2026 Early Childhood Education Funding Review Ministerial Advisory Group

Overview of Administrative Settings for Ministry of Education ECE Funding

Reviewers note for MAG meeting 19 and 20 February: this is an update to the earlier paper provided for the MAG meeting of 8 and 9 December. The substantive new content is in sections 4 and 5 of this paper: from pages 24 onwards. We recommend MAG focus review and discussion on these sections

Contents

Administration of ECE funding

Introduction

1. This paper introduces the administration of early childhood education (ECE) funding in New Zealand. It is designed to offer foundational knowledge of the systems and processes involved in applying for and delivering the main types of Ministry of Education funding to ECE services. It considers the effectiveness of the regime and administrative best practice, as well as potential changes to administrative settings.

2. The first section of this paper provides a brief overview of the relevant legislative requirements, the ECE Funding Handbook and its role in ECE funding administration. The second section sets out the key administrative tasks that services must complete to receive funding and how these link to policy decisions. The third section describes systems used to support funding delivery. Section four sets out some administrative best practice requirements from literature and considers how New Zealand's system compares. The last section offers a brief overview of known issues with the current practices.

Section 1: Foundation of the administrative settings for ECE funding

3. Under section 548 of the Education and Training Act 2020, general grants must be paid to all licensed early childhood education (ECE) services from appropriated funding. To calculate the correct amount to fund, the Ministry of Education needs information about how many hours to fund and the rate to apply, along with additional details to support policy decisions and good administrative practice.

4. Regulation 47 of the Education (Early Childhood Services) Regulations 2008 (the Regulations) sets the Governance, Management and Administration (GMA) standard, which requires services to be governed and managed in accordance with good management practices and to maintain appropriate records. The GMA Licensing Criteria provide further guidance on applying this standard, including specific documentation requirements.

5. The ECE Funding Handbook (the Handbook) sets out further requirements for processes (including verification steps) and documentation needed to support funding claims.

The link between licensing and funding

6. Early childhood education services are eligible for the ECE Funding Subsidy if they are licensed and open for at least one continuous session of 2.5 hours per week (Handbook ch 3A-1, Funding Eligibility).

7. A service's licence sets the upper limit for claims on funded child hours (FCH). While legislative maximums are set for each service type (Sch 3 of the Regulations), the actual maximum applied to an individual service will depend on several factors.

8. To obtain a licence, a provider applies to the Ministry of Education using the EC1C form for centre-based services or the EC1HB form for home-based services. For centres, the licensing process includes measuring the physical environment to determine the maximum number of children who can attend at any one time. Space requirements for indoor and outdoor areas influence this calculation, as do facilities such as taps, toilets, and sleep furniture, which must be provided at specified ratios per-child or per-person. (See, for example, Sch 4 of the Regulations for activity space; Centre-based licensing criterion PF38 Under 2 cot ratio). Resource consents may also affect the hours a service can operate, or the number of people allowed on site, which in turn impacts licence limits.

9. For home-based services, a sample of homes proposed for the licence is assessed for compliance with space and health and safety requirements. Maximum numbers will initially be based on the number of educators signed up to work on the licence.

10. For all service types, a Ministry licensing advisor reviews documentation, policies, and procedures to ensure compliance with the Regulations and the relevant Licensing Criteria.

The ECE Funding Handbook

11. The Ministry collates funding conditions and lists funding rates in the ECE Funding Handbook (the Handbook). It also includes examples to support the application of the funding conditions by ECE providers. The Handbook is published online under delegated authority (s 548 of the Education and Training Act). Its purpose is to:
    - Provide official guidance on how government funding for ECE services works.
    - Explain funding rules and requirements for all types of ECE services (teacher-led, parent/whānau-led, home-based etc).

- Detail the processes for claiming funding, including ECE Funding Subsidy, 20 Hours ECE, Equity Funding and other grants and allowances.
- Outline compliance obligations, such as record-keeping, enrolment and attendance rules, and audits.
- Support services to complete RS7 returns accurately and understand payment cycles (advance and wash-up).
- Ensure transparency and consistency in how funding is calculated and paid across the sector.

12. The Handbook has grown over time as new policies, such as Pay Parity, were added rather than integrated, making it large and somewhat difficult to navigate. A key challenge is balancing clarity and readability with the level of detail needed for the Handbook to function as enforceable legal conditions for funding.

13. Many examples still reflect practices from when funding returns were calculated manually, even though most services now use Student Management Systems (SMS). These systems rely on the rules in the Handbook to develop their functionality, but service providers remain responsible for the accuracy of their funding claims. For this reason, it is essential that the Handbook retains sufficient detail of the required calculations, even if services delegate much of the process to technology.

Section 2: Rules, tasks and processes

14. This section outlines the steps required to apply for funding, as well as some of the rules that impact on funding calculations.

15. To provide some context, the table below shows these forms/processes, the rationale for each, and the frequency that these must be completed/undertaken. Note that processes specific to Playcentres or Kōhanga Reo have been excluded from this analysis, as have those related to Equity Funding and financial reporting for accountability purposes, as these have both been covered in other papers.

Form/process	**Purpose**	**Frequency**
Enrolment form	Provide information on the child and family, as well as enrolment timetable, agreement to fees and other matters	Completed initially on enrolment. Updated with changes to enrolment timetable, 20 Hours Attestation, or other matters that may need to be amended during a child's time at the service Depending on the service and family circumstances, there could be regular changes that need to be documented, agreed and appended to the enrolment form
RS3 form – Initial Application for Funding for an Early Childhood Service	Provide information to calculate initial advance funding for a service when it is licensed	Once – when the service is first licensed
RS7 Return – Early Childhood Funding Return	Provide information to calculate wash-up and advance funding on a regular cycle	Three times per year – submitted in February, June and October
RS2 Change of Bank Account	Provide verified account details to support a change of bank account for ECE funding	Only required to change a bank account
EC20 – Transitional Advance Form	Provide information to recalculate advance funding for a service if operating conditions change	Limited use in defined circumstances. Many services will never use this form
EC20A – Advance Funding Period Attestation	Provide information to support a change of pay parity attestation level and recalculate advance funding to match the change	Use decreasing as centres are settled on pay parity levels, and moratorium for increasing levels is in place.
EC12 Application for Exemption from Absence Rules for Special and/or Health Needs	Records an agreement between parents and the service for an exemption from the absence rules in particular circumstances	Required for each child the application is sought for, for each time an exemption is sought
EC13 Medical Certificate to Support Application for Exemption from Absence Rule for Special and/or Health Needs	Documentation to support the EC12 exemption from the Absence Rules	One page form required for each illness. Must be completed by a medical practitioner and state the period that child should not attend the service or may not be able to attend regularly
EC15 Application to Receive Equity Funding for Providing Early Childhood Education in a Language and Culture other than English	Attestation around the language of instruction	Only required once
Emergency closure record	Record information about approved emergency closures	Evidence of the Ministry's approval of the emergency closure must be kept in case of audit
EC30 HB – Home-based educator emergency closure application	Provide information to request continued funding for home-based educators who are not operating due to an infectious illness.	Used when an educator is requested to close because of an infectious illness. Applications for a one-month period can be combined into a single form

Form/process	Purpose	Frequency
Staff Record	Completed to show how staff were deployed – to support the Staff Hour Count calculation	Must be signed weekly by staff to verify the hours worked
Evidence of staff qualifications	To support funding claims, evidence of staff qualifications and practising certificates must be retained	Kept up-to-date for each staff member.
Discretionary Hours Report	Reports to the Ministry on hours that have been claimed as discretionary hours by a teacher-led, centre-based service	Completed each funding round if a service uses discretionary hours in its funding claim
Pay Parity Staff Records	To show how the initial and current salary step for each certificated teacher has been calculated.	Assessment on employment, regular review to ensure that teachers are progressed through the salary steps after 2080 hours of work
Waha Rumaki/PITA Return	Collects information about teachers in eligible services to enable calculation of the Waha Rumaki and Pacific Immersion Teachers Allowance (PITA)	Submitted monthly by eligible services
ECE Census/ECE Return	Once a year, specific questions are asked about every licensed ECE service and its staffing to enable comparison data across years.	Once per year. Child data (including attendance) is collected out of the ELI system, but other data must be inputted into the ECE Return. (Some SMS will populate much of this for the service)

Applying for funding

The RS3 form for new services

16. At the time of licensing or shortly after, the service provider completes and submits an RS3 form to the Ministry. The Ministry then calculates the service's first payment based on:
    - the number of days the service will be open
    - the hours that the service will be open
    - the estimated average number of children in each age group (including those likely to access the 20 Hours ECE subsidy) and the estimated hours they are expected to attend the service during the advance period
    - the estimated percentage of regulated (ratio) staff hours that will be covered by certificated teachers and
    - the pay parity level the service attests to paying their certificated staff at (education and care services, hospital-based services only).

