

## Chapter 2

# How the Ministry Funds Services

## Overview

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**Introduction**      Early Childhood Education (ECE) services must be licensed under the Education (Early Childhood Services) Regulations 2008 in order to access government funding.

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**In this chapter**      This chapter contains the following topics:

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## 2-1 The link between licensing and funding

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### Introduction

This section provides a brief overview of the link between licensing and funding.

For more information on any of these topics, contact your Ministry regional office.

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### Licensing

There are legal requirements that must be met to operate any premises as an early childhood service.

Licences are issued to early childhood education services under the Education (Early Childhood Services) Regulations 2008.

Licences set the standards for curriculum, premises and facilities, health and safety, and governance and management of early childhood services.

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### Certificated Playgroups

Certificated Playgroup funding is not covered in this Handbook.

Playgroups do not receive the same level of funding as licensed ECE services.

- Certificates are issued to Playgroups under the Education (Playgroups) Regulations 2008.
- Certificates set the standard for curriculum, ratio, premises and facilities, health and safety practices and administration.
- Funding information and requirements for Playgroups can be found under [Playgroup Funding](#) on the Ministry's early childhood education website.

Contact your Ministry regional office for further information.

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## 2-1 The link between licensing and funding, Continued

### Support for licensing

The Ministry can provide information to help groups set up early childhood education (ECE) services.

Steps for setting up services, useful website links, and other handy resources are available to all groups on the [Ministry website](#).

For information about the Early Learning Information System (ELI) or the electronic submission of RS7 returns, please visit [Early Learning Information – Education in New Zealand](#) or contact your Ministry regional office for further details.

### How to find legal information

Use the table below to see where you can find copies of the documents referred to in this section.

Document	Where to look
Education and Training Act 2020 (especially sections 10, 20, 548, 549, 626)	<a href="http://www.legislation.govt.nz">www.legislation.govt.nz</a> or any bookstore that sells government publications
Education (Early Childhood Services) Regulations 2008	
Education (Registration of Early Childhood Services Teachers) Regulations 2004	

## 2-2 Types of funding

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**Introduction** There are four types of funding covered in this Handbook including:

- ECE Funding Subsidy
  - 20 Hours ECE
  - Equity Funding
  - Annual Top-Up for Isolated Services (ATIS)
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**ECE Funding Subsidy** The ECE Funding Subsidy is the primary form of government funding for licensed ECE services.

The ECE Funding Subsidy contributes to services' operating costs by paying for part of each hour each child spends in ECE, to a maximum of six hours per child-place per day, 30 hours per child-place per week (i.e. seven days).

The ECE Funding Subsidy is paid three times a year – in March, July, and November.

**Chapter 3** contains further information on the ECE Funding Subsidy.

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**20 Hours ECE** 20 Hours ECE is a higher rate of funding than the ECE Funding Subsidy for three-year-olds, four-year-olds and five-year-olds for up to a maximum of six hours per child per day and 20 hours per week.

There are additional requirements services must meet in order to receive this funding.

20 Hours ECE funding is paid three times a year, along with the ECE Funding Subsidy.

Please refer to **Chapter 4** of this handbook for further information on 20 Hours ECE.

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**Plus 10 ECE** Plus 10 ECE describes the remaining 10 hours of funding a service can claim for each child in addition to the 20 Hours ECE hours. It is the difference between 30 hours ECE Subsidy funding and the 20 Hours ECE hours.

**For more information on the ECE Subsidy see Chapter 3 of this Handbook.**

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## 2-2 Types of funding, Continued

### Equity Funding

Equity Funding provides additional educational resources to targeted communities to help improve access to early childhood education.

Equity Funding is available to all licensed ECE services that meet certain criteria.

Equity Funding is paid three times a year, along with the ECE Funding Subsidy.

Please refer to **Chapter 10** of this handbook for further information on Equity Funding.

### Annual Top-up for Isolated Services (ATIS)

The Annual Top-up for Isolated Services (ATIS) is an income top-up for small licensed ECE services in isolated areas.

