



15 MAY 2018

Dear [REDACTED]

Thank you for your email of 12 March 2018 to the Ministry of Education (the Ministry) requesting the following information under the Official Information Act 1982 (the Act):

- 1. All Ministry of Education policy papers (ie reports and briefings to the Minister and reports to the Ministry's leadership team) from 1 January 2014 that deal with how home-based ECE providers are structuring their businesses with respect to use of government funding and/or how home-based ECE providers are using their income from government and parents.*
- 2. Number of complaints received by the Ministry about fees charged to parents by home-based ECE providers from 1 January 2014, as well as the nature and outcome of those complaints.*

This request has been interpreted broadly within your stated interests, which are:

- the investigations and discussions that the Ministry has had into how government funding and parent fees are being used by home-based ECE providers, in particular if this is being passed through to educators, and
- the transparency of government funding to parents.

Policy papers about funding & fees for home-based early childhood education (ECE) providers

There are three documents in scope of this part of your request:

Doc	Date	Description
1	9 March 2016	<i>Education Report: Home-based Early Childhood Education update</i>
2	11 August 2016	<i>Briefing note: Home-based Early Childhood Education</i>
3	15 December 2017	<i>Education Report: Scope and timing of review of home-based ECE</i>

The majority of the information in Document 1 and Document 2 refers to matters outside the scope of your request. I have extracted the remaining information from these documents under section 16(1)(e) of the Act. These extractions can be found in **Appendix A** (Document 1) and **Appendix B** (Document 2) to this letter.

The extractions from Document 1 do not include information which I am refusing the release of under section 18(c)(i) of the Act, where the release of the information would be contrary to the secrecy provisions in section 86 of the Tax Administration Act 1994.

I am refusing the release of Document 3 under section 18(d) of the Act, as this information will soon be publicly available. We intend to proactively release this document onto the Ministry of Education website in May.

Complaints about fees for home-based ECE providers

If a parent is unhappy about the costs they are being charged they should contact the early learning service in the first instance. If this is unable to be resolved between the parent and the service, parents can contact the Ministry of Education. We will work with services to assess what action is required, and to support a resolution between both parents and the service.

The table below shows the number of complaints received about fees between 2014 and 2016. These complaints allege overcharging, lack of transparency around fees and subsidies, and a lack of communication around fee changes. This information is derived from complaints information which we publish annually on our website.

Year	Total complaints received about fees	Complaints received about home-based education and care	Total complaints upheld	Upheld complaints about home-based education and care
2014	56	3	3	1
2015	45	11	11	3
2016	40	11	9	7

You may be interested in two recent announcements by the Minister of Education Hon Chris Hipkins, regarding the development of an Early Learning Strategic Plan and the Review of Home-based Early Childhood Education.

The Review of Home-based Early Childhood Education will look at a range of areas which are known to support quality early learning, including investigating the introduction of qualification requirements for educators. You can find further information about the review, and a copy of the paper the Minister took to Cabinet on our website, at:

<https://www.education.govt.nz/home-based-early-childhood-education-review/>

The Early Learning Ten Year Strategic Plan will set out a systematic and stepped approach to developing strengthening the early learning sector, to meet the needs of all children and their whānau. You can read more about the planning process on our website, at <https://www.education.govt.nz/early-learning-strategic-plan/>. A Cabinet paper with information about the review's intention and processes is available from this page.

Thank you again for your request. You have the right to ask an Ombudsman to review this decision. You can do this by writing to info@ombudsman.parliament.nz.

Yours sincerely



Dr. Andrea Schöllmann
Deputy Secretary
Education System Policy

Appendix A

Extractions from *Education Report: Home-based Early Childhood Education Update*
Advice to the Minister of Education Hon Hekia Parata
9 March 2016

Purpose of Report

- 1 This is an update of progress on the recommendations of the home-based early childhood education (ECE) Working Group (the Working Group) and an outline of next steps resulting from this work.
- 2 It also provides you with a summary update of recent changes within the home-based sector and our responses to these changes.

Background

- 3 The Working Group was established in 2013 after the review of Home-based ECE was discontinued. Its purpose was to enable us to work with, and support, the home-based sector to improve quality issues and contribute to our participation goal.
- 4 The Working Group had membership from peak home-based ECE bodies and Ministry officials, with support from Education Review Office officials. It had oversight of seven projects, nearly all of which considered operational issues faced by the home-based sector.

Discussion

Changes in patterns of enrolment and care arrangements

- 12 There has been a significant increase in the number of enrolments for children aged under 2-years-old (in particular for children aged under 1-year-old). This growth greatly exceeded our forecast for this age group. It would appear that for most of these new care arrangements a family member, usually the grandparent, is the educator and in a lot of cases no outside (non-familial) children attend.

Impact

- 13 We are aware that some services are actively seeking out families that have informal family care arrangements in place and are formalising them by enrolling them in the service. As a result we are providing increasing levels of ECE subsidy funding for care that would otherwise have taken place while becoming less assured about whether the expected level of education is being delivered.