17. Evidence to support the claim must be provided. This could include lists of enrolments and enquiries, and for home-based services evidence of educators signed up to operate under the service brand.

18. The Ministry makes an advance payment to the new service on the next available payment date (generally the first of the month). Funding is advanced up to the next major funding round (March, July or November).

19. Depending on the timing of the service opening, up to five months' funding can be advanced. RS3 claims are capped at 75% of the service's licence maximum. As an example, for a service licensed for 100 children, the maximum claim would be 450 FCH per day (75 children x 6 hours) and 2250 per week (75 children x 30 hours) combined across the various subsidy types.

20. Ministry of Education regional office staff must sign the RS3 claims. This process has two purposes – to ensure the form is fully completed before it is sent for processing, and to provide some verification of the reasonableness of the claim based on the regional knowledge of the service and community interest in attending.

The advance and washup process

21. Once a service is licensed and operating, it enters the regular payment cycle. Bulk funding payments are made three times a year - on the first working day of March, July, and November - and each payment includes an advance for the next four months and a wash-up for the previous four months. Smaller payment runs are completed on the first working day of every month.

Form submitted in	Payment in	Includes washup for	Includes advance for
February	March	October	March
		November	April
		December	May
		January	June
June	July	February	July
		March	August
		April	September
		May	October
October	November	June	November
		July	December
		August	January
		September	February

22. Most services receive 75 percent of their subsidy funding in advance, while kindergartens receive 100 percent on the day of the bulk payment. Equity funding, however, is only paid in arrears through the wash-up process. Some services have tailored arrangements to help manage cashflow or reduce the risk of overpayment.

23. Services at risk of closure may be placed on monthly funding, where the advance funding is paid in equal monthly instalments rather than as a lump sum. This approach reduces the risk to the Crown if a service closes before delivering education and care for the period it was funded. Some services also choose to have their advance funding paid monthly for more regular cashflow, although the availability of this option is not well-publicised by the Ministry as, up until September 2025 it required a manual calculation process that was more resource intensive than the standard funding approach. The new funding system, Pourato, now automates monthly funding.

24. It is understood that advance funding was introduced as part of the bulk grant approach (following the Meade report) to ensure services had predictable cashflow to cover operating costs like wages and rent. The rationale was that ECE services, unlike schools, often operate on tight margins and cannot easily absorb delays in payment.

25. It is important to note that advance funding for services in the regular payment cycle is based on the average daily FCH calculated in the previous 4 months based on their RS7 Return – not on their projected enrolments for the period going forward. The total FCH for each subsidy type is divided by the number of days the service was open to give a daily rate. This rate is then multiplied by the number of days the service intends to be open in the following funding period to calculate the total FCH to be advanced.

26. A service's actual funding entitlement for a round is calculated as advance funding (received in the previous funding round) plus or minus the wash-up amount as calculated based on their RS7 return. If a provider operates multiple services, the total funding for all services is paid to the provider grouping. These groupings are called Early Childhood Associations (ECAs) and are assigned a unique ECA number. The provider is responsible

for distributing payments to individual services within the group, and any debt owed by one service may be offset against payments due to other services in the same ECA.

The RS7 Return

27. Funding for each teacher-led service depends on:
    - the service type (education and care service, kindergarten, hospital-based or home-based)
    - whether a service is all-day or sessional
    - the proportion of regulated (ratio) staff hours that are covered by certificated teachers
    - whether the service attests to paying their certificated teachers at or above certain minimum salary scales (not applicable for kindergartens or home-based services)
    - the age of children attending the service
    - whether the service is offering 20 Hours ECE.

28. RS7 Returns provide the Ministry the information it needs to calculate the funding due to the service. Historically, these were known as 'The Yellow Form' and printed and sent to services for completion 3 times per year. Now, although the same four-monthly cycle remains, almost all services must submit their RS7 Return electronically. This is a requirement set out in the Handbook (Chapter 9). Paper-based forms are still accepted for services with notional rolls,[1] casual services not required to connect to ELI, and services that changed Student Management System provider during a funding period (often due to change of ownership of the service.)

29. RS7s are different for each service type. For example, home-based services do not have sections for the 'Staff Hour Count' (SHC) as their funding is not based on the level of certificated teachers they have. Sessional kindergartens do not complete SHC, but All-day kindergartens do; neither type of kindergarten needs to attest to the level of salary they are paying their teachers as the Kindergarten Teachers' Collective Agreement covers this matter.

Funded Child Hours

30. All services must provide their FCH for each general subsidy type their service claims - ECE Subsidy - Under 2s and 2-5s, 20 Hours ECE and Plus 10 ECE – aggregated for each day of the funding period. The Funding Handbook provides guidance for doing this, based on the age of the child and the hours they are attending, but in practice most providers will rely on their Student Management System to undertake these calculations.

[1] Some services with special function in the community (notably hospital-based services and services supporting Teen Parent Units) are funded on a set number of FCH each day, rather than on actual enrolment and attendance. This is known as a notional roll. As these services also need to keep accurate attendance and staffing records within their Student Management System, to support the notional roll calculations, their funding claims are submitted manually (as they cannot override the SMS).

31. The funding system does not accept fractions, so where daily FCH for a subsidy type is not a whole number, it is rounded. For example, 45.5 hours of Under 2 subsidy would be rounded to 46 hours.

Operating days and advance funding

32. The information on the RS7 Return also includes the days the service was open and operating, the days it was approved to close under Emergency Closure (EC) (and therefore can claim funding), and the days it was closed for other reasons (e.g. teacher only day, Christmas close-down, term-breaks or public holiday – for which it cannot claim funding).

33. The service also uses the RS7 Return to advise of the number of days it intends to be open in the next funding period, so its advance funding can be appropriately calculated. Some services may only be open a few days a week, some may close for school holidays etc, so the alignment of advance to actual operating patterns is important in order not to overfund these services. There is no issue if a service ends up being open more days than was stated on the RS7; they will receive additional funding for this in the wash-up process.

Staff Hour Count

34. SHC is used to determine which funding band a service sits in, for example 80% of regulated ratio hours worked by certificated staff. For services required to supply SHC data (all-day kindergartens, education and care centres, hospital-based services), they provide the number of regulated ratio hours each day worked by certificated staff (the 'Yes' column on a paper-based form), and the number of regulated ratio hours worked by other non-certificated staff (the 'No' column'). It is important to note that the SHC is not a record of all the hours worked by teachers, in fact some teachers in a service might not be included in the SHC; it relates solely to those required to meet the applicable ratios.

35. As for FCH, where daily figures result in a fraction, these are rounded up or down to the nearest whole number. The two columns are added together to provide a SHC across the entire 4-month funding period. To determine the service's funding band (e.g. 80-99%, 100% certificated teachers), the following calculation is applied:

$$\frac{\text{Total Certificated Teacher Hours for the 4-month period (rounded)}}{\text{Total Certificated Teacher Hours + Other Teacher Hours for the 4-month period (rounded)}} \times 100$$

36. The Handbook sets out how to calculate the SHC using staff records at 30-minute or one-hour intervals. In practice, because breaks of less than 15 minutes do not need to be recorded, SHC is usually calculated in 15-minute increments. This approach involves determining the required ratio staff for the number of children present at each 15-minute interval and then confirming whether those staff are certificated or not.