The ATIS is separate from the Isolation component of Equity Funding.

Licensed private **and** community-based services with an Isolation Index of 1.65 or greater which receive less than \$20,000 per annum in ECE Funding Subsidy, 20 Hours ECE and Equity Funding are eligible to receive the ATIS (see Section 5-1 for more details).

The ATIS is calculated annually in arrears. Payment is made each year with the July ECE Funding Subsidy payment.

**Chapter 5** contains further information on the ATIS.

### More information

More information on each of these funding types can be found in the following chapters:

Title	Chapter
Teacher-led services	3
Parent/whānau-led services	3
20 Hours ECE	4
Annual Top-up for Isolated Services (ATIS)	5
Equity Funding	10

## 2-3 Other sources of ECE funding

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**This section  
removed**

This section was removed in April 2015.

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## 2-4 When and how funding is paid

### Introduction

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 four months.

### Advance funding

ECE services receive an advance for four months. Information on initial funding for new services can be found in **Section 7-1** of this Handbook. The following table explains how the advance payment is calculated:

Stage	Description
1	<p>ECE service completes an RS7 Return with:</p> <ul style="list-style-type: none"> <li>the number of funded child hours per day for the previous four actual months</li> <li>the expected number of days of operation for the coming four months.</li> </ul> <p>For more information on completing your RS7 Return please see Chapter 9 of this Handbook.</p>
2	The Ministry uses the RS7 Return data to calculate the average number of funded child hours (FCHs) per day over the previous four months for each type of FCH – Under Two, Two and Over, 20 Hours ECE and Plus 10 ECE.
3	The Ministry multiplies the average number of each FCHs per day by the number of days the service expects to be open over the coming four months.
4	The Ministry multiplies the average FCHs for the coming four months by the service's funding rate.
5	Seventy-five per cent of this total is paid as the advance payment (or 100 per cent for kindergartens).

### Advance funding exceptions

Playcentres choosing to take up 20 Hours ECE cannot claim initial advance funding for 20 Hours ECE.

## 2-4 When and how funding is paid

### Wash-up funding

ECE services also receive a wash-up payment. The wash-up payment makes up the difference between the advance payment made in the previous funding payment and the actual funding entitlement.

If...	then...
The predicted average number of FCHs was more than the actual average number of FCHs, or the service's funding rate has decreased	the Ministry deducts the overpaid amount from the next future payment.
The predicted average number of FCHs was less than the actual average number of FCHs, or the service's funding rate has increased	the Ministry pays the extra amount with the wash-up payment.

## 2-4 When and how funding is paid, Continued

### Actual funding entitlement

A service's 'actual funding entitlement' is the amount the service is actually paid in a funding round:

$$\text{advance funding} \pm \text{wash-up funding} = \text{actual entitlement}$$

### Service providers

If a service provider operates a number of services, the total funding for all those services is paid to the service provider.

Payment to individual services is the responsibility of the service provider.

### Funding cycle

Funding is paid three times a year, on the first working day of the following months:

Payment in...	is made up of the ...	
	advance for...	wash-up for...
March	March April May June	October November December January
July	July August September October	February March April May
November	November December January February	June July August September

### 'Gap' months

Processing time means it is not possible to collect FCH figures for the month prior to each funding payment. Although the advance has been paid, there will be a delay before the wash-up payment is made for February, June and October. These months are known as the 'gap' months at the time of processing.

Use the table above to find out when the wash-up payment for February, June or October will be paid.



## 2-4 When and how funding is paid, Continued

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### **Enquiries regarding the bulk funding payment**

Due to privacy laws and difficulties verifying the identity of the person calling, **the Ministry of Education is no longer able to provide payment totals in advance over the telephone or via email.**

Advice notices are available to services on the payment date. Services who have access to the Secure Data Portal can download and print their notices via the Secure Data Portal from the day of payment.

