



Use of Equity Funding:  
in Early Childhood Services



October 2013

## Foreword

The Education Review Office (ERO) is an independent government department that reviews the performance of New Zealand's schools and early childhood services, and reports publicly on what it finds.

The whakataukī of ERO demonstrates the importance we place on the educational achievement of our children and young people:

*Ko te Tamaiti te Pūtake o te Kaupapa*  
*The Child – the Heart of the Matter*

In our daily work we have the privilege of going into early childhood services and schools, giving us a current picture of what is happening throughout the country. We collate and analyse this information so that it can be used to benefit the education sector and, therefore, the children in our education system. ERO's reports contribute sound information for work undertaken to support the Government's policies.

The Government is committed to increasing participation in early childhood education. As part of this commitment, the Government wants to make sure that the right funding policies are in place to better support and encourage participation.

This report is about Equity Funding, one of the Ministry of Education's current funding schemes for eligible early childhood services to support and enrol vulnerable children. The report discusses how effectively early childhood services are using Equity Funding and considers the extent to which Equity Funding is achieving its objectives of participation and quality in early childhood education.

Successful delivery in education relies on many people and organisations across the community working together for the benefit of children and young people. We trust the information in ERO's evaluations will help them in their work.

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## Overview

Supporting vulnerable children is one of the Government's priorities within Better Public Services (BPS). As part of the BPS goal, a Government priority for education is that every child has the opportunity to participate in quality early childhood education (ECE). This significantly increases a child's chance of future educational success, particularly for children from vulnerable families. The Government has a target that in 2016, 98 percent of children starting school will have participated in quality ECE.

To meet this target, Government has said that it will need to “*change funding policies to incentivise better support for and participation by vulnerable children.*”<sup>1</sup>

Equity Funding<sup>2</sup> is one of the Ministry of Education's funding schemes for eligible licensed early childhood services to support and enrol vulnerable children in high quality ECE, retain these children in ECE and support their successful transition to school.

This report complements ERO's report *Use of Equity Funding in Pacific Early Childhood Services, October 2013* which presents findings about the use of Equity Funding in 15 Pacific early childhood services.

In this evaluation, ERO investigated the extent to which 147 early childhood services<sup>3</sup> reviewed in Term 4, 2012 and Term 1, 2013 effectively used Equity Funding to support children's participation in quality ECE. The findings are presented in relation to:

- the services' awareness of receiving Equity Funding
- services' use of the different components of Equity Funding and the positive impacts for vulnerable children or groups
- the extent to which services met the Ministry of Education's (Ministry) reporting requirements.

Overall, ERO found that 14 percent of the 147 early childhood services were highly effective in their use of Equity Funding. These services had several strategies and initiatives to ensure and support participation in ECE by vulnerable children. Strategies included keeping costs of ECE affordable for parents, providing a supportive and inclusive environment for children with special needs, and engaging and developing relationships with the children, their parents and whānau as partners in learning.

These services also supported ongoing professional learning and development for

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<sup>1</sup><http://www.minedu.govt.nz/theMinistry/BetterPublicServices/SupportingVulnerableChildrenQs.aspx>

<sup>2</sup><http://www.lead.ece.govt.nz/ManagementInformation/Funding/EquityFunding.aspx><http://www.lead.ece.govt.nz/ManagementInformation/Funding/FundingHandbook/Chapter10.aspx>

<sup>3</sup> See Appendix 3 for the breakdown of services by type.

teachers and training for parent-educators. They regularly reviewed their use of Equity Funding and identified the positive impacts for targeted children or identified the need to modify their strategies. These services met all of the Ministry's reporting requirements.

In a further 47 percent of services, the use of Equity Funding was effective. Although these services had similar characteristics to the highly effective services, ERO found some variability in relation to:

- their provision of support for children with special needs
- their support for teachers' professional learning and development
- their review of the use of Equity Funding
- the impact for targeted children or groups
- the extent to which they met all of the Ministry's reporting requirements.

Most of these services had reported on the Equity Funding received and how it was used, but did not state their reasons for using it in the way they did.

ERO found that in 27 percent of services, the use of Equity Funding was of limited effectiveness. Although most of these services were aware of receiving Equity Funding and its intended purpose, they did not report on its use. In some cases, Equity Funding was included in the service's operational budget and reported as a total amount. The different components of Equity Funding were not identifiable; nor were the ways the funding was being used. These services were characterised by their lack of self review. They could not show how Equity Funding was spent or how it supported targeted children's participation in ECE.

In the remaining 12 percent of services, use of Equity Funding was not effective. Most of these services were unaware they received Equity Funding, and did not report on its use or the impact for targeted children or groups.