37. For a teacher to be included in the SHC they must be present with and responsible for children, not engaged in "non-contact" tasks such as meetings, learning documentation and planning, mentoring and coaching (not with children), office work, cooking or cleaning. This links to the requirements in Schedule 2 of the Regulations, which sets out

'who counts as an adult' when applying adult: child ratios.

38. The policy rationale for providing additional funding to services with higher proportions of certificated teachers is to recognise the benefits children gain from learning in an environment with qualified teaching staff. The SHC is designed to measure the actual time certificated teachers are contributing to regulated ratios and teaching, which is why only hours where they are actively supervising or interacting with children are included. Recording these hours at regular intervals throughout the day ensures that funding reflects the presence of qualified teachers during all parts of the day, so children have access to qualified educators regardless of when they attend.

Pay parity attestation

39. Services that are eligible to opt-in to the Pay Parity scheme, use the RS7 Return to indicate the level of Pay Parity they are offering their staff. This is known as the attestation process. The selection of different Pay Parity levels (e.g. Base, Parity, Extended Parity or Full Parity) affects the rate of funding paid to the service.

Checks on the RS7 Return

40. Each RS7 contains the service's licence number. A service's licence sets the parameters of their funding. The service type and operating conditions listed on the licence indicates the funding rates that will apply. The licensed hours and child places will set the maximum amount of FCH the service can receive across a day and a week.

41. Some automated checks are run on the RS7 data to ensure compliance with the funding rules. The funding system, Pourato, will 'flag' claims that are outside of the licence parameters (e.g., claiming for under 2s where the licence does not allow them), or above the funding maximums (i.e. ECE Subsidy funding of more than 30 hours per week per child place).

Records to support the RS7 Return

42. 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. Records include evidence of teacher qualifications, confirming that staff are certificated, and detailed staff records showing how teachers were deployed throughout the day - whether on the floor, in non-contact time, or performing other tasks.

43. Enrolment records are also essential. They provide proof of each child's age, which determines the funding rate for the hours they attend. For families accessing the 20 Hours ECE subsidy, enrolment documentation must show the hours attested as 20 Hours and include the parent's agreement to any fees or optional charges. Attendance records must verify when children actually attended and be confirmed weekly by parents or guardians.

44. For services that have opted into Pay Parity, additional evidence is required. This includes documentation showing the salary step each teacher is on and confirmation that the amount paid meets or exceeds the requirements for that step. These records ensure that funding claims align with the conditions of the Pay Parity scheme.

45. Further details around enrolment, attendance, staffing and other records are set out in the next section of this paper.

Enrolment, attendance, staffing and other records

46. Records of enrolment and attendance are required for the operation of the service – namely, to know who the service is expecting to attend at any one time, and who is actually there. These records also support funding claims and the provision of required information to ELI (the Early Learning Information system) (see Appendix 1).

Enrolment records

47. The age of each child enrolled in a service is important in determining at which funding rate each funded child hour (FCH) will be paid. The number of hours for which each child is enrolled is important in determining the number of hours for which funding can be claimed.

48. Enrolment records provide evidence that services and parents/guardians agree on the age of each child, and the number of hours for which each child is enrolled.

49. A template enrolment form is included as an Appendix to the Funding Handbook. Services do not need to use this exact form, but there are sections included (known as 'Black Diamond' sections) that must be replicated exactly in any alternative form generated by a service. This ensures that information is captured in the same format at each service and includes the items required to be recorded under GMA10 of the Licensing Criteria.[2]

50. These are:
    - the child's full name, date of birth, and address
    - the name and address of at least 1 parent
    - details of how at least 1 parent (or someone nominated by them) can be contacted while the child attends the service
    - the name of the medical practitioner (or medical centre) who should, if practicable, be consulted if the child is ill or injured
    - details of any chronic illness/condition that the child has, and of any implications or actions to be followed in relation to that illness/condition
    - the names of the people authorised by the parent to collect the child and
    - any court orders affecting day-to-day care of, or contact with, the child.

51. For funding purposes additional requirements of the enrolment record (set out in the Handbook) are:
    - the date the child commenced attendance at the service and their finish date
    - the days and times each child is expected to attend, and details of any later changes to the agreement signed and dated by at least one parent/guardian

[2] Note that new Licensing Criteria will come into force on 20 April 2026. GMA 10 and 11 will be combined and simplified into a single criterion and refer to the Funding Handbook for particulars. This means all the requirements will be contained in one place.

- attestation by the child's parent/guardian of the hours the child is enrolled at another service (including none if appropriate) and
- a dated signature of at least one parent/guardian to attest to the accuracy of the enrolment record.

52. The requirements in GMA10 relate to health and safety and administration matters. Some funding matters, such as attestations for 20 Hours ECE are also contained within the compulsory 'black diamond' sections.

53. Where changes are made to enrolment timetables, these must be captured through an amendment (or addendum) to the enrolment form and signing by the parent/caregiver. The same applies for agreements to pay new fees or optional charges.

54. Enrolment forms are long (the template is 11 pages) and require signatures in multiple places. While the form can be completed electronically, the Handbook does not currently provide for digital signatures on enrolment forms, which means a degree of paper-based administrative work is required to have the forms printed and signed.

Attendance records

55. Attendance records serve several purposes for funding. They:
    - support claims for funded child hours (FCHs)
    - support claims for quality funding rates (for parent/whānau led services) that require enhanced staff: child ratios
    - help keep track of absences so that the absence rules can be applied and
    - help keep track of hours of attendance that can be claimed for children attending casually.

56. Attendance records also ensure that licence maximums are not exceeded and may be used by licensing advisors when checking compliance with regulations.

57. Attendance records may be kept in a form to suit the service (including digitally). However, all services must include all the following:
    - separate sections or columns for children aged under two and for children aged 2 and over
    - the first and last name of each child, clearly identified
    - days and times of actual attendance for each child
    - a record of any absence, with an 'a' when a child does not attend at a time for which they are enrolled
    - when a child's attendance is casual or conditional
    - notes and explanations about attendance, such as when a child is away sick or has attended for more/less hours than they were enrolled AND
    - attendance registers that have been marked by staff on a twice daily basis (or once a day for services that operate only one session).

58. Requiring these particulars to be kept by all services supports them to complete their funding claims and apply the absence rules. It also means that the Ministry has the

required information to audit compliance. Where records are ambiguous or incomplete, funding may be recovered from services.

59. ECE services must also keep evidence that a parent/guardian of each child has regularly examined and confirmed the attendance record. This needs to be completed once a month for sessional teacher-led centre-based services. and parent/whānau-led services, and once a week for all-day teacher-led centre-based services and home-based services.

60. It should be noted that a daily sign-in/sign-out sheet is not required by the Handbook. However, this is one way services commonly record the actual attendance of children (which is what the Handbook specifies). Daily sign-in/sign-out sheets meet the requirement for parental verification of attendance records if parents (rather than van drivers, relatives, neighbours, or centre staff are completing the sign ins), however most services will run a separate weekly process to ensure they remain compliant.

61. Verification of attendance records can be completed electronically, provided the performance requirements set out in the Handbook are met (See Appendix 2). Not all sign-in systems available from SMSs appear to meet all these requirements.[3] Electronic verification systems that involve sending emails to parents requesting online verification are in place but still appear to require significant follow up by services to get parents to complete the required steps.

Staff records

62. Education and care services must keep a Staff Record to manage their Staff Hour Count (SHC). The Staff Record shows the actual hours worked by regulated (ratio) staff daily.