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## 2-5 The link between costs and funding rates

### Introduction

The funding rates for all ECE services vary according to a range of costs usually faced by that service type. This section explains:

- how the costs involved in providing early childhood education (ECE) are turned into funding rates
- how the funding rates can be changed to reflect changes in costs, **and**
- how information about costs will remain current.

### How costs are turned into funding rates

The funding rates are made up of basic and variable components.

The basic component reflects standard operating costs for all ECE services, for example:

- administration costs
- educational resources
- professional services (e.g. ICANZ accountants)
- utilities (electricity and telephone).

The variable component provides a subsidy for the main categories of 'cost-drivers' that differ between ECE service types. For example, the variable component recognises that:

- all-day services face higher costs than sessional services because they must meet different ratio requirements
- services that are required to meet teacher certification requirements will have higher labour costs, **and**
- centre-based services face higher facility costs than services that do not have to maintain a centre.

### ECE Funding Subsidy and 20 Hours ECE rates

The ECE Funding Subsidy and the Plus 10 ECE rates are the same. These rates are intended to subsidise the cost of providing ECE and to share the costs between government and parents.

20 Hours ECE hours are funded at a higher level because they are intended to meet the full average cost of providing ECE for each service type.

### Changing the funding rates

The Ministry of Education will regularly review the main costs of ECE provision to advise the Government about the changes in costs faced by ECE services.

Based on this advice, the Government may adjust the value of some, or all, of the funding rates.

## 2-6 Funding rates

### Introduction

The funding rates for each service-type can be found in the *Funding Rate Table* (see Appendix 1).

This section explains:

- how you can use the *Funding Rate Table* to find the funding rate for each service
- that services can access higher funding rates by meeting quality requirements.

### The Funding Rate Table

The *Funding Rate Table* is found in Appendix 1. This will be updated each time there is a change to the ECE Funding Subsidy rates.

Use the table to find out the funding rate per funded child hour (FCH) for your service.

### Teacher-led services

Funding rates for teacher-led ECE services depend on five variables:

Funding rates depend on...	This is measured by...
whether the service is all-day or sessional.	the service's licence.
the number of 'Certificated Teacher Hours' as a proportion of 'regulated (ratio) staff hours'.	completion of the staff hour count (not applicable for sessional kindergartens or home-based services) of the RS7 Return.
whether the service attests to paying their certificated teachers at or above certain minimum salary levels	completion of the Attestation of certificated teachers' salaries section of the RS7 Return (not applicable for kindergartens or home-based services)
the age of children attending the service.	completion of the funded child hour entitlement section of the RS7 Return.
whether the service is offering 20 Hours ECE to eligible children.	completion of the 20 Hours ECE Hour entitlement section of the RS7 Return.

### Where to find more information

Use the table below to find more information on how your service's rate will be calculated:

Topic	See Section
Certificated Teacher Hours	3-B-2
Regulated (ratio) staff hours	3-B-2
Minimum salaries for certificated teachers'	3-B-2
Completing the Attestation of certificated teachers' salaries	9-6
Calculating staff hours for the RS7 Return	9-4
Calculating funded child hours for the ECE Funding Subsidy	9-2
Calculating funded child hours for 20 Hours ECE Funding	9-3

## 2-6 Funding rates, Continued

### Home-based services

Home-based early childhood education (ECE) services are funded at **either** the 'standard' or 'quality' funding rate. Services cannot change between standard and quality rates on a daily or weekly basis, and must use the *EC11 Form* to change between rates.

Quality funding rates are available to home-based ECE services that meet certain requirements. For more information please refer to 3-B-4.

### Parent/whānau-led services

Parent/whānau-led services are funded at **either** 'standard' or 'quality' funding rates. Services cannot vary between standard and quality rates on a daily or weekly basis, and must use the *EC11 Form* to change between rates.

Quality funding rates are available to playcentres and ngā kōhanga reo that meet certain additional requirements.

If your service is a...	you are eligible for quality funding rates if you have...	For specific details see...
playcentre	❖ adults present with certain qualifications.	3-C-3.
te kōhanga reo	❖ enhanced adult:mokopuna ratios ❖ kaiako/whānau with certain qualifications.	3-C-4.