The conclusion of this report discusses some challenges in the context of ERO's findings and in relation to the equity objectives of participation and quality. These challenges are related to:

- the link between educational policy goals such as increasing children's participation in ECE and the eligibility criteria for Equity Funding
- the extent to which Equity Funding can be used by services to increase participation by those children not currently participating in ECE
- the extent to which Equity Funding can support children and families when working with relevant external agencies
- the extent to which Equity Funding can support services to implement their programme in another language.

## Next steps

ERO recommends that the Ministry of Education considers the findings of this report to:

- inform decisions about Equity Funding in its current review of ECE funding
- identify ways to increase early childhood services' awareness of the expectations for use and requirements for reporting by early childhood services that receive Equity Funding.

ERO recommends that early childhood services use the findings of this report to discuss and evaluate their use of Equity Funding.

## Introduction

Equity Funding was introduced in March 2002 with a budget of \$8.5 million. The objectives are to:

1. reduce educational disparities between different groups in New Zealand
2. reduce barriers to participation faced by under-represented groups in early childhood services
3. support services to raise levels of educational achievement for these children.

Equity Funding is ‘tagged’ and identifiable as an amount additional to a service’s ECE Funding Subsidy and 20 Hours ECE. It must be spent with the equity objectives for participation and quality in mind. Early childhood services, who receive Equity Funding, are required to report to parents and the local community about how they have spent such funds.

Equity Funding consists of four components. Services may be eligible for funding against one or more (or all) components.

Component	Eligibility confirmed by...
Component A: Low Socio-Economic Communities	Equity Index Value
Component B: Special Needs, and Non English Speaking Backgrounds	Equity Index Value
Component C: Language and Culture other than English (including Sign-Language)	EC15 Attestation Form
Component D: Isolation	Isolation Index Value

Eligibility for Component A is based on the Equity Index (EQI) which measures the extent to which a service draws children from low socio-economic communities. Licensed ECE services with an EQI of 1 - 4 are eligible to receive Component A.

Eligibility for Component B is also determined by a service’s EQI. Services receive Component B if they meet eligibility for Component A. Eligibility **is not based on individual children**.

Licensed ECE services are eligible for Component C if they provide ECE in a language and culture other than English (including sign language) during **more than half** of the formal education and care programme.

Eligibility for Component D is based on the Isolation Index. This rates a service's 'relative isolation' and is worked out by measuring the service's distance from towns/cities of three different population sizes (5,000, 20,000, and 100,000).

**Licensed ECE services with an Isolation Index of 1.65 or greater qualify to receive Component D.**

In 2002, only licensed community-based services who met the criteria were eligible to receive Equity Funding. An evaluation of Equity Funding in 2006<sup>4</sup> provided information on the changes in quality and participation that were related to Equity Funding, as well as conditions that supported positive impacts.

From 1 July 2011, Equity Funding became available to all licensed early childhood services who met the eligibility criteria. The Government announced a corresponding increase in budget to \$21.5 million over 4 years. In 2012, an additional increase of \$47.9 million over 4 years was announced in place of the annual cost adjustment. In 2013, an additional increase of \$41.3 million over 4 years was allocated to compensate low income families for fee increases.

In the 2012 financial year, 38 percent of early childhood services (1771) received at least one component of Equity Funding.

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<sup>4</sup> Mara, D., Mitchell, L., Tangaere, A.R., & Wylie, C. (2006). *An Evaluation of Initial Uses and Impact of Equity Funding*. Wellington. Ministry of Education.



## Findings

This section includes ERO's findings on the use of the different components<sup>5</sup> of Equity Funding for their intended purpose and the positive impacts in relation to the equity objectives of participation and quality.

### Awareness of receiving Equity Funding

#### *What did ERO ask?*

*Does this service know if it receives Equity Funding?*

#### *What did ERO find?*

Ninety percent (132) of the 147 services were aware that they had received Equity Funding. The exceptions were:

- four kindergartens that were unaware they had received Equity Funding and the reporting requirements
- a further four kindergartens that were members of an association which pooled all Equity Funding, and were not aware of amount and/or use of funds
- four education and care centres that received Equity Funding but were unaware of the intended purpose and the reporting requirements
- three education and care centres that received Equity Funding which was pooled by their umbrella organisation, and they were unaware of amount and/or use of funds.

