

# AIDE MEMOIRE

## Funding settings for early learning services until March 2021

<b>Date:</b>	25 June 20120	<b>Priority:</b>	High
<b>To:</b>	Hon Chris Hipkins	<b>METIS No:</b>	1233447
<b>From:</b>	John Brooker	<b>Security Level:</b>	In Confidence

### Purpose

1. I wish to inform Cabinet of short-term changes to funding settings for early learning services that I have made to smooth the impact of disruption caused by COVID-19.

### Funding rules and pre-existing support for the early learning sector

2. Government funding is the major source of revenue for early learning services. This funding is based on children's enrolments and attendance.
3. I expect that COVID-19 will result in fewer enrolments and lower hours of attendance in early learning services. Teaching staff with minor illnesses are also more likely to stay home from work. This could impact on services' ability to access the funding rates they were previously eligible for.
4. Over the past few months, I sought to protect the sector from the full impact of COVID-19. During the March to June period, services were not required to pay back any advance funding, even if attendance was less for that period. Services were also funded for expected rather than actual attendance.

### Changes to funding rules for the July funding period

5. Without further intervention, the network of early learning services would still be at-risk, which could affect access to early learning and parents' labour force participation, and so I have made further changes to support the network.
6. As Minister of Education, I have authority under section 311 of the Education Act 1989 to authorise funding grants and changes to funding rules for early learning services.
7. Under normal circumstances, most early learning services receive 75% of their funding in advance and must pay back any funding not matched by actual attendance. The exceptions are kindergartens (100% funding in advance) and kōhanga reo (100% funding in arrears).
8. To help the short-term cashflow of services, I have revised the normal funding arrangements for the June to October period.

9. All services, excluding kindergartens, will receive 90% funding in advance, with no clawback if attendance is lower than expected. The Ministry of Education has worked with Te Kōhanga Reo National Trust, and they also wish to be included in the 90% advance approach.
10. This approach is estimated to cost an extra \$36 million for non-attending children than if the normal funding rules applied. These costs will be managed within baselines.
11. I have also relaxed funding rules relating to the proportion of qualified staff required for this period. This ensures services will remain on the same funding band they qualified for under the March advance payment.
12. These changes will help services stay open in the short to medium term. It will give them an opportunity to consider staffing levels and whether to continue operating in the medium term.
13. Normal funding rules will resume from November onwards, with the advance payment based on attendance data from the June to September 2020 period.

#### **Proactive Release**

Agree that this Briefing is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

**Agree / Disagree**

Hon Chris Hipkins  
**Minister of Education**

\_\_\_/\_\_\_/\_\_\_