### More information: all services

More information on the rates and applying for funding is available in the following sections:

Title	Section
Teacher-led education and care services	3-B-2
Home-based ECE services	3-B-4
Playcentre	3-C-3
Te kōhanga reo	3-C-4
Completing the RS7 Return (all services)	Chapter 9

## 2-7 Recovery of early childhood education funding

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### Introduction

Section 548 of the Education and Training Act 2020 provides for the payment of funding to eligible early childhood services<sup>1</sup> subject to conditions so that they may provide early childhood education. Services which fail to meet these conditions may no longer be eligible for funding and either all or part of this funding may be recovered by the Ministry of Education.

This section sets out the circumstances where the Ministry may recover funding from services or service providers.

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### Recovery of Funding

If the results of a funding claim audit and/or reporting on an RS7 Return and/or RS3 Initial Application for Funding for an Early Childhood Service forms indicate that the amount of funding provided is greater than it should have been, the amount of the over funding will be:

- repayable by the service to the Ministry of Education on request and
- treated as a debt which the Ministry can offset against all or any funding sums payable by the Ministry to the service provider.

When a service has received less funding than it is eligible for, the amount of any underpayments will be credited to the bank account nominated by the service provider as soon as is reasonably possible. However, the Ministry may choose to verify whether services are eligible for any underpayments of funding before these are made, for example by way of a funding claim audit.

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### Offsetting funding recoveries

The Ministry may offset against all or any funding or other sums of money payable by the Ministry to the service provider, any debt or other sum payable to the Ministry by that Service Provider.

In these cases, the debt or liability will have been outstanding to the Ministry for a period of 30 days or more.

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<sup>1</sup> Eligible services are services that hold a licence under the Education (Early Childhood Services) Regulations 2008.

## 2-7 Recovery of early childhood education funding, Continued

### Funding may be withheld in part or in full

The Ministry may, subject to any conditions and for any period, determine that no funding is payable either in full or in part for any service(s) where:

- a) the service has temporarily closed and for the period of that closure; or
- b) the service's licence has been suspended and for the period of that suspension; or
- c) the service's licence has been cancelled or revoked; or
- d) the service provider has not met any of the conditions set out in the *Early Childhood Education Funding Handbook* or in any other documentation which was the basis for receiving funding. This includes the failure by the service(s) to maintain accurate records to the standard required by the Ministry;
- e) the service has not met the financial reporting requirements for early childhood education (ECE) services that are outlined in **Chapter 12** of the *Early Childhood Education Funding Handbook*; or
- f) If the service has not responded, by the due date, to requests made by the Ministry for services to provide complete and accurate information as required by conditions of funding and/or section 619 of the Education and Training Act 2020 through the Early Learning Information System (ELI) or any alternative authorised method, to enable the Secretary for Education or the Minister of Education to exercise their powers or carry out their responsibilities under the Education and Training Act 2020, and as permitted under Privacy Principles 10 and 11.
- g) the service provider is in debt to the Ministry and is unable or unwilling to repay the Ministry either immediately or within the timeframe prescribed by the Ministry; or
- h) the Ministry is satisfied on reasonable grounds that the service provider's financial viability is at risk (for example if there is a substantial debt owed to the Ministry, Inland Revenue, or some other person or agency) or there has been a change in some other circumstances that may affect its ongoing ability to provide the services required; or
- i) the service or the service provider is the subject of an investigation for fraud or financial mismanagement, the funding may be withheld for the period of that investigation pending its outcome. If the investigation finds there is fraud or financial mismanagement, the funding arrangement for that service will be reviewed to determine, at the sole discretion of the Ministry, the service or service provider's continuing eligibility to funding; or
- j) the service or the service provider is in receivership or liquidation.

For the avoidance of doubt, nothing in the paragraphs above prevent the Ministry from decreasing the amount of the grant paid in advance to a service where the Ministry has reasonable grounds to believe that the matters set out in paragraphs d), g), h), i) or j) above may apply.