### Overall effectiveness - use of Equity Funding

#### *What did ERO ask?*

*How effective is this service using its Equity Funding to improve the participation and/or quality of education for target group(s)?*

#### *What did ERO find?*

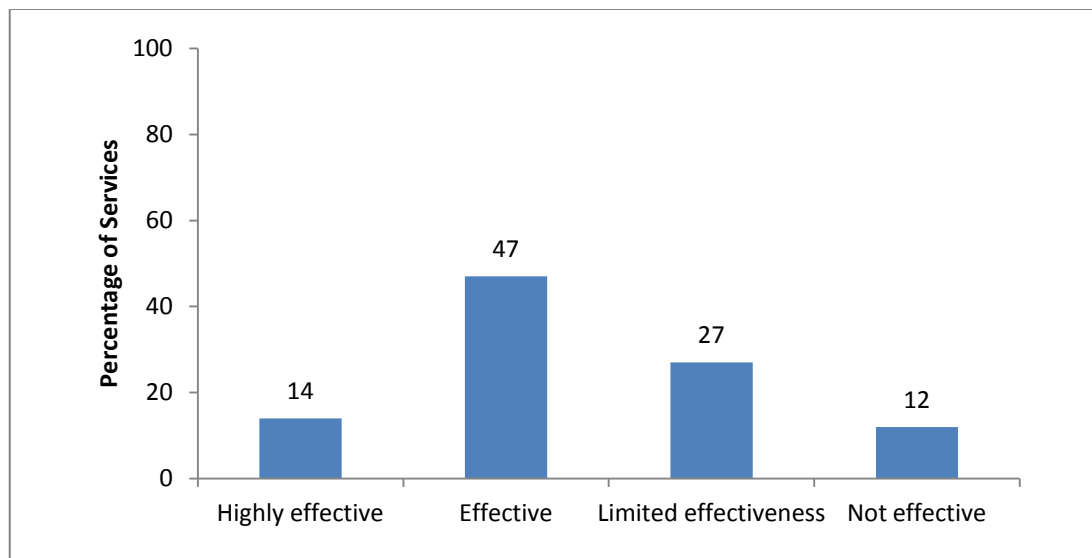
ERO made an overall judgement<sup>6</sup> about how effectively each service used the Equity Funding it received. Figure 1 shows that 61 percent of the 147 services were either *highly effective* or *effective* in their use of Equity Funding. The remaining 39 percent services were *limited or not effective* in their use of Equity Funding.

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<sup>5</sup> See Appendix 2 for a breakdown of the different components of Equity Funding received by the 147 services.

<sup>6</sup> See Appendix 4 for criteria used by ERO to make judgements.

Figure 1: Effective use of Equity Funding



### ***Highly effective***

Services which were highly effective in their use of Equity Funding:

- had several initiatives to ensure and support participation in ECE by targeted children and groups, including:
  - providing a supportive and inclusive environment for children with special needs
  - engaging and developing relationships with the children, their parents and whānau as partners in learning
- supported ongoing professional learning and development for teachers and training for parent educators
- reviewed the use of Equity Funding and identified the positive impacts for targeted children or groups
- met all of the Ministry's reporting requirements.

### ***Effective***

Services that were effective in their use of Equity Funding had similar characteristics to the highly effective services. However, ERO identified some variability in relation to:

- their provision of support for children with special needs
- their support of professional learning and development for teachers
- their review of the use of Equity Funding and the impact for targeted children or groups
- the extent to which all of the Ministry's reporting requirements were met.

### ***Limited effectiveness***

Most of these services were aware of receiving Equity Funding and its intended purpose, but did not report on its use. In some cases, Equity Funding was included in the service's operational budget and reported as a total amount. The different components were not identified; nor were the ways the funding was being used. These services were characterised by their lack of self review. They could not show how Equity Funding was spent or how it supported targeted children's participation in ECE.

### ***Not effective***

Most of these services were unaware of the Equity Funding received and did not report on its use or the impact for targeted children or groups.

## **Use of Equity Funding by component**

### ***What did ERO ask?***

*What is the service trying to achieve?*

*What initiatives or strategies has the service put in place?*

*Which children or groups of children have been targeted?*

### ***What did ERO find?***

This section reports on each of the Equity Funding components (A, B, C and D) in terms of how services were using each funding component, the effectiveness of this use and its impact.

### ***Use of Component A***

Seventy-two percent (107) of the 147 services received Component A with annual amounts ranging from \$100 to \$25,000. Services reported using Component A for low income communities to:

- remove barriers for children to access ECE
- increase participation for all children
- provide ongoing professional learning and development for teachers
- engage and building relationships with parents and whānau
- increase staff numbers and maintaining adult: child ratios
- improve learning spaces
- increase children's learning experiences.

