

## Cabinet Paper material

### Proactive release

Minister & portfolio Hon Minister Martin, Associate Minister of Education  
Name of package Additional Funding to Support Playcentres  
Date considered 15 June 2020

#### These documents have been proactively released:

**Cabinet paper: Additional Funding to Support Playcentres**

15 June 2020

Ministry of Education

**Cabinet Minute: CAB-20-MIN-0279**

15 June 2020

Cabinet office

#### Material redacted

Some deletions have been made from the documents in line with withholding grounds under the Official Information Act 1982. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

The applicable withholding grounds under the Act are as follows:

Section 9(2)(f)(iv) to protect the confidentiality of advice tendered by Ministers of the Crown and officials

You can read the Official Information Act 1982 here:

<http://legislation.govt.nz/act/public/1982/0156/latest/DLM64785.html>

## Budget Sensitive

Office of the Minister of Education and the Associate Minister of Education

Cabinet

### Additional funding to support playcentres

#### Proposal

- 1 This paper seeks agreement s 9(2)(f)(iv) to address immediate financial pressures faced by playcentres.

#### Relation to government priorities

- 2 This proposal contributes to the Government's recovery from the COVID-19 pandemic by providing one-off funding support for playcentres. Due to COVID-19, we expect the proportion of income Playcentre Aotearoa receives from grants, donations and fundraising to decrease. Playcentre Aotearoa has indicated that without further funding support within the next month, they will need to begin rationalising their network of playcentres.

#### Background

- 3 Playcentre is an early learning service type that has been in operation since 1941. Playcentre's philosophy centres on valuing parents as the first educators for their children. Each playcentre around New Zealand is cooperatively managed by parents and supported by Playcentre Aotearoa at a national level.
- 4 In line with the playcentre philosophy, Playcentre Aotearoa offers an education programme to parents. This education programme links to Ministry of Education requirements. At every playcentre session, there must be a minimum of 2-3 adults present with prescribed mixes of predominately playcentre-specific qualifications or part-qualifications.
- 5 Unlike teacher-led services, government regulations do not require playcentres to have a proportion of staff that are early childhood education (ECE) qualified teachers. However, playcentres must meet higher adult:child ratios than teacher-led services. Unlike other licenced ECE services, parents are required to attend some playcentre sessions with their children.
- 6 Funded child hours for playcentres fell by 5.9% between 2017/18 and 2018/19. This follows a trend that has seen playcentre hours fall by 26% over the past decade. This likely reflects increased scarcity of parent time combined with the requirement for parental attendance.

#### Playcentres are facing urgent sustainability issues

- 7 Playcentres received a 6% increase in funding rates from 1 July 2020 in this year's Budget (costing \$3.073 million over four years). Like other early learning services, they also received a 1.6% cost adjustment from 1 January 2021. This resulted in a total increase in funding of \$3.801 million over four years. With Budget 2020 increases to funding rates, total expenditure on playcentres is forecast to grow to \$13.6 million in 2020/21 from \$12.5 million in 2018/19.
- 8 Following Budget announcements, Playcentre Aotearoa made it clear that the organisation needs urgent funding. The effects of COVID-19 have amplified financial sustainability issues as the proportion of income generated from grants, donations and fundraising will likely decrease. Playcentre Aotearoa has indicated that without further funding support within the next month, they will need to begin rationalising their network of playcentres.

- 9 Playcentre Aotearoa has reported that of around 400 playcentres, approximately 70 rural and 30 urban playcentres risk closure over the next year. This is due primarily to costs associated with their buildings. Playcentre Aotearoa indicate that playcentres in rural areas tend to be in a poor state of repair.
- 10 Prior to amalgamation into Playcentre Aotearoa in 2019, playcentre associations in rural areas were unable to raise enough revenue to keep up with maintenance costs. This is partly because rural playcentres have a smaller funding base due to lower enrolments and the small number of hours children attend each week.
- 11 Playcentre Aotearoa has also indicated that in rural areas, the cost to address these repairs tends to be higher. There are a limited number of building contractors in these areas and there are further costs associated with travel.
- 12 This means Playcentre Aotearoa faces a tough financial decision as to whether to close these playcentres, rather than invest a significant amount to repair these buildings.

### **Playcentres need additional support**

- 13 We consider funding is urgently needed to keep playcentres open, so that parents and children in rural areas in particular can continue to choose playcentre. It is unlikely that the organisation will be able to raise additional income in the post COVID-19 environment to meet the amount needed to keep these playcentres open.
- 14 We seek \$3.7 million of funding for Playcentre Aotearoa. The organisation states this amount will keep at risk playcentres operating by allowing the organisation to address outstanding property issues. We also seek \$500,000 for the Ministry to commission a condition assessment of buildings identified as at risk of closure, to inform further work.

