding.)*	ACCOUNTAB LITY OF MOE ECE FUNDING • ECE grant funding accountability makes use of a subset accountability measures. Ministry of Education accountability measures for ECE providers and some of their known limitations are outlined below: – **Funding claim audits (assurance activity):** Usually takes no more than one or two days and requires services to maintain and retain records (enrolment, attendance, staffing). – **Provision of annual financial reports to the Ministry and parents (public disclosure):** The Ministry notes that variations in reporting standards, formats, timelines, and exemptions limits the usability and comparability of financial information for both the Ministry and parents. – **Targeted funding expenditure (public disclosure):** Annual financial reports must include information on targeted funding the service received. The Ministry notes that inconsistent guidance, differing reporting requirements (across equity/TFFD funding), and limited verification reduce the usefulness of this information. – **Attendance, enrolment, and staff characteristics data (public disclosure, performance measures):** Services must regularly report on this once a year. • While services typically prefer a high trust model, audit data suggests that the funding claim requirements lead to a high level of claim inaccuracies. • The nature of funding accountability mechanisms under a future funding model cannot be confirmed until the model is set out. Mechanisms may be similar with minor improvements if the system does not change significantly. • A more significant accountability change would be linking funding to outcomes measures, which is often regarded as best practice. ADMINISTRATION OF MOE ECE FUNDING • Administrative requirements give the Ministry information to calculate funded hours and rates, support policy decisions and good administrative practice. • The ECE Funding Handbook brings together all funding rules and operational requirements including funding conditions, rates, absence rules, data-submission obligations, and compliance expectations. • One of the primary forms for funding purposes is the RS7 return, which provides the Ministry the information it needs to calculate a service's funding entitlement. Most services submit RS7 returns electronically. The RS7 return consists of the following components: – **Funded Child Hours:** services provide their FCH for each claimed general subsidy type (Under 2, ECE Subsidy, 20 Hours ECE and Plus 10 ECE) aggregated for each day of the funding period. – **Operating days and advance funding:** Includes days the service was operating, and days approved for Emergency Closure (and therefore can claim funding), and days closed for other reasons.

			– **Staff Hour Count:** the number of regulated ratio hours worked by certificated staff each day, and the number of regulated ratio hours worked by other non-certificated staff (this does not apply to hom -based services). – **Pay Parity Attestation:** education and care, and hospital-based services use the pay parity attestation to indicate the level of Pay Parity they are offering their staff. • The Ministry's Pourato system runs automatic checks for comp iance with the funding rules – such as flagging claims for subsidy funding beyond the daily/weekly caps (e.g., subsidy funding of more than 30 hours per week per child place). • To support an RS7 claim, services must keep records that demonstrate compliance with funding requirements and have these available in-case of audit by the Ministry of Education. These include: – Enrolment records: proof of each child's age, and for families accessing 20 Hours ECE, enrolment documentation to show the hours attested as 20 Hours and include the parent's agreement to any fees or optional charges. Attendance records must be confirmed weekly by parents. – Evidence of teacher qualification and/or certification. – Detailed staff records showing how teachers were deployed throughout the day (whether on the floor, in non-contact time, or performing administrative tasks). – For services opted into pay parity, documentation showing the salary step each teacher is on and confirmation that the amount paid meets or exceeds the requirements for that step. – Discretionary hours: an hour that an uncertificated teacher can be counted as certificated for the purposes of the Staff Hour Count. Teacher-led centre-based services have 80 discretionary hours available for each funding period. • Services must keep enrolment and attendance records to track who is expected to be present, and to apply absence rules (Three-Week Continuous Absence and Frequent Absence). • Once a service is licensed and operating, it enters the regular payment cycle. Bulk funding payments are made three times a year, and each payment includes an advance for the next four months and a wash-up for the previous four months. • There are a number of systems used to support funding delivery, including: - The Early Learning Information System (ELI) - Student Management Systems (SMSs) - Funding Information Regulatory System Technology (FIRST) - Pourato CHALLENGES AND ISSUES • Issues raised with administration generally reveal the tension between practicality and robustness of administrative processes, such as: - The highly differentiated funding system means that a lot of detailed information is required to provide accurate funding - The link to attendance can make funding less predictable - Verification requirements can be burdensome, however changes in this area would need to prioritize fraud prevention