Risk Assurance Mapping

- 19 We will be undertaking an evaluation of funding-related risks presented by the ECE sector and will ascertain the extent to which there is relevant information, effective monitoring and appropriate response capability by the Ministry. This will result in the development of an assurance map and the identification of gaps (or duplication) where risks are not adequately managed (or over-managed). We will start this process with home-based ECE.

ECE Information and Performance Project

- 20 This project aims to develop a suite of tools that will provide advance identification of licensed ECE services at risk of non-compliance across three areas: participation and quality; fiscal; and regulatory. This will allow us to significantly increase the number of ECE services we are able to monitor. We will then be able to allocate resources effectively and in a timely manner to mitigate risk. We will apply this to the home-based ECE sector in the first instance.

Licensing and Funding Levers Project

- 22 This project aims to improve our use of existing licensing and funding controls across the ECE sector by addressing gaps in our current guidance. There is a home-based specific work stream within the project.

Appendix B

Extractions from Briefing Note: Home-based Early Childhood Education
Advice to the Minister of Education Hon Hekia Parata
11 August 2016

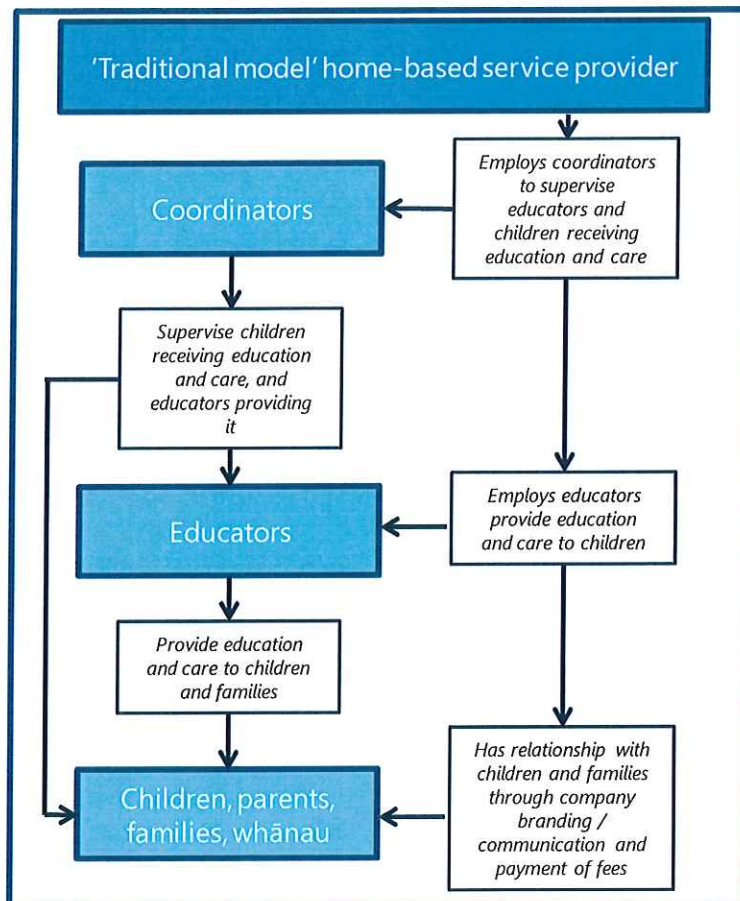
Purpose

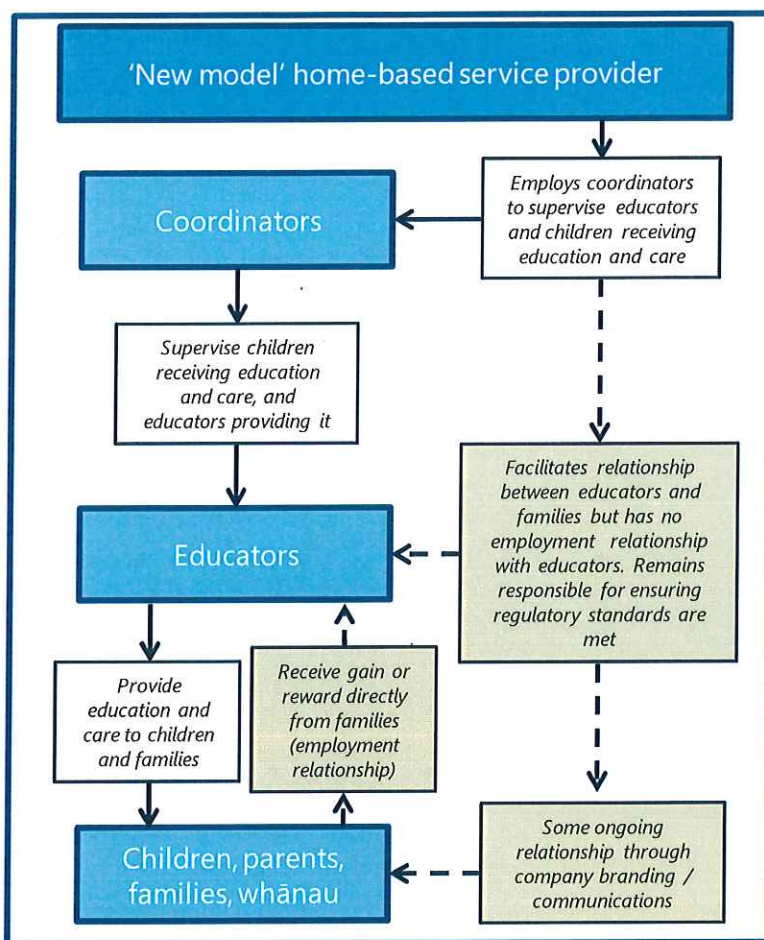
- 1 This briefing note:
 - provides background information on home-based early childhood education (ECE) in New Zealand;
 - outlines projects underway at the Ministry of Education relating to home-based ECE; and
 - seeks an indication from you about whether you would like further advice.