63. For the purposes of the SHC the Staff Record must contain all the following:
    - the names of staff used for regulated (ratio) staff requirements at any time during the day and whether they are certificated or not
    - the actual number of regulated (ratio) staff that were required during each hour of the day to meet regulated (ratio) staff requirements
    - the actual hours worked each day by each regulated (ratio) staff member
    - the total actual hours worked each day by certificated teachers who were counted towards regulated (ratio) staff requirements (including hours worked by Other Teachers acting as relievers for up to 80 discretionary hours) for education and care and hospital-based services, and kindergartens.
    - the total actual hours worked each day by Other Teachers who were counted towards regulated (ratio) staff requirements.

64. Staff Records must be verified/signed by staff members to confirm their accuracy. This requirement provides a level of protection against fraud by service providers who may look to amend staff records to maintain certificated funding band percentages.

[3] The Ministry of Education does not review and approve features of the SMS that are not connected to integration with the ELI system. This means that the existence of functionality within an SMS is not a guarantee of its compliance with Handbook requirements.

65. Records must also be kept showing the qualifications held by staff and evidence of current practising certificates for those claimed as 'certificated' in the SHC.

Pay Parity records

66. Services that have opted into Pay Parity must keep records that verify the pay rate at which each certificated teacher is paid and evidence of how a certificated teacher's initial and current salary was determined.

Other records to support the RS7

Emergency closure

67. Generally, for ECE services, there will be no funding on days the service is closed. This included public holidays and teacher-only days. The exception is when the closure if for reasons outside the control of the service provider – examples include extreme weather events and disruption to essential services (such as power or water), or the presence of an infectiousness illness in the service that makes opening unsafe. In this case, emergency closure funding may be applied for. (See Handbook, ch 7-5).

68. For centre-based services, the application is made to the regional office – generally through a phone call or email. The regional office will record the decision on the emergency closure in the Ministry's system and send confirmation to the service to keep in case of audit. The service enters 'EC' into their student-management system to indicate a closure day.

69. For home-based services, it is very rare that the entire service (that is, all the homes where education and care is taking place) will be affected by an event, but with large scale regional issues – like flooding or earthquake – this may be the case.

70. Where an issue is region-wide, the Ministry will often move to an exceptions-based process – where they only ask those services that are open to contact them, knowing that almost all will be closed.

71. Since June 2024, home-based services can seek funding when a home is closed if the closure is because the educator has an infectious illness (like Covid or Influenza). The EC30 HB form was introduced in February 2025 and now must be completed for this process; multiple requests (for different educators) can be included on the same form if they occur within the same month. The form is submitted to the local Ministry office for approval. No EC code needs to be added to system; the home-based service can instead claim funding for children under the absence rules. (Note that the absence funding cannot usually be claimed in a scenarios where the home-based educator is unavailable).

72. The EC30 HB form is an attempt to streamline the approval process for home-based services, but retain some level of oversight of the closures that are happening.

Discretionary hours

73. Discretionary hours are an hour than an uncertificated teacher can be counted as certificated for the purposes of the SHC. Teacher-led centre-based services have 80 discretionary hours available each four-month funding period. This is an absolute number and not linked to the size of the service licence at all. A service's SMS will suggest the use of discretionary hours to maintain the SHC percentage.

74. The use of discretionary hours also needs to be indicated in the Staff Record for the RS7 Return – including which uncertificated teacher is being nominated for inclusion as certificated and for what period. This means that auditors can check that there was an uncertificated teacher working for the hours claimed. Discretionary hours are a funding tool only – an uncertificated teacher cannot be considered certificated for the purpose of regulatory requirements such as the Person Responsible.

75. If a service uses discretionary hours in a funding period, they must submit the Discretionary Hours Report to the Ministry. This shows the days that discretionary hours were used, and how many were used on each day. This allows the Ministry to monitor uptake of Discretionary Hours and consider the sufficiency of the allotment. Services that report claiming more than the allowed 80 hours are also followed up. Discretionary hours are only useful for services that are very close to the edge of a funding band.

Absence rules and exemptions

76. Funding for ECE Subsidy and 20 Hours ECE is generally based on enrolment, meaning services continue to receive funding even if a child is absent. This provides some level of funding stability.

77. However, there are rules that limit how long this funding can continue if a child is not attending regularly (including attending different hours each week) or has been absent for a continuous period,

Absence rules

78. The application of the absence rules and exemptions is an administrative process that services regularly report as a significant compliance burden.

79. There are two key absence rules:

Three-Week Continuous Absence rule

80. This rule allows funding to be claimed for up to 3 consecutive weeks of absence. After this, funding will cease. The reason for the absence (e.g., holiday, sickness) does not matter. No extra documentation is required to claim the 3 weeks funding.

81. Note that if a parent has indicated that their child is not returning to the service then funding stops from the date of notification or the date of last attendance. (if notified prior); this is not considered to be an absence, rather the enrolment has ended.

Frequent Absence rule ((FAR), also known as the 50% rule)

82. This rule allows claiming for absences if a child's attendance matches their enrolment agreement for at least half (i.e. 50 per cent or more) of each calendar month. If it doesn't match, then certain action must be taken for funding to continue.

83. A child is considered 'frequently absent' if they:
    - Are absent on the same enrolled day(s) more than half the month (e.g. away 3 Mondays out of 4). (Pattern 1)
    - Attend fewer days per week than enrolled for more than half the weeks. (Pattern 2)
    - Attend fewer hours than enrolled on more than half of their enrolled days. (Pattern 3)

84. If a frequent absence is identified, certain action must be taken across a period of months.
    - Month 1: Observe/identify the pattern of absence. (There can be more than one pattern)
    - Month 2: Monitor attendance. If the pattern continues, the service can still claim funding for absences, but parents must reconfirm the enrolment agreement at the end of the month. To reconfirm an enrolment agreement, the enrolment agreement must be signed and dated by the child's parent/guardian, confirming that the enrolment agreement remains valid.
    - Month 3: Monitor attendance. If the pattern continues, funding can only be claimed for absences if the enrolment was reconfirmed. At the end of the month the agreement must be changed to reflect actual attendance.
    - Month 4: If the pattern continues, funding cannot be claimed for the pattern of absences.

85. In practice, the monitoring of attendance the FAR patterns is mostly done by SMS systems, which will flag the required action to be taken by the service in response (e.g., reconfirm enrolment, change enrolment).

86. The rationale behind the FAR is that attendance and enrolment should match as much as possible, and that funding should be connected in some way to education delivery. It is a means of ensuring funding is directed to where children are actually attending.

87. The FAR requires conversations with parents about their child's enrolment and attendance and can be used a means of encouraging greater, more regular, participation by children.

Absence rule exemptions

88. Children with ongoing learning support needs or health conditions may be exempt from the absence rules. Exemption may also be available for short-term conditions that affect the ability of the child to attend the service. To apply for an exemption, parents

complete an EC12 form and provide supporting documentation, which the service must retain for audit purposes.

89. An exemption means the Frequent Absence Rule does not apply, and funding can be claimed for all absences within the exemption period. This extends the allowable continuous absence period to 12 weeks.

90. For exemptions due to short or long-term health conditions, supporting documentation must include an EC13 – a one-page form to be completed by a medical practitioner.

91. Requiring a specific form to completed (rather than relying on a generic medical certificate) is to minimise the potential for fraudulent claims, and to ensure that all the necessary information to correctly apply the exemption has been provided.

92. As a precaution, some services ask parents to complete an EC13 even when absences fall within the Three-Week Continuous Absence rule, to avoid patterns that might trigger the Frequent Absence Rule. This can create additional stress for families and services.

Other absence rules

93. Two other absence rules are applied more infrequently and generally not considered to add significant administrative burden but are noted below for completeness.

1. *Absence before first attendance*

94. If a child is set to begin care on a particular date but does not start, then the service can claim funding for up to one week if the reason for non-attendance is beyond control of the parents, and they have a letter (in practice, this means notification in writing) of this reason.