### **Developing a new operating model**

- 15 We have directed the Ministry to work alongside Playcentre Aotearoa to review their operating model. This will allow for further progress on co-designing a new funding model, as signalled in the Early Learning Action Plan 2019-2029 released last year.
- 16 The organisation has faced challenges in recent years with the implementation of their new qualification framework. Many parents who hold credits towards the old qualification have needed to undertake additional study to move to the new qualification system.
- 17 The need to undertake additional study may be deterring parents from choosing or staying with playcentre. We understand that the organisation is increasingly paying for staff as they are unable to access appropriately qualified volunteer parents. There may be an opportunity for the organisation to review their qualification programmes to minimise impacts on parents, so that they stay with the organisation as volunteers.

s 9(2)(f)(iv)

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### **Financial Implications**

s 9(2)(f)(iv)

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- 20 Due to Playcentre Aotearoa's urgent financial sustainability issues, we are seeking s 9(2)(f)(iv) \$4.2 million

This will comprise \$3.7 million for Playcentre Aotearoa and \$500,000 for the Ministry of Education to commission a condition assessment.

- 21 s 9(2)(f)(iv)

### **Legislative Implications**

- 22 There are no legislative implications for this paper.

### **Impact Analysis**

#### **Regulatory Impact Statement**

- 23 The Regulatory Impact Analysis requirements do not apply to this paper as the Education Act 1989 gives me discretion to issue grants to early learning services.

#### **Climate Implications of Policy Assessment**

- 24 There are no climate change implications arising from this paper.

#### **Population Implications**

- 25 This initiative will benefit women and children in rural areas who wish to access playcentre.

#### **Human Rights**

- 26 There are no human rights implications arising from this paper.

#### **Consultation**

- 27 The Treasury has been consulted and the Department of Prime Minister and Cabinet has been informed.

#### **Communications**

- 28 The Ministry of Education will communicate this decision to Playcentre Aotearoa.

#### **Proactive Release**

- 29 This paper will be released and any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

#### **Recommendations**

The Minister and Associate Minister of Education recommends that Cabinet:

- 1 s 9(2)(f)(iv)

1.1

1.2

s 9(2)(f)(iv)

1.3

1.4

- 2 **note** that Playcentre Aotearoa is facing urgent financial sustainability issues, exacerbated by COVID-19, and has indicated it will need to begin rationalising their network of playcentres within the next month
- 3 **agree** to support Playcentre Aotearoa by providing one-off funding of \$3.7 million in 2020/21 as well as funding for the Ministry of Education to commission an independent condition assessment of buildings at risk of closure
- 4 **approve** the following changes to appropriations to provide for the decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Vote Education</b>					
<b>Minister of Education</b>					
Non-Departmental					
Output Expense:					
Support for Early Childhood Education Providers	-	3.700	-	-	-
Primary and Secondary Education MCA: Support and Resources for Education Providers	-	0.500	-	-	-
<b>Total Operating</b>		4.200			

- 5 **agree** that the proposed changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply

6 s 9(2)(f)(iv)

7 s 9(2)(f)(iv)

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Authorised for lodgement

Hon Chris Hipkins

Minister of Education

Hon Tracey Martin

Associate Minister of Education



# Cabinet

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Additional Funding to Support Playcentres

**Portfolios**                      **Education / Associate Education (Hon Tracey Martin)**

On 15 June 2020, Cabinet:

1            s 9(2)(f)(iv)

1.1

1.2

1.3

1.4

2            **noted** that Playcentre Aotearoa is facing urgent financial sustainability issues, exacerbated by COVID-19, and has indicated it will need to begin rationalising their network of playcentres within the next month;

3            **agreed** to support Playcentre Aotearoa by providing one-off funding of \$3.7 million in 2020/21 as well as funding for the Ministry of Education to commission an independent condition assessment of buildings at risk of closure;

- 4 **approved** the following changes to appropriations to provide for the decision in paragraph 3 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Vote Education</b>					
<b>Minister of Education</b>					
Non-Departmental Output					
Expense: Support for Early Childhood Education Providers	-	3.700	-	-	-
Primary and Secondary Education MCA:					
Support and Resources for Education Providers	-	0.500	-	-	-
<b>Total Operating</b>		4.200			

- 5 **agreed** that the changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

6 s 9(2)(f)(iv)

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Michael Webster  
Secretary of the Cabinet