Strategies used by services to achieve these objectives included:

- reducing or not charging fees (11 services)
- increasing subsidised ECE hours (13 services)
- providing meals or transport assistance (45 services)
- supporting teachers to attend professional learning and development (14 services)
- organising workshops/meetings for parents, whānau and families (24 services)
- employing more staff to allow teachers to focus on children's learning (14 services)

- employing specialist, Māori or Pacific staff to liaise with families, communities and other agencies (14 services)
- purchasing additional learning resources and outdoor equipment (40 services)
- subsidising regular excursions for the children (24 services).

The majority of services that received Component A identified all children in their low income communities as a focus for the funding. Some services specifically identified priority learners (Māori, Pacific and children with special needs) as well as refugee and new immigrant children as targeted groups. One service identified boys with behavioural concerns as a target group.

### ***Use of Component B***

As per the design and intent of Equity Funding, all of the 107 services that received Component A also received Component B for children with special needs for those who came from non-English speaking backgrounds. Annual amounts ranged from \$100 to \$12,500.

Eighty percent (85) of the 107 services reported using Component B to achieve equitable educational outcomes by providing an inclusive environment for all children. This was done in the following ways:

- providing a supportive and welcoming environment for all children, their parents and whānau (43 services)
- supporting parents and families when working with relevant social services agencies (6 services)
- employing additional or specialist staff (34 services)
- providing opportunities for teachers to undertake professional learning and development in sign language, English as second language (ESL), living with autism, te reo (29 services)
- maintaining adult: child ratios (8 services)
- assisting teachers with their registration (2 services)
- purchasing and developing specific resources and equipment (22 services).

Playcentres used both components A and B to subsidise parents' travel and attendance at training courses to ensure sufficient parent-educators were trained to keep the centre viable.

Although most services were aware of the intended purposes of Component B, only some clearly identified children with special needs or those from non-English speaking backgrounds as their target group. These services usually had children with such needs currently enrolled. The majority of other services targeted all children.

Twenty percent (22) of the services did not differentiate between the use of Components A and B as outlined in Chapter 10 of the Funding handbook.

### ***Effectiveness of use: Components A and B***

ERO found 71 percent (76) of the 107 services that received Components A and B were effective in their use of Equity Funding. Twenty percent (15) of the 76 services were highly effective and a further 80 percent (61) were effective in their respective use of this funding.

#### ***Highly effective use***

Services that were highly effective in their use of Components A and B regularly reviewed and recorded the positive impacts or identified the need to modify their strategies. These services also reported their use of Equity Funding and reasons for use in annual reports to parents and whānau. These were readily available and accessible.

These services were able to keep costs affordable for low income families which resulted in increasing numbers of children regularly attending and participating in ECE. Some services recognised the need to increase subsidised ECE hours from the current 20 hours. In a few cases, this was extended to children under three years of age so that their parents could attend training courses and find employment. This was regarded as another way of removing barriers for children to access and participate in ECE in the future.

These services promoted inclusive practice and had a welcoming environment that was supportive of children with special needs, ESL, Māori, Pacific and refugee children. When children with special needs were present, these services recruited additional staff to support these children and maintain adult: child ratios, or sought help from professional development providers.

Teachers at these services recognised the need to have regular discussions with parents and whānau and engaged them as active partners in their children's learning. This supported teachers to develop a better understanding of parents' aspirations and children's interests and needs. It also identified professional learning and development needs for teachers.

Parents were invited to participate in projects such as community gardens, workshops, and excursions. These initiatives supported parents' understanding of their child's learning and development as well as building their confidence as their child's 'first teacher'. In some cases, this was seen as having a direct influence on their child's learning, which was reflected in parents' feedback in profile books.

A few services employed a family worker to inform parents about the value and benefits of ECE; support families and children with special needs; and refer and support them when working with relevant social services agencies.

The following examples show how managers and teachers identified the positive impacts of Equity Funding on the children.

*“Teachers could outline the differences made as a result of Equity Funding. Numbers of attending children increased; regularity of attendance improved; families took pride in their children’s successes and attended all kindergarten gatherings. The inclusion of all children, particularly children with special needs was strengthened.”*

*“The licensee had formally reviewed the outcomes of their initiatives. Outcomes included: improved teacher knowledge through professional development; increased understanding by children and parents of healthy eating habits; more effective one to one interactions with children identified as having particular needs; and reports from parents about the impact of centre initiatives on their children’s learning (including cultural inclusion).”*

*“A large number of children were from low income families. Teachers had strong relationships with external agencies and were able to support families. This made parents more confident to let teachers know about their needs and concerns. Several parents commented that they appreciated that teachers looked out for their children.”*

### ***Effective use***

Eighty percent (61) of the 76 services that received Components A and B had some good strategies for the effective use of the Equity Funding. A key feature of these services was their engagement with parents and whānau as active partners in their children’s learning. Their interactions with children, parents and whānau were positive, inclusive and supportive. Teachers supported children in ways that were unhurried and child-focused. Children were settled, happy and confident.