			- Specific concerns include EC13 medical certificates, attendance rules Staff Hour Count, and the four-monthly funding cycle. - The accumulation of policies over time has made the Funding Handbook large, complex, and challenging to navigate.
Admin & account ability settings for MSD childcare assistance products	• Administrative complexity creates barriers impacting uptake – families not knowing how to apply etc. Administrative burden described as excessive. MSD paperwork is difficult, long and challenging. Staff time used to help parents fill in forms or understand the subsidy. • Some services have made the decision not to charge fees because of the administrative burden of the MSD subsidy and the barrier it presents for families in accessing the subsidy • Minor documentation errors can lead to funding loss for centres. • Misunderstanding of subsidy coverage, processing delays can result in some families going into debt with centre. Recovery can strain relationships but centres, such as community based, cannot carry the loss. • Parents should be eligible for the full MSD childcare subsidy allocation irrespective of their work status.	• MSD data noted a decline in CCS take-up over time. Changes in income thresholds increased take-up over the recent period but were lower than historical levels. MSD considers this may be due to factors such as admin burden and lack of awareness. • Comparing beneficiary and non-beneficiary caregiver take-up of CCS- both have seen declines relative to historical amounts., This has been more pronounced for non-beneficiary take-up which may be due to administrative burdens and lack of awareness the payment.	• Ther are three MSD Childcare Assistance products in scope of review – Childcare Subsidy (CCS), Early Learning Payment (ELP) and guaranteed Childcare Assistance Payment (GCAP) – each with different levels of targeting. GCAP is the mostly tightly targeted aimed at young parents and cannot be received alongside CCS or ELP. Eligibility settings also vary by age of the child. All three forms of assistance are paid directly to providers, with CCS being the primary form of assistance for children under 5. CHALLENGES WITH ADMINISTRATIVE REQUIREMENTS • MSD's 2022/23 review of Childcare Assistance identified several administrative challenges. No subsequent work was undertaken to respond to these issues, including: – Administrative requirements one of the main issues for parents- such lengthy forms which are paper based – complexity of the settings disincentivises parents from seeking this support. This has not been addressed and continues to be a barrier to take up of the CCS by both beneficiaries and non-beneficiaries. – the lack of a digital platform for both clients and providers to interact with adds to the difficulty of the process, especially when a client's circumstances change frequently. – Administrative requirements can also create issues and debt for both parents and providers • MSD has also highlighted the following issues: – Administrative processes and settings are not well aligned with variable and non-standard work patterns. Clients must notify MSD whenever work or care hours change, which can require frequent updates for those with fluctuating hours. – Because Childcare Assistance is paid in advance rather than in arrears, so delays or errors in updating changes can result in overpayment and debt. – Formal ECE/care programmes generally operate on fixed daily hours and block enrolments (e.g. 8am–3pm, 9am–5pm). Where a parent's hours vary week to week, aligning booked hours to the parent's work hours can be difficult. – MSD CCS cannot be paid for hours covered by 20 Hours ECE, except in limited circumstances (e.g., contributing towards 20 Hours home-based educator top-ups). Where MSD is not aware a client is accessing 20 Hours ECE, this can lead to overpayments and debt. There is no data share with MoE, and MSD relies on client-reported information to assess (and reassess) entitlements. – MSD has limited visibility of key inputs: booked/attended hours, parental work/training schedule, use of 20 Hours ECE, and provider changes). The system therefore relies on client and