Models of home-based ECE are diverse

- 12 While the licensing framework is based on the 'traditional' model of home-based education and care first observed in Barnardos, the sector has evolved and there is now a range of operating models licensed under the regulations and receiving funding. These include nannies, au pairs, and familial care arrangements in which family members, usually grandparents, provide education and care.
- 13 The body, agency or person operating a home-based ECE service is known as the 'service provider'. Under all operating models, the service provider holds the licence and is directly responsible for ensuring home-based education and care is delivered to children in line with licensing standards.
- 14 The 'traditional model' sees a service provider holding one or more licences, with one or more coordinators responsible for each licensed network of homes (the service). The educators are employed by the service provider, and parents pay the service provider for education and care.
- 15 Other models, such as nannies or au pairs, may be third party arrangements whereby the service provider brokers the relationship between the educator and families, and the families employ or contract the educator directly. While the service provider as the licence holder remains directly responsible for ensuring licensing standards are being met, there is no direct employment relationship between the educator and the service provider.
- 16 With the increase in the number of enrolments for children under 2 years old, we have observed in many cases a family member, usually the grandparent, acting as educator with no non-familial children attending. We are aware that some services are actively seeking out families with pre-existing informal family care arrangements and are formalising them by enrolling them in the service. As a result we are essentially providing increasing levels of ECE subsidy funding for care that would otherwise have taken place, while we become less assured about whether the expected level of education is being delivered.
- 17 The Act's definition of home-based ECE requires educators to receive gain or reward for their role in providing education and care. This distinguishes licensed home-based ECE services from informal care arrangements that are not subject to licensing standards and not eligible to receive funding.

- 18 In practice gain or reward may take several different forms. Payments for services may be made directly to service providers, who then pay the educators, or directly from parents to educators. Arrangements for non-monetary payment, such as the provision of grocery vouchers to educators, also constitute gain or reward for the provision of home-based education and care.
- 19 The following diagrams give a high-level overview of a 'traditional' and 'new' model service provider:





Funding rules are intended to incentivise quality, but the proportion of services on the quality rate is small

20 There are two funding rates for home-based ECE services:

- The standard rate is applicable for licensed home-based services.
- The quality rate is a higher rate available to services that meet requirements additional to those specified in the regulations. This can be accessed if all educators meet minimum qualification requirements, and coordinators meet minimum hours of being 'on duty'.

21 Funding may not be claimed for an educator's own children, children who are present in the home but not enrolled in the home-based service, or children enrolled at school. Funding may be claimed where the educator is a member of that child's family (but not a parent or caregiver) and is living in the home if at least one child who is not a member of the educator's family receives ECE at the home.

25 The speed of growth in the home-based sector can be attributed to the relative ease with which a service provider can open a home-based ECE service. With the education and care being provided in existing homes there are no infrastructure costs on opening. Staffing costs are minimal, often limited to coordinators. We have also observed services (and therefore licences) being bought and sold, meaning subsidy funding is being on-sold. This is enabled within the current regulatory framework.

32 We have projects underway relating to risks associated with changing enrolment and care arrangements:

- The ECE information and performance project aims to develop a suite of tools that will provide advance identification of licensed ECE services at risk of non-compliance across three areas: participation and quality; fiscal and financial management; and regulatory. This will allow us to significantly increase the number of ECE services we are able to monitor, and then effectively allocate resources to mitigate risk.
- The licensing and funding levers project aims to improve our existing licensing and funding controls across the ECE sector by addressing gaps within our current guidance. There is a home-based specific work stream within the project.

33 We also have projects underway relating to new patterns of non-compliant behaviour:

- We are undertaking an evaluation of funding-related risks in the ECE sector and will ascertain the extent to which there is relevant information, effective monitoring and appropriate response capability by the Ministry. This will result in the development of an assurance map and the identification of gaps (or duplications) where risks are not appropriately managed (or over-managed).