Teachers knew the children, their families, and communities well. This was a significant factor in supporting parents to communicate about needs and concerns for their children to access the service. Parents expressed their appreciation for the opportunities provided to their children, which included excursions, cultural interactions and support for first language. Some parents viewed this as another way for their children to learn social skills preparing them better for school.

While these services were engaged with and supportive of enrolled children and their families; they had comparatively low levels of targeted use of Component B for identified children. For example, these services did not recognise the need to refer and support such children and their families when working with relevant external agencies.

Most of these services were aware of receiving Equity Funding, its purpose and requirements for reporting on its use to parents and whānau. However, they lacked self review to enable them to evaluate if their strategies, including professional learning and development and other inventions were having the desired impacts on targeted children.

The following examples illustrate the services' level of engagement with children, parents and families as a supporting factor for children's access and participation in ECE.

*“Teachers were conscious about making the best use of this small amount of funding. They knew about the children who needed support. In particular, they knew that many children lived some distance from the kindergarten. They actively sought ways to ensure that coming to the kindergarten was affordable for these families and children could participate in all learning experiences.”*

*“The biggest indicator of effective use was the level of engagement in the programme by children, family and whānau. Teachers knew the families well and were empathetic and very supportive. Families appreciated the support that assisted them to access the service. Staff said attendance, health and other issues that stem from family circumstances were an ongoing challenge.”*

### ***Limited or not effective use***

Twenty-nine percent (31) of the 107 services that received Components A and B were less effective in their use of Equity Funding.

In these services, leaders were aware of receiving Equity Funding and its intended purposes but did not report on its use or the reasons for its use to parents and whānau. For most of these services, the funding was seen as part of business as usual and they included Equity Funding in their general operating budget. It may have been identifiable in their annual reports but it was not reported as different components.

The lack of self review to evaluate the effectiveness of Equity Funding for its intended purpose was evident in most of these services. Leaders needed to provide staff with clear guidance about the use of Equity Funding for its intended purpose and the related reporting requirements.

### ***Impact of Components A and B***

Where services reported using Component A to provide meals or transport assistance, and subsidise fees, there was some improvement in children's regularity or length of attendance. This was specific to individual children and families, but services could not show ERO if Equity Funding had had any impact on overall attendance and enrolment numbers for these services.

Component B was used to increase staffing, support professional development, and improve resources. The non-specific use of Component B for targeted children or groups raises an issue about the current approach whereby services eligible for Component A automatically receive Component B, even if there are no children with special needs or from non-English speaking backgrounds present in these services.

This comparatively low level of targeted use of Component B was also identified in the 2006<sup>7</sup> evaluation of services' use of Equity Funding. The eligibility criteria for some components of Equity Funding could be a barrier for children from under-represented groups to participate in early childhood education.

Similarly, targeted use of Component B for children from non-English speaking backgrounds was focused on employing additional staff with specific language backgrounds, usually as teacher aides, or by extending children's experiences through purchasing resources and taking children on excursions. This had benefits for communication with, and involvement of parents, as well as for the children. Equity Funding was not sufficient to meet the employment of permanent staff members who were multilingual.

#### **Self-review questions for services**

- How do we use Component A to support enrolled children's regular attendance in our service?
- How do we use Component A to increase participation by non-enrolled children in our service?
- In what ways do we use Component B to support children with special needs and non English speaking children's transition from home to our service and from our service to school?
- How do we use Component B to enable children with special needs and non English speaking children to participate in quality ECE?
- To what extent do we use self review to evaluate the effectiveness of our

Only three percent (4) of the 147 services received Component C as well as Components A and B. The annual amounts were fixed at \$1,840 per service. They reported using Component C to support children's culture, identity and language by:

- purchasing and developing Māori and multilingual resources
- employing kaumātua or interpreters/language staff
- subsidising children's excursions to local cultural events
- increasing or providing professional learning and development for staff.

#### ***Impact of Component C***

In the services ERO reviewed in Term 1, 2013 only four services were receiving this component. Services mainly used Component C to:

- provide a bicultural and bilingual curriculum through purchasing and developing resources, and supporting teachers' professional development
- enhance children's learning through cultural interactions
- improve communications with families.

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<sup>7</sup> Mara, D., Mitchell, L., Tangaere, A.R., & Wylie, C. (2006). *An Evaluation of Initial Uses and Impact of Equity Funding*. Wellington. Ministry of Education



In all these services, there was an emphasis on te reo Māori and tikanga Māori, which led to some reported improvement in the quality of cultural interactions and language development for children.