			provider self-reporting, including when circumstances change, so payments are accurate. POTENTIAL IMPROVEMENTS • MSD advice notes the benefits Australia's approach, which uses an online claiming tool and provider/centre reconciliation model. • An online platform (for clients and providers to use to update information) • Changes to legislative settings which are built on detailed, prescriptive and highly condition rules that tie eligibility to specific circumstances that change often. • 9(2)(g)(i) [redacted] • 9(2)(g)(i) [redacted]
Admin settings for Family Boost	• FamilyBoost is administratively complex for families to apply for and difficult for families with limited internet access, literacy etc. • Not accessible to all families as requires upfront payment (FB paid in arrears) • Suggestions FB is paid directly to services rather than families.	FAMILYBOOST CUSTOMER EXPERIENCE AND UNDERSTANDING SURVEY RESLTS • An online survey of current FamilyBoost customers and a random sample of potential FamilyBoost customers (not registered but maybe eligible) received 8,435 completed responses. The survey results found: – Registration and claiming were generally straightforward: 70% of customers said registering for FB was easy, 14% of customers report difficulty registering. – 84% said the claim process was easy, while 8% of customers (8%) reported difficulty claiming, primarily due to ECE invoice requirements. Lack of understanding/confusion are key reasons why some eligible customers don't claim every quarter. – Only 3% of customers reported contacting IR for help, 5% indicated that they received help from their ECE provider, and 3% said they got helps from friends, family or colleagues. – 93% of customers got payments in timeframes that met or exceed expectations. – Over 51% of eligible customers have never heard about FB or know nothing about it. ECE providers (52%) and media (40%) play an integral role in sharing FB info.	FAMILYBOOST ADMINISTRATION • Eligible families must upload quarterly ECE fees invoices or quarterly statements to Inland Revenue's online portal: myIR. Providers now commonly issue quarterly statements with the required information, reducing the need for families to submit multiple invoices. • Currently, information required by IR for FamilyBoost assessments includes household income, ECE fees after existing subsidies and discounts, and information to verify enrolment. Families have four years to claim refunds, aligned with other IRD-administered tax credits. FamilyBoost is calculated on net fees after other subsidies (E.g., 20 Hours, MSD Childcare Assistance). Payments are based on quarterly household income and are 'full and final', reducing risk of debt from overpayments. Where a child may spend time in two households, those households are assessed separately for FamilyBoost claims, and each parent or caregiver must lodge a claim using their own ECE invoice or quarterly statement. • Payments do not scale for the number of children or hours attended. There are no hours limits, work requirements, or rules around absences or attendance. • Providers and other parties have asked why the payments are made directly to parents rather than the centres. The original policy

		− 18% of respondents used the Inland Revenue website to learn about FamilyBoost, but the content is hard to find and less helpful for potentially eligible customers. • Customers who reported difficulty registering for FamilyBoost, gave the following reasons: − Getting the required information e.g., IRD number application, ECE centre details, partner's income and IRD number. − Not being able to determine eligibility based on the available information. − Confusion around income e.g., quarterly vs annual, net vs gross, what income is included/excluded. • Suggestions to improve the FamilyBoost registration, based on customers feedback: − Making it easier for customers to determine eligibility and entitlement prior to registering (e.g. a calculator to help determine entitlements, a chart showing income vs % of ECE fee rebate able to be claimed). − More support to help registration process in MyIR (video guides, more info about questions, how to navigate application) − Better utilise ECE providers and IR's website to optimise access to FamilyBoost information.	proposed was for refunds to be provided directly to parents as a cost-of-living relief measure for families. The policy also requires payments to be abated according to household income. If payments were made directly to ECE providers it may effectively disclose parent's income levels, applicants may not want to share this personal information with their ECE service. IR have also noted factors relating to administration such as people believing the effort to claim may outweigh the benefits and other administrative challenges like compliant invoices, as impacting take-up (see also Enhancing Participation, Affordability and Sustainability). IMPROVEMENTS UNDERWAY • The original product design called for a direct data feed from ECE centres to Inland Revenue (via the Ministry of Education) to combine data on ECE fees paid with household information to provide fortnightly rebates of a percentage of ECE fees directly to families' bank accounts. Due to complexity and implementation timeframes, this was not introduced at the outset of the policy. • IR is undertaking work to explore a direct data feed from ECE providers to IRD to reduce administrative burden on families. This would require multi-year implementation and significant system changes for IR and for ECE and SMS providers. The direct data feed would likely require increased data collection by ECE providers and require a level of digital sophistication in the ECE sector. Providers/SMS vendors may be reluctant to take on the additional costs of updating their systems. The existing system would need to be retained for parents of centres that could not use the direct data system. • IR also have measures underway to support take-up and improve administration, including: − Policy changes made to increase income thresholds and increase rebate percentage for some income groups − working with providers and SMS vendors to introduce quarterly statements and pre-populating information across the registration and claim processes. • Working with providers/SMS vendors to ensure the template statements/invoices meets information requirements and is presented in a way to support fast processing of claims ways to mitigate internet access issues or assist those with significant unfamiliarity with digital processes (e.g. in-person support at IR offices).