2. *Three-Week Continuous Absence Rule – extension for non-operation*

95. Where a service is closed for 2 weeks or more, these weeks are not considered for the 3-week continuous absence rule. If a service is closed for less than 2 weeks, then that period is part of the 3 week rule. The Three-Week Rule will be suspended on the date of the child's last session before the service closes.

96. The Three-Week Rule will restart from the first date the child is enrolled to attend after the centre re-opens.

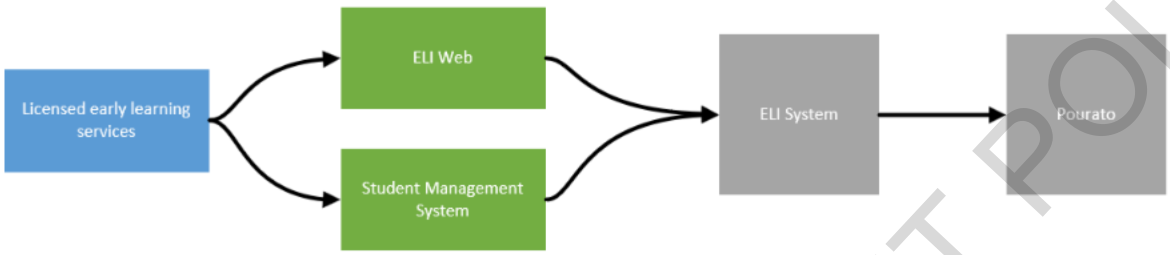
Withholding funding

97. As a condition of receiving funding, services must submit the ECE Census each year, and the relevant Financial Reporting for their service (including audited accounts and Equity Funding reports). Funding may be withheld in full or in part if these requirements are not met.

98. The implication of a funding consequence for non-completion has been effective in ensuring high levels of completion of the ECE Census. Additional instances where funding may be withheld are set out in Chapter 2-7 of the Handbook.

Section 3: Systems used to support funding delivery

99. This section briefly outlines the connected systems used to determine and distribute ECE funding via the Ministry of Education.



Early Learning Information System

100. The Early Learning Information System (ELI system) is an IT system owned by the Ministry. The initial purpose of the ELI system was to collect the information required to measure the Government's intention to deliver and increase participation in ECE.

101. Information collected through the ELI system contributes to the Ministry's ECE participation programme targeting Māori, Pasifika, and children from low-socio economic areas who have often been identified as under-represented in ECE participation statistics. Historically, the ELI system also contributed to measuring the *Better Public Services* strategy.[4]

102. The ELI system has collected child enrolment, booking, and attendance information from early learning services since 2013. It is a condition of funding for licensed early learning services to use a Student Management System (SMS) or ELI Web to submit their information to the ELI system.

103. The ELI system also collects and stores data for:
- RS7 Return (funding)
- ECE Census (staff and service information)
- Waha Rumaki and Pacific Immersion Teachers' Allowance (PITA) data (teacher data for immersion and bilingual allowance payments).

104. Almost all licensed ECE services are now connected to ELI. Work is underway to onboard kōhanga reo data into the system.

105. Information is collected from early learning services at a daily level, as determined by their SMS for enrolment and attendance information. Information is also collected three times per year for the RS7 Return, monthly for the Waha Rumaki/PITA Return, and

[4] Better Public Services [Archived] - Te Kawa Mataaho Public Service Commission

annually for the ECE Census (ECE Return). ELI also collects Temporary Closure data used for funding.

106. Services can update their data at any time through their SMS or ELI Web, and are required to confirm the accuracy of the information provided each month. Providing data through the ELI system does not replace the enrolment, attendance, and absence records required for funding, which are defined in Chapter 6 of the Handbook or the additional record keeping requirements for services offering 20 Hours ECE found in Chapter 4.

107. The ELI system enables the Ministry to collect full, accurate, and timely information about enrolment and attendance of children, as well as information about teaching and non-teaching staff (on a non-identifiable basis except for the Waha Rumaki/Pacific Immersion Teacher Allowance Return) at early childhood services and service level information.

108. The purpose of the ELI system is to collect such early learning information as is necessary to allow the Secretary of Education and the Minister of Education to exercise their powers or carry out their responsibilities under the Education and Training Act 2020. This includes collecting information for the purposes of funding, monitoring, to allow National Student Numbers to be allocated, policy development, and statistical purposes. Information is used to support improvements in outcomes for learners, increased operational efficiencies for both the Ministry and early childhood services, and provides a foundation for future development of ECE policy. Data held in the ELI system is accessed by specific ministry staff who require access for business purposes only.

Student Management Systems

109. Licensed early learning services must use Student Management Systems or ELI Web to send their information to the ELI system. These are software programs that control and automate important administrative processes related to student data like enrolment and attendance. SMSs are owned by third-party vendors (private businesses) who charge fees to services to use their SMS. Some ECE service providers have also developed their own bespoke SMSs.

110. The Ministry leads an integration process with new SMS vendors to ensure their SMS can provide the required data the Ministry collects, before approval is provided to connect their SMS to the ELI system. The Ministry holds an agreement with SMS vendors to ensure updates and maintenance to their SMS is completed to Ministry standards and within expected timelines.

111. ELI Web, on the other hand, is the Ministry's secure, free-of-charge application designed to collect the required data from licensed early learning services that do not use an SMS.

112. SMSs typically provide more functionality than ELI Web with features like invoicing, staff rostering, and integration with payment platforms. The Ministry does not review or

approve these additional services or other functions that are not part of integration to ELI.

113. Early learning services use their SMS, as well as other processes, to collect and store additional personal information required for their business purposes. This information is additional to Ministry requirements and not shared with the ELI system.

Funding Information Regulatory System Technology ('FIRST')

114. Funding Information Regulatory System Technology (FIRST) is a bespoke business system operated by the Ministry of Education. FIRST stores profile and contact information on all education organisations from early childhood through to tertiary. It also holds and produces regulatory licences for the Early Childhood sector. All data is stored within the application itself, and this data is available for any other Ministry systems that require it in real-time.

115. For funding, FIRST is integrated with Pourato and provides the licensing parameter information (e.g., service type, licence maximum numbers) that helps determine the appropriate set of funding rates for the service.

Pourato

116. Pourato is the Ministry's funding system for early learning services, schools, and kura. Pourato replaced the Ministry's 35-year-old funding system EDUMIS and was introduced to early learning services in June 2025.

117. Pourato processes more than three billion dollars in funding each year for more than 4400 early learning services and is delivered to about 1900 providers nationwide. The system draws profiles and licensing information from FIRST. Pourato draws funding requests and information from ELI, applies funding rules and automatically calculates funding for early learning providers. It processes three major payments each year, and 12 smaller payments per annum (reducing to 9 in 2026).

118. The Ministry uses Pourato to calculate and apply a range of early learning funding entitlements, including (but not limited to) ECE subsidy, 20 hours ECE, Equity Funding, and Targeted Funding for Disadvantage. For each major funding period, Pourato calculates 4 months of advance funding and 4 months of wash-up funding (the difference between funds previously advanced and the services actually provided). Ministry teams responsible for funding use Pourato to process funding, to audit early learning funding, and to respond to sector queries.

119. Early learning service providers use Pourato to view and download their funding information. Pourato displays wash-up and advance funding at a provider level and detailed funding by month and component for each service operated by the provider. A data file of all the funding information can be downloaded by the provider for further analysis, including uploading into their SMS.

Section 4: Administrative best practice and how New Zealand compares

120. International experience shows that the effectiveness of government funding for non-government providers depends as much on administrative design as on funding levels. Frameworks developed by the OECD, World Bank and national audit institutions describe a small set of best-practice principles: clarity of purpose, transparent and predictable entitlements, proportionate compliance, high-quality data, predictable payments, administrative equity, and built-in review.5 This section sets out those principles and assesses how New Zealand's ECE funding system compares.