As recipients of Component C, these services were expected to deliver half or more of their teaching programme in a language other than English (including sign language). They all identified using the funding to purchase and/or develop Māori and multilingual resources, including employing interpreters/language staff. There are some inconsistencies in terms of the allocation of funding available; Component C is a fixed amount in comparison to the range of funding available for Components A,B and D. This raises the question of whether Component C is sufficient for services to effectively support children's language and culture.

#### **Self-review questions for services**

- How do we use Component C to support teachers to improve programme implementation in the language of the service?
- How do we use Component C to support children's culture, first language and identity?

#### ***Component D***

Forty-seven percent (51) of the 147 services received Component D. Ten services received Components A, B and D; one service received all components and 40 services received only Component D. The annual amounts ranged from \$300 to \$4,500.

Services reported using Component D to:

- provide children with opportunities outside their immediate rural communities (22 services)
- increase access and participation for all children (10 services)
- build relationships with the wider rural community (8 services)
- subsidise parents' travel to attend parent-educator training courses (19 services)
- support teachers' professional learning and development (15 services)
- employ additional staff (12 services)
- purchase high quality resources and equipment (16 services)
- improve their self-review process (2 services).

All of the Playcentres ERO reviewed used Component D in the same way as Components A and B, that is, to subsidise parent-educators' travel to attend training sessions.

### ***Effectiveness of use: Component D***

ERO found 67 percent (34) of the 51 services that received Component D were effective in their use of this funding. Fourteen percent (7) of these 51 services were highly effective and the remaining 53 percent (27) were effective in their use of Equity Funding.

### ***Highly effective use***

Where services were highly effective in their use of Component D, there was a strong emphasis on 'growing and developing' their teachers and parents' capacity to strengthen leadership, teaching and learning. They ensured that teachers and parents were provided with targeted professional learning and development opportunities and relevant training. These services also focused on retaining teachers and families' involvement in the service.

Given the isolation of many Playcentres and reliance on parent volunteers, these centres used Equity Funding to subsidise parents' travel to attend training courses. This enabled sufficient parents to be trained and able to support children's learning as well as ensure centre viability. Other services accessed professional learning and development which focused on target groups such as children with behavioural challenges, younger children and inclusion of gender role models.

Decisions by Playcentres ensured the funding benefitted children's learning first. This included supporting parents to attend training. Many Playcentres focused on children experiencing life outside their immediate communities as a learning opportunity. Parent educators were often included in these learning opportunities which benefitted them as active partners in their child's education. Playcentre parents were well informed of the decisions and reasons for the use of Equity Funding and had easy access to reports.

One Māori immersion service had doubled its roll. This allowed more children to enrol and reduced their waiting list. This service encouraged enrolment of children in the extended whānau which also reduced travelling costs for families. Another service explored using social media as a tool to further engage whānau in their children's learning.

The following examples highlight services' actions to support children in isolated areas to participate in ECE.

*The service was highly effective in its use of funding to increase participation by priority learners, including Māori children. Children of three Māori families were now attending regularly. The environment was very welcoming for any potential Pacific children and staff also had an increased understanding of culturally*

*appropriate Pacific practices. The retention and recruitment of fully qualified staff had been achieved and the leader demonstrated high quality leadership skills including the ability to grow leadership in others. The centre leader and manager had identified the barriers to learning and developed strategies which were well resourced using Component D. These outcomes would not have been achieved without the funding and the focus and commitment of staff.*

*“Funding enabled centre members to be involved in training, with the dual benefit of increasing their knowledge of learning and teaching, and the ability of the Playcentre to maintain the course levels required to qualify for Ministry funding. While some parents were able to forgo claiming for travel costs, and did so, others needed the support. Playcentre programmes were improved by having parents actively involved in Playcentre adult education. Attendance at association meetings kept the centre in touch with Playcentre expectations and enabled the centre to participate in association decision making. Sustainability was improved by the use of Equity Funding.”*

### ***Effective use***

Fifty-three percent (27) of the 51 services were effective in their use of Component D and generally aimed to provide children with additional learning experiences outside their immediate community. They subsidised excursions to larger town centres or other areas of children’s interest.

Some services used the funding to mitigate isolation barriers which enabled children who lived further away from the service to have regular social contact, play and learning experiences with others. In one case, the service provided transport assistance for children and families who had to travel 1.5 hours each way (3 hours in total) to attend the service.

Other services purchased resources and equipment to assist children in developing their physical skills. They reported that providing safe and varied levels of resources and equipment resulted in children’s inclusion in age-appropriate activities.