Section

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.

2: Contrasting and Consistent Views and Evidence

- Agencies and engagement feedback often identified the same problems. However, agencies may be more aware of the context that has led to the settings being the way they are. This could be, for example, because historical settings have been retained, there are I.T. system limitations, or wider government accountability expectations. For service staff interacting with the system, the reasons behind the settings may not be particularly apparent.

Consistent views/information

- Sector stakeholders stated that administrative complexity creates barriers to the take-up of MSD subsidies like CCS. Previous MSD reviews have identified administrative burden and complexity as an issue with the CCS scheme, and previous decisions to improve administration have not been fully implemented. MSD data shows a decline in CCS take-up over time. MSD has advised that this may be due to administrative complexity (tied to the tightly controlled eligibility settings), manual processes, lack of awareness. These last two factors did not come through strongly in engagement feedback, but respondents did note issues around misunderstanding of MSD subsidy coverage.
- Sector stakeholders also considered that administrative complexity impacted take-up of FamilyBoost. IR advice noted factors such as administrative complexity and a lack of understanding around eligibility were likely influencing take-up. A 2025 IR customer survey found that while most respondents found the registration and claims process easy, some noted challenges with registering and claiming due to administrative complexity.
- Sector stakeholders expressed the view that targeted and equity funding needs to be streamlined. The Ministry also noted issues with the number of funds and overlapping policy objectives and different accountability and reporting requirements (see also Equitable outcomes synthesis for further detail on targeted and equity funding).
- Sector stakeholders noted they saw value in the 20 Hours ECE policy as a way to improve affordability and participation for 3-5-year-o ds. However, they generally consider that the structure of 20 Hours ECE and the 6-hour cap limits flexibility for families and don't align with modern working needs. The Ministry agrees this structure has impracticalities. Complicated enrolment practices adopted by services in response to the policy may also make it difficult for families to access 20 Hours ECE without incurring cost

Contrasting views/information

- The ector considers that funding based on attendance rather than enrolment is challenging with impacts on financial sustainability, especially in terms of the impact of absence rules. Sector stakeholders noted these rules disproportionately affect more disadvantaged communities who may have more sporadic attendance. MoE advice noted absence rules are intended to maintain certainty and continuity of funding while managing costs to the Crown but acknowledged that linking funding to attendance can make funding less predictable.
- There were mixed views on Pay Parity. Some sector feedback stated that addressing teacher pay disparity is important and that the pay parity opt-in scheme is still valued for recognising the importance of teaching, supporting quality and workforce entry and retention. Ministry data shows that the teacher retention has increased in the years following the introduction of the scheme, indicating

that it has likely had positive impacts. Sector stakeholders also identified that the pay parity scheme is not fit for purpose and has created unintended consequences such as incentivising services to hire less experienced teachers. They mentioned that the scheme adds in additional accountability and administrative requirements which can be difficult to navigate. Ministry advice agrees that the scheme is not fit-for-purpose and notes that was not intended to be a long-term solution. In particular, it does not account for variations in each service's teacher pay mix, creating cost mismatches, and in some cases windfall gains.