121. Overall, New Zealand's administrative settings align reasonably well with international best practice. Key strengths include having rules consolidated in one place, transparent eligibility criteria, regular and predictable payments, and reduced duplication through the use of a single data collection system (ELI) for multiple functions. However, New Zealand performs less strongly in areas where best practice emphasises continual improvement, such as having regular built-in reviews to ensure settings remain aligned with policy goals, and in ensuring that administrative requirements do not place a disproportionate burden on smaller services or those of a particular character.-in reviews to ensure settings remain aligned with policy goals, and in ensuring that administrative requirements do not place a disproportionate burden on smaller services

Clear purpose and line of sight to outcomes

122. Best practice requires funding objectives to be explicit, limited in number, and clearly prioritised. Each funding stream should be underpinned by a clear theory of change linking funding inputs to provider behaviour and intended outcomes for children and families. Unclear or competing objectives lead to fragmented funding systems, proliferating rules and growing administrative burden, reducing overall policy impact.

123. There should also be a clear rationale for administrative requirements attached to each funding stream. Administrative rules should reinforce, rather than dilute, the policy intent.

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[5] See, for example, World Bank, *Conditional Grants in Principle, in Practice and in Operations: A Primer* World Bank Document; OECD (2025) *Reducing Inequalities by Investing in Early Childhood Education and* Care; OECD (2010) *Why is Administrative Simplification So Complicated?* Why Is Administrative Simplification So Complicated? | OECD; Office of the Auditor-General (NZ), *Principles to underpin management by public entities of funding to non-government organisations* https://oag.parliament.nz/2006/funding-ngos; Office of the Auditor-General (Canada) *Framework for Identifying Risk in Grant and Contribution Programs* *Framework for Identifying Risk in Grant and Contribution Programs*.

124. New Zealand performs well on transparency and rule-based administration: eligibility and entitlement settings are publicly documented and applied consistently, providing predictability for providers. However, as in many mature systems, successive policy changes have layered new funding streams, exceptions, and detailed rules onto existing settings. Over time this appears to have weakened the line of sight between individual administrative requirements and current policy objectives, making it harder to demonstrate how specific rules contribute to intended outcomes and leading to poor understanding in the sector of the rationale for various rules (such as the FAR).

Transparent eligibility and entitlement rules

125. Effective funding systems rely on simple, predictable and consistently applied eligibility and entitlement rules. International good practice favours formula-based entitlements over discretionary allocations, supported by stable, publicly available guidance and worked examples. A single authoritative "source of truth" for funding rules is also widely recommended to reduce compliance risk and interpretation errors.

126. New Zealand's ECE Funding Handbook aligns well with this principle. It codifies eligibility criteria, funding rates and compliance obligations in a single, authoritative document. However, the cumulative layering of policy changes over time has increased the length and complexity of the Handbook. This may undermine its effectiveness as a practical guide, and can obscure the policy rationale behind individual requirements.

Proportionate compliance and assurance

127. Best practice administration adopts a risk-based approach to compliance and assurance, with light-touch requirements for low-risk providers and targeted scrutiny where risks are higher. Audits focus on material risks to funding integrity rather than technical or low-value errors. National audit offices emphasise proportionality as essential to effective grant administration.[6]

128. International evidence shows that overly burdensome compliance regimes can discourage participation and distort provider behaviour, particularly in mixed delivery systems. Treating all providers as high risk typically generates high administrative costs for minimal additional assurance. Mechanisms such as "trusted provider" status, materiality thresholds (where there is some tolerance for error or non-compliance within a particular threshold) and differentiated reporting based on funding size and risk profile are commonly used to mitigate this.

129. Matching reporting and administrative requirements to the size and risk level of the funding is key to avoiding excessive bureaucracy that burdens smaller organisations

[6] Office of the Auditor-General (NZ), *Principles to underpin management by public entities of funding to non-government organisations* https://oag.parliament.nz/2006/funding-ngos; Office of the Auditor-General (Canada) *Framework for Identifying Risk in Grant and Contribution Programs* *Framework for Identifying Risk in Grant and Contribution Programs*.

disproportionately. Some jurisdictions have developed specific benchmarks for what is considered 'proportionate' (e.g. the '10% Rule' whereby administrative compliance costs of reporting, applications, and financial management for a specific grant should not exceed 10 percent of grant value for established recipients, or 15 percent for new applicants)[7]. We do not have visibility over the costs of administrative compliance in New Zealand's ECE settings to understand how our system compares on this measure.

130. In New Zealand, ECE funding audits are allocated partly on the basis of risk, with a small proportion selected at random. Services with a history of satisfactory audits generally attract lower risk ratings over time. While preparations required specifically for audits are limited, the ongoing administrative effort required to maintain compliant day-to-day records is more significant. This reflects a system that is risk-informed in assurance activity, but less differentiated in routine administrative requirements..

Simple, high-quality data collection

131. High-performing systems collect only data that is necessary for funding calculations or essential system stewardship. Data definitions should be aligned across funding, licensing and monitoring systems, and data capture automated wherever possible. Fragmented or overly complex data systems can be a major driver of administrative inefficiency in funding delivery.

132. New Zealand's ELI system collects data beyond what is strictly required for funding calculation, reflecting its dual role in funding administration and system stewardship. For example, collecting the addresses of home-based education sites is not necessary to calculate funding, but assists in mapping provision across the country. While this supports system-level insights, it also increases data maintenance requirements for providers. The use of ELI data for much of the ECE Census information and tailoring RS7 EC Funding Returns by service type align with international best practice in reducing duplication and compliance burden.

Timely and predictable payment mechanisms

133. International best practice recommends regular, predictable payment cycles for the distribution of funding. Bulk claiming and sampling-based audits are preferred to per-child invoicing, which is widely regarded as administratively inefficient. Payment predictability supports provider sustainability and workforce retention, particularly for small and community-based services.

134. New Zealand's main ECE payment mechanisms largely align with these principles through regular cycles, advance funding to support cashflow, and bulk claiming. Advances are calculated using historical averages rather than current enrolments, which

[7] For example, United Kingdom Foreign and Commonwealth Office https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/990672/Administration_Cost_Guidance_2021_2022.pdf

can result in significant over- or under-payments over the advance period. While reconciliation processes manage this over time, the resulting cashflow uncertainty is less consistent with best-practice principles of predictability.

Administrative equity and accessibility

135. Administrative requirements should be designed with explicit consideration of their differential impacts across a diverse provider landscape, including small versus large services, community versus private provision, and culturally specific providers. Inequitable administrative design can undermine access and participation even when funding levels are adequate.[8]

136. In New Zealand, equity considerations are reflected in funding distribution through targeted and equity-focused funding streams. By contrast, administrative and compliance requirements are largely uniform across the sector, with limited differentiation by provider size or capability (aside from financial reporting, where there is an income threshold in place[9]). This "one-size-fits-all" approach provides incentives to have larger and more efficient services. It risks being seen as placing disproportionate burden on smaller and community-based services, or those serving communities with greater barriers to attendance and participation (which are more heavily impacted by absence rules). In the 2024 TALIS Starting Strong Survey, teachers (including those in New Zealand who completed the survey) reported administrative requirements being a key source of stress in their roles.[10]

Built-in review and adaptability

137. Best-practice systems include mechanisms for periodic review and simplification of funding rules, informed by evidence on provider behaviour, cost pressures and equity impacts. Layering new policy objectives onto existing administrative structures without resetting underlying rules gradually degrades system coherence and increases compliance burden.

138. The implementation of review outcomes needs to be done in a considered way. Relating to funding to address disadvantage in particular, it is important to ensure that the allocation of funding takes into account changing patterns of disadvantage while avoiding as much as possible disruption from sudden changes of entitlement for particular services or communities.