While meeting the needs of the children was a focus for these services, the processes by which they did this were more ad hoc. There was some evidence of increased participation of children and the corresponding involvement of their parents’ but the effectiveness of their strategies had not been evaluated in terms of outcomes for children.

The following examples indicate services’ effective use of Component D and the challenges they faced.

*“The Playcentre is well led and managed. Equity Funding for isolation is used to enhance the learning programme for all children in the mixed-age group setting through excursions into the wider community and inviting visitors to the centre. However the effectiveness of this is yet to be formally evaluated.”*

*“The service used the funds to assist in meeting additional costs associated with running the service. The parent committee accounted for the spending but had yet to meet the reporting requirements. They were aware that they were extending children’s learning within the local community for all children, and saw heightened engagement through the excursions they funded.”*

### ***Limited or not effective***

Thirty-three percent (17) of the 51 services were less effective in their use of Component D. Many of these services could account for the use of funding for its intended purpose, however there was no formal system to review their strategies.

Some services did not have reliable evidence to show that Component D was making a difference, for example, the impact of supporting parents’ attendance at training courses may take time to be realised and then it could be difficult to evaluate.

### ***Impact of Component D***

All the services used Component D to provide children with improved learning opportunities by:

- subsidising excursions
- supporting parents’ learning and teachers’ professional development
- improving the child’s learning environment by purchasing high quality resources.

Where these strategies led to increased involvement by parents, whānau and families, the regularity of children’s attendance improved and new children were enrolled at the service.

In line with their kaupapa, Māori immersion services focused on ensuring the participation of both children and whānau. Playcentres focused on their sustainability by ensuring parent-educators received relevant training and were kept involved in the centre. On the other hand, education and care services focused on employing qualified staff and retention incentives if staff were recruited from outside their community.

Component D enabled services in isolated areas to remain viable, allowing all children to participate in ECE. When there was increased staffing and opportunities for children to experience life outside their immediate community, this contributed to reported regular attendance by the children and involvement by their parents.

### **Self review questions for services**

- How does your service use Component D to assist children’s participation in quality ECE?
- How is Component D used to upgrade resources and create learning experiences for children?
- What is the impact of using Component D to support professional learning and development on children’s learning outcomes?
- How is the use of Component D determined in your service?

## Meeting reporting requirements

Services are required to report to parents and the local community about how they have spent their Equity Funding.<sup>8</sup> The specific reporting mechanism is at the discretion of the individual service (or service provider). However, the following minimum standards are required:

- outline of the amount received under each Equity Funding component
- brief description of the purpose to which the funding was applied (e.g. purchase of goods or services)
- brief outline of the reasons for spending the funding in that way
- the report is included in the service's annual report for presentation at its annual general meeting.

### *What did ERO ask?*

*Has this service met reporting requirements?*

*If yes, what information was reported to parents, whānau and families, and the local community about the use of Equity Funding?*

### *What did ERO find?*

As noted earlier in this report, fourteen percent (21) of the 147 services were highly effective in their use of the Equity Funding and had met all of the reporting requirements as outlined in Chapter 10 of the Funding handbook.

These services:

- were aware of receiving Equity Funding and the intended purpose of each component
- consulted with staff, parents and families on the use of the Equity Funding
- reviewed their use of Equity Funding and knew about the difference it made to the targeted children/groups
- reported on the individual components of Equity Funding, including decisions and reasons for using it in the way they did
- had annual reports readily available and accessible by parents, whānau and families.

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<sup>8</sup><http://www.lead.ece.govt.nz/ManagementInformation/Funding/EquityFunding.aspx><http://www.lead.ece.govt.nz/ManagementInformation/Funding/FundingHandbook/Chapter10.aspx>

Forty-seven percent (69) of the 147 services were effective in their use of Equity Funding. However these services only partially met reporting requirements. Most services reported on how much funding they received and how it was used, but did not state their reasons for using it in the way they did.

The remaining 39 percent (57) of the 147 services had limited or were not effective in their use of Equity Funding, and had not met the reporting requirements. ERO found that:

- fifteen services' management were unaware of the reporting requirements
- thirteen services were new recipients of Equity Funding and had not completed a full funding cycle (12 months)
- in a further 22 services ERO identified the following issues:
  - Equity Funding was included with other funding in their operational budget
  - a lack of guidance for teachers about the use and associated reporting requirements of Equity Funding
  - a lack of awareness by staff that the service was receiving Equity Funding
  - a lack of knowledge about the intended purpose and use of Equity Funding
  - Equity Funding used to pay off a debt
  - Equity Funding invested in a separate account.