- Sector stakeholders and agencies generally agreed that administrative requirements are numerous and complex. However, agencies have different views regarding how much of a burden administrative requirements create for providers. The Ministry's advice noted that services typically use SMS tools to support reporting, but we have limited data to be able to understand services' compliance costs (see section 4). Other sector stakeholders also mentioned the importance of accountabi ity for public funding. The Ministry also noted that a highly differentiated funding system requires detailed information to support accurate funding.
- Sector stakeholders pointed to the need for more flexibility around rules, especially for absences and booking limits that impact access to hours funded under the 20 Hours ECE policy. However, sector feedback also suggested that increased flexibility creates tension with accountability due to potential for abuse and would require management and clear accountability to prevent this. Ministry advice indicated that flexibility in how funding is able to be used has decreased over time due to conditional requirements linked to certificated teachers.

Section 3: Insights

Complexity can be driven by needs and requirements of the funding system, indicating a tension between administrative complexity, differentiation and flexibility

- The information captured in the discovery phase shows that the ECE Funding System is indeed complex, in that there are many interconnected elements which interact in different ways with various interdependencies. This is to be expected in a differentiated and nuanced funding system with multiple agencies administering funding, many users and multiple concurrent policy objectives.
- Administrative and accountability requirements support the Ministry to deliver the correct amount of funding to services and meet he accountability expectations of government. In a highly differentiated funding system, in which multiple policy objectives have accumulated over time, administrative requirements have increased in both number and intricacy. This creates a tension – we want a nuanced system that matches funding to the unique characteristics of different types of services, but we also want it to be straightforward to navigate, with accountability settings that are commensurate with the level of public investment and fiscal risk.
- Some complexity is driven by government arrangements. For example, having multiple streams of targeted funding administered by different agencies across welfare, education and revenue with different systems, roles, responsibilities and policy objectives. While there are generally policy and other rationales for these arrangements, from a user perspective they can add to complexity and administrative burden (for example, dealing with multiple government agencies and navigating the interface between CCS, 20 Hours ECE and Family Boost). This element of complexity would likely have high costs and implementation times to change.
- Another driver of complexity may be lack of information, including information that is not held centrally or cannot be drawn on automatically. The complex design of some funding system elements (e.g. pay parity) may have been required in part because data was lacking, requiring greater reliance on assumptions or proxies. This can manifest in additional administrative processes, such as pay parity attestations and the associated supporting records for pay step calculations.

- Engagement feedback noted the high compliance costs and administrative burden in the funding system, with description of compliance as a full-time job. However, besides absence rules, there was limited specificity around what aspect of administration or compliance was particularly burdensome or challenging. It could be that it is the cumulative impact of the various requirements to provide and maintain information (and the specific rules for how this is done) across a range of areas that is what leads to the perceived administrative burden.
- Stakeholders identified challenges with the current absence rules and suggested funding based on enrolments rather than attendance. Given the fiscally neutral nature of the ECE Funding Review, a shift from attendance to enrolment-based funding, all else being equal, would require a reduction in per-child, per-hour funding rates to allow for periods of non-attendance.
- Specific areas highlighted in synthesis of existing information provided to date include:
    - The complexity of targeted and equity funding pots in terms of number of funds, overlapping objectives and varying accountability and administrative requirements.
    - The challenges of the current pay parity scheme such as considerable complexity, no longer being tied to the KTCA and not offering true pay parity between teachers in education and care and kindergartens. It now acts as more of a pay reinforcement scheme.
    - Administrative processes and requirements for MSD subsid es. MSD advice noted previous proposals (e.g. an online portal, allowing MSD clients to apply online) and the high cost and moderate lead-in time of such changes.
    - Administrative processes for FamilyBoost. IR has also identified opportunities to improve administrative processes, advice received by IR indicates progress to addressing these, including consideration of automating the claims processes.
    - There is range of different funding rates across universal subsidies, which contributes to system complexity. However, this complexity can be driven by, and therefore must be balanced against, various policy objectives, government priorities, and the varying needs of different service types and the communities they service.
    - Funding conditions and core sett ngs – such as daily (6 hours) and weekly (30 hours where eligible) limits for the ECE subs dy and 20 Hours ECE, and the way these supports interact can create complexity and challenges for parents and providers in the system.
    - The interface between different subsidies and the extent to which they work together efficiently as supports have been added over time. This has created complex interactions in how they operate in practice. For example, the Childcare Subsidy cannot be claimed for hours covered by 20 Hours ECE.
- Where complexity can t be easily reduced, or reduced significantly, there may be other ways to support providers, parents and other stakeholders. In some cases, the perception that a particular element of the funding system is overly complex may be possible to counter with training, greater automation or digitisation, or improved documentation and guidance for example.
- This synthesis considers complexity in the existing system, with some of the identified issues driven by fundamental design elements, such as funding being based on child attendance. The level of complexity in a future system depends on the design, goals and settings of that new system. If significant changes were proposed, the level of complexity could look quite different to what stakeholders currently experience. It is worth keeping in mind that complexity can be a good thing when it provides nuance and functionality. When it fulfils a need, complexity can provide genuine value. Complexity can be problematic however, when it only adds unnecessary complication, confusion and inefficiency.