139. New Zealand's ECE funding system shows many strengths consistent with international good practice, particularly in transparency and predictability. The primary challenge is not the absence of sound principles, but the cumulative impact of

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[8] Unicef Working Paper (2024), *Bridging the Gap Between Policy and Practice* UNICEF-Innocenti-Bridging-Policy-Practice-Gaps-Education-in-Africa-December-2024.pdf
[9] Since 2011, services with government income of less than $80,000 (excl GST) do not need to provide audited accounts.
[10] OECD *Results from TALIS Starting Strong Survey 2024* https://www.oecd.org/en/publications/results-from-talis-starting-strong-2024_20af08c0-en.html.

incremental change without systematic simplification or reset, and the lack of periodic revisiting of the basis or rationale for particular measures and whether it still holds. An example in New Zealand may be the differential advance funding provided to kindergartens (100% in advance, compared to 75% in advance for other service types).

Section 5: Outline of known issues with administration requirements

Challenges of ensuring effective administration of the ECE funding system

140. The characteristics of the ECE sector and the context in which it operates (including funding settings) present some unique challenges for ensuring appropriate administrative settings. These include the following:

- **High-volume, low-margin operations:** Services operate on thin margins, creating cash flow sensitivity. If funding claims require extensive documentation before payment, or if payment cycles are slow (60-90 days), services may face cash flow issues.
- **Continuous service delivery:** ECE funding is not generally tied to discrete projects with clear start and end dates but is intended to support ongoing service provision. Funding must enable ongoing service provision, and it is challenging to link services to outcomes or the completion of outputs.
- **Regulatory overlay:** ECE services are subject to regulation through licensing, health and safety, child protection and other frameworks. This creates the risk of a 'double burden' problem on providers if parallel reporting is required to meet both funding and regulatory requirements.
- **Per-child-hour funding:** This can create specific burdens, as services must maintain precise attendance records to claim funding. This can be onerous if there are:
  - Multiple data entry points (e.g. internal system + government portal)
  - Real-time or very frequent reporting requirements (e.g. weekly rather than longer intervals such as monthly or quarterly)
  - Complex rules about what constitutes a "claimable hour" (e.g. late arrivals, early departures, sick days)
  - Retrospective audits requiring services to retain daily attendance records for a long period of time.
- **Verification of quality factors that generate funding:** Depending on the approach adopted this may be (or perceived to be) disproportionate (e.g. complex formulas that require daily calculations of qualified teacher ratios). If quality loadings can be gained or lost rapidly, services cannot maintain stable budgets.
- **Volatility in funding:** Per-hour funding creates inherent volatility (due to factors such as sick children, public holidays, weather-related events). Coupled with the

high-volume and low-margins nature of ECE provision, this can create cashflow and viability challenges.

Specific issues raised

141. The ECE funding system is complex. Funding varies based on factors such as service type, operational structure, the age of children, and the proportion of qualified teachers and their pay rates. To apply the correct funding rates, the Ministry must collect detailed information on all these elements.

142. As funding is tied to attendance, limits apply when children do not meet enrolment expectations. At the same time, the system aims to provide predictability for services so they can remain financially viable.

143. Verification requirements add another layer of complexity. Many forms can be completed electronically, but signatures (usually in pen) may still be required from parents, teachers, or other parties. This creates an administrative burden. Requests for digital forms and electronic signatures have been frequent, including feedback during the ECE Regulatory Sector Review. Home-based services have reported particular issues with these requirements given the more “arms-length” nature of the service provider/parent relationship, with most interactions being done through the educator.

144. From the Ministry’s perspective, fraud prevention remains the key concern for changes in this space, as enrolment records underpin funding claims. Any move to electronic processes would need robust systems for tracking changes and ensuring auditability, potentially similar to criteria used for electronic attendance records (see Appendix 2).

145. Specific forms, such as the EC13 medical certificate, have also been raised as problematic. During and immediately following the COVID-19 pandemic, the Ministry temporarily allowed exemptions without EC13 forms, and later permitted parents to self-certify illnesses during winter peaks. In 2025, usual rules resumed, but services report ongoing challenges: limited access to health services, doctors refusing to complete forms, and telehealth reducing opportunities for signed papers.

146. A standard form means all the required information to apply the exemption is collected via one mechanism, including how long the exemption should apply. Reverting to a medical certificate could be appropriate, but this would not help those families who were unable to access a doctor, chose not to because they did not need medical support to manage the illness, or used telehealth services (e.g. Healthline) for their advice.

147. The frequent absence rule (FAR) was seen through the MAG’s engagement as an overly complex way of linking attendance to funding. In particular, Pattern 3, which applies when children are attending fewer hours than enrolled, is difficult to monitor and often captures hours outside those that are funding by the Ministry (i.e., outside the 6-hour cap) so in the end may have no practical effect on funding.

148. In terms of the FAR, the issues raised have been largely around the administrative burden of the manual paperwork steps (getting signatures and reconfirming enrolment agreements) required, although for some services the funding reductions from the 4th month are significant for them.

149. Services have reported that conversations around absence, and reconfirming enrolments can be difficult and strain relationships with families, who feel they are being asked to sign forms every time they are late or go on holiday or they keep their child home for any reason. A suggestion was made that attestation by a service (that they have discussed the enrolment) should be sufficient, rather than requiring a signature from a parent.

150. The Staff Hour Count (SHC) is seen by some to be the wrong way to incentivise the use of qualified teachers. Because staff must be in contact with children to be included, it reduces the opportunity for planning, mentoring and professional development opportunities that also contribute to raising the quality of the learning environment for children. Suggestions included adding a non-contact allowance within the SHC or abandoning the calculation in favour of a simple attestation of employing over 80% qualified teachers. These would be fundamental changes to the intent of the SHC which is designed to ensure that children receive education from qualified teachers no matter when in the day they attend.

151. A shift to an attestation-only model would significantly reduce the level of assurance the Ministry currently has about how qualified teachers are deployed within a service. While services may meet an attestation requirement on paper, there would be no mechanism to ensure that qualified teachers are consistently present in ratio throughout the entire day. This raises a risk that services could employ qualified teachers to satisfy the declaration but rely on lower-qualified or unqualified staff during parts of the day, undermining the intent of the funding band incentives.

152. Requirements to keep records of agreement in particular formats, or particular places (such as on the enrolment form) have also been raised as burdensome. Preference for allowing other mechanisms, such as keeping copies of text messages or emails has been expressed.

153. Similarly, the need for all staff to verify staff hours weekly on a single Staff Record, rather than be allowed to individually confirm their own hours through timesheets (especially in the case of relief staff) is seen as an unnecessary complexity. The collation of this information in one place helps to streamline audit processes and also provides another layer of verification of the information by being viewable by all teaching staff.

154. Processes and paperwork required to support the implementation of the Pay Parity scheme, and also the Waha Rumaki/PITA payments, particularly around accessing records of hours worked and other items to support salary assessments, have been raised as issues by some providers.

155. The four-monthly funding cycle and advance-and-washup process has both pros and cons. While many services are thankful for receiving funding in advance (which comes with the ability to generate interest on the bulk funding for future months), some have indicated a preference that funding more closely matches the work that is done. In cases where the service has had significant drop in numbers or the make-up of its enrolments (e.g., lots of children turning 2), change in staffing levels or other matter that affects the funding claim, the wash-up may end up being a negative amount. This means that a service may receive quite 'lumpy' funding payments. The need to forecast and anticipate funding, and perhaps hold back from spending some funds on hand or needing to cover additional costs until the wash-up period, creates stress for some providers.

156. Ultimately the variety and complexity of rules relating to ECE funding mean the Handbook that sets out the requirements is large and difficult to navigate. Requests for service-specific funding handbooks have been made over the years, alongside pleas to simplify the language and offer more user-friendly options (such as video explainers). As noted earlier, the challenge with the Handbook is the balance between accessibility of information and maintaining sufficient specificity to ensure the conditions can be legally enforced.

Considerations for changing administrative settings

157. A number of the issues described in this paper highlight a tension between the practicality and robustness of administrative processes. While the current system seeks to ensure funding integrity, its complexity and reliance on manual processes places a compliance burden on services and families.