Section 4: Information gaps / limitations

- This synthesis draws on advice provided across a range of papers provided to the MAG by agencies across a range of topics. Not all papers included a focus on complexity. While these papers have helped us identify themes related to complexity, there are likely views or perspectives that are missing.

Specific information gaps and limitations were identified. These included:

- **Pending material on the Administration of ECE Funding, and ECE Equity and Targeted funding streams:** The MAG has to date received an introductory paper to the administration of ECE funding in New Zealand.* The paper outlined that additional material was expected to follow including a more detailed examination of administrative effectiveness and system interactions, comparisons with other systems, and consideration of potential areas for change. The MAG will also rece ve an equity and targeted overview funding paper, which will describe how ECE equity and targeted funding funds are being used, the cumulative impacts of targeted and equity funds for early learning services that are receiving multiple funds, and the key issues for each of these funds.
- **Services' finances and costs**: Gaps in data on services' finances and costs limits triangulation with engagement feedback and analysis on the impacts of different aspect of the funding system such as child place vs child hour funding on services, including services of different sizes or serving communities with low or high socio-economic disadvantage. The cost to serve workstream may help address some of these gaps.
- **Compliance costs:** A lack of data on compliance costs for providers (e.g., resulting from administrative requirements), and the impacts of these costs for d fferent providers. means we cannot fully triangulate engagement feedback received on the administrative burden. This includes feedback about the challenges for smaller providers and understanding the potential impact of economies of scale.
- **Impact on fee schedules**: The Ministry does not collect information on services fee schedules, limiting our ability to understand how complex fee arrangements may be, and how the current funding settings may influence services fee structures – for example, what proportion of services require attendance beyond the hours covered by 20 Hours ECE, or whether funding settings shape the way services scale fees across different levels of attendance.
- **Reasons for non-participation**: Lack of data (from a parent/whānau perspective) on why some families do not participate in ECE, limiting analysis of extent to which administrative challenges and perceived system complexity affect ECE participation. This also limits the ability to triangulate engagement feedback received to date, which has suggested that the inflexibility of rules such as 6 hour booking limits were creating barriers. The parent survey (not yet available at the time of writing) could help improve understanding in this area..
- **Pay Parity:** The Ministry does not routinely collect pay step data for education and care services, limiting the ability to calculate the proportion of teachers on each step.
- **20 Hours ECE** The Ministry does not collect fee information from ECE services – so the prevalence of centr s requiring attendance beyond the hours covered by 20 Hours ECE is unknown. Similarly, we do not have information to know the prevalence or amount of optional charges for hours covered by 20 hours ECE. MoE advice to the MAG on 20 Hours ECE to date has focused on the policy objectives underpinning the subsidy rather than areas that the Ministry considers problematic or complex. The parent survey (not yet available at the time of writing) could help improve understanding here.

* This paper "Overview of administrative settings for Ministry of Education ECE funding" has been proactively released on the MAG's webpage here: https://www.education.govt.nz/our-work/strategies-policies-and-programmes/early-learning/ministerial-advisory-group-early-childhood-education-funding-system-review/ministerial-advisory-group-funding-system-review-information-releases-0