158. It is possible to loosen some administrative requirements and still achieve a similar policy intent. For example, changing the methodology of the SHC around how the count is done (including expanding the activities teachers could be doing to be included) could still incentivise the use of qualified teachers but provide more flexibility for how they were deployed.

159. An example of a different count methodology could be shifting to a total hours calculation for SHC, where the number of required ratio hours is compared to the total number of qualified teacher hours each day. Under this approach, services would no longer be required to match qualified teacher hours to child-contact hours on an hour-by-hour basis. Instead, each service would calculate the total number of teaching hours required to meet regulated ratios across the day, and separately total the number of hours worked by qualified teachers. A percentage would be generated by comparing total qualified teacher hours to total required teaching hours. Funding at the 80 percent qualified rate would be provided where a service's total qualified teacher hours meet or exceed the 80 percent threshold (and similarly for the 100% qualified funding band).

160. This model would allow "overs and unders" across the day to balance out (for example, where a service employs more qualified teachers than required at some times and fewer at others) while still ensuring that a high proportion of teaching is delivered by qualified staff overall. It could offer a simpler compliance mechanism than the current

SHC, while retaining a substantive link between funding and the delivery of education by qualified teachers.

161. Similarly, replacing the current three-pattern approach of the FAR with a single “50% of enrolled hours” requirement (e.g., a child enrolled for 20 hours must attend ≥10 hours) would provide a less stringent cap on funding for low attendance while substantially simplifying administration. A standard absence allowance option could also be considered. For the purposes of the Child Care Subsidy, Australia offers families 42 days of absence a year, where the reason for non-attendance does not need to be explained.[11]

162. Changes may shift provider and parent behaviour and it will be important to consider these consequences and possible mitigations. A simple 50% rule was previously not favoured due to the risk of providers defaulting families to full-time enrolment while claiming funding without penalty for non-attendance. If simplification in this way is pursued, earlier funding adjustments (e.g., after 2 months of persistent pattern rather than 4 months) and clear enrolment/attendance guidance could mitigate this risk.

163. Moves to even greater simplicity may risk losing the nuance that providers expect with their funding. For example, options similar to United Kingdom settings where money given to local authorities to fund ECE providers is based on headcounts at certain points in the year[12] would reduce the complexity of calculations but could also lead to significant over-or-under funding in services with roll variability.

164. There is space to consider the level of assurance required for various funding types and whether these are set at appropriate levels for the risk, and for the value of the funding involved. This can be a complicated assessment given the diverse nature of services and the funding streams; what can be a small amount for one service can be critically important for another in the context of their overall funding.

165. As Pōurato, FIRST, SMSs, and ELI are tightly integrated, it should be noted that even modest policy/process changes can require medium-to-large IT upgrades in the Ministry and for SMS vendors and ECE services. These need design, testing, and implementation time, which constrains how quickly reforms can be delivered.

166. The appropriate form and scale of administrative requirements will ultimately depend on the policy objectives of individual funding streams. More tightly targeted funding typically requires more detailed evidence to establish and verify eligibility, although improved data availability and data-sharing arrangements increasingly enables these assessments to occur without additional reporting from services. [13]

[11] How to manage absences - Department of Education, Australian Government. Further allowances are available for other reasons, such as illness or emergency.
[12] Early years data collection for the 2025 to 2026 financial year - GOV.UK Calculations are based on the number of children taking up funded places and the number of funded hours during the ‘count week’ each term.
[13] An example is the calculation of Equity Funding and Targeted Funding for Disadvantage using ELI data the service is already submitting regularly and matching with IDI information, as opposed to the previous forms or family survey that needed to be completed to support the calculations.

167. Any reform should consider how to maintain robust audit and assurance standards while reducing unnecessary administrative steps. Greater use of automation and system integration could improve efficiency and trust, and better balance compliance requirements with flexibility, while supporting the broader objectives of high-quality early learning experiences for children and parental participation in the labour market.

Appendix 1: Information required to be submitted to ELI

Child information collected

The following child information must be collected and sent to the Ministry:

- National Student Number (NSN).
- Official surname and given names (including middle name/s).
- Date of birth.
- Gender.
- Ethnicity.
- Iwi affiliation (if applicable)
- Residential address/es.
- Language/s spoken at home.

Enrolment information collected

The following enrolment information must be collected and sent to the Ministry:

- Start and end date of enrolment.
- Days and time booked (enrolled to attend).
- Hours of 20 hours ECE per week.
- Date of Parents Attestation for 20 Hours ECE.

Attendance information collected

The following attendance information must be sent to the Ministry:

- Actual daily attendance dates and times.
- Actual daily absence dates and times.
- Home-based attendance address.

Service information collected

The following service information must be submitted to the Ministry:

- Start and end date of service temporary closure.
- Service closure temporary reason.

Appendix 2: Digital attendance records criteria (Handbook, Chapter 6-3)

ECE Services may use electronic means of verification of attendance records to satisfy the requirements of this handbook.

If using electronic means to verify attendance records you must meet the criteria below. How the criteria are met is up to each individual service.

Security

1. Authorised signatories are linked with only one electronic signature. The means of creating each individual electronic signature is linked only to its authorised signatory or any system administrators and to no other person.

2. If usernames and passwords are used, the system must record who created them and when they were created.

3. If usernames and passwords are used, there must be adequate controls to ensure that these are not used by anyone other than the linked authorised signatory.

4. Only a parent or guardian who is an authorised signatory can verify attendance records electronically. A parent or guardian must only use their own electronic signature to verify attendance records.

5. Any alteration made to any information, is evident (including who made the changes and when). This includes alterations to electronic signatures and confirmation of attendance. This also includes daily sign in and out if it is used.

Verification of records

6. The verification process must:

Clearly identify the parent or guardian who verified the record.

Indicate the signatory's approval of the information to which the signature relates.

Log the time and date of when the record was verified.

Attendance registers

7. For services that use daily electronic sign in and out to track attendance, the system must not default to marking children as present. This includes not defaulting to marking children's attendance as per the time booked on their enrolment agreement.

8. If a service uses daily electronic sign in and out then the system must record who signed the child in and out, and what day and time this happened. It is recommended that only authorised signatories sign a child in or out.

9. Services that use daily electronic sign in and out must have a process for ensuring these records are accurate each day. For example, where a child's parent or guardian is unable to, or fails to, sign a child in on a day they are attending then a specified staff member will sign the child in and record the circumstances of the sign in for verification by a parent or guardian.

Retention and inspection

10. Electronic attendance records must be retained for 7 years without any loss of integrity.

11. All records are readily accessible so as to be usable for subsequent inspection by Ministry staff as required.

12. All records can be extracted into an appropriate format for reporting purposes.

Appendix 3: Other funding forms

These forms are added for completeness, but they are not regular requirements and aren't perceived to pose administrative burdens.

EC20

The EC20 form was originally introduced alongside the 20 Hours ECE scheme, to enable a recalculation of advance funding for services opting in. Instead of advance funding being calculated based on the averages of the previous four months, instituting the EC20 form forces the calculation on a week of average data.

The process is most used with new services that have had a substantial increase in FCH across a period, allowing their advance funding to be calculated based on something close to their final week of operation in the period. This more accurately reflects their operating conditions. It can also be used when a service changes its licence or operating conditions significantly (for example, starting to offer a service for under 2-year-olds, merging two licences into one larger service, or taking on home-based educators and children from another licence that is closing).

Operational policy places limits on when services are eligible for an EC20, and how many 'top ups' they can apply for in each period. This is so it is not seen as a way of increasing cash flow between bulk funding payments. Evidence (such as a list of enrolments) must be provided to support the claim.

EC20A

The EC20A form is used by early childhood education (ECE) services to request a change to their pay parity salary scale attestation.

EC15

This form is used to attest that a service's main language of communication is a language other than English and must be completed for services looking to access the Equity C funding. There is no separate verification required for the information provided on the form and it only needs to be completed once.