In the remaining seven services ERO found that Equity Funding was pooled by their umbrella organisation. These services were unaware of receiving Equity Funding and/or unclear about the amount, and subsequently did not understand the purpose or requirements for use of the funding. This was evident in the services' annual reports prepared by the umbrella organisation where Equity Funding was reported as a total amount instead of by the different components received. Where organisations are pooling the funding their self review and reporting could help assure member services that their actions are contributing to meeting the equity objectives in the services that generate the entitlement to this funding.

## Conclusion

In this evaluation, ERO was interested in how effectively early childhood services were using Equity Funding to achieve the funding's overall objectives.

These are to:

1. reduce educational disparities between different groups in New Zealand
2. reduce barriers to participation faced by under-represented groups in early childhood services
3. support services to raise levels of educational achievement for these children.

The findings indicate that nearly two-thirds (61 percent) of services that received Equity Funding were highly effective or effective in their use of this funding. These services were mostly deliberate in their use of this funding for its intended purposes. Self review is the area many needed to focus on to be able to report on the impact Equity Funding was having for children and their families. In the remaining third of services ERO found issues associated with a general lack of awareness of the purpose of this funding and associated reporting requirements, with some services not aware they were receiving it.

The findings pose some challenges for policy makers and early childhood services in relation to the equity objectives of participation and quality. These challenges are related to:

- the extent to which Equity Funding can be used by services to increase participation by those children not currently participating in ECE
- the extent to which Equity Funding can support children and families when working with relevant external agencies
- the extent to which Equity Funding can support services to implement their programme in another language.

The first challenge is for services to target non-enrolled children to participate in early childhood education; thus **reducing barriers to participation**. ERO found that where Equity Funding was used mainly to provide meals or transport assistance, subsidise fees and regular excursions for the children, there was some improvement in the regularity and/or length of children's attendance at the service. Many services were finding ways to support the participation of those children already enrolled in their service. The challenge is to identify ways to use Equity Funding to increase the participation of those children in their communities who are not currently participating in ECE.

A related challenge is the use of Equity Funding, in particular Component B to support children with special needs and children from non-English speaking backgrounds by referring and supporting them when **working with relevant external agencies**. ERO found that the services that were engaged with, and knew, the children and families well were also able to identify other support needed. They recognised the need to refer and support these children and their families when working with relevant external agencies. The challenge is for services to think

‘outside the box’ about other support needed for such children and their families which the early childhood service may not be in a position to provide.

The final challenge is related to **supporting services to raise levels of educational achievements for targeted children**. As noted earlier, the fixed amount of Component C available for services to implement half or more of their teaching programme in a language other than English raises a question about the extent to which this funding is sufficient to enable services to do this effectively. It also assumes that all services eligible for Component C will need the same amount of funding to support children’s language and culture. This is also a finding in ERO’s soon to be published report *The Use of Equity Funding in Pacific Early Childhood Services, October 2013*.

## **Next steps**

ERO recommends that the Ministry of Education considers the findings of this report to:

- inform decisions about Equity Funding in its current review of ECE funding
- identify ways to increase early childhood services’ awareness of the expectations for use and requirements for reporting by early childhood services that receive Equity Funding.

ERO recommends that early childhood services use the findings of this report to discuss and evaluate their use of Equity Funding.



# Appendix 1: Methodology

## Evaluation Framework

### *Key Evaluation Question*

How effectively is Equity Funding used by early childhood services to reduce educational disparities; reduce barriers to participation and improve quality of education for target group(s) of children?

### *Overall judgement*

How effectively is this service using its Equity Funding to improve the participation and/or quality of education for target group(s)?

The following questions provided the investigative framework for this project.

- Does this service know if it receives Equity Funding?
- How much funding has the service received?
- Which component(s) is this funding for?
- How has this funding been used (for each component received)?
  - what is the service trying to achieve?
  - which children/groups of children have been targeted?
  - what initiatives or strategies has the service put in place?
  - would the service have been able to do this without Equity Funding?
- What information has the service used to make decisions about its use of Equity Funding?
- Has this service met reporting requirements?
- If yes, what information has been reported to parents, whānau, and the local community about the use of Equity Funding?
- What does the service know about the difference Equity Funding has made for target group(s) of children?

### *Data collection*

During each service's review, ERO collected information from a variety of sources including:

- management of the service
- teachers at the service
- informal discussions with parents and whānau
- observations of interactions
- documentation related to the operation of the service, including self-review information.

All data was collected by ERO review officers in the normal course of their review activities.

**Data sample**

ERO gathered data from 147 early childhood services that had a regular education review in Term 4, 2012 and Term 1, 2013. Table 1 shows the types of services in this evaluation.

*Table 1: Service types*

<b>Service Type</b>	<b>Number</b>	<b>Percentage of sample</b>	<b>National percentage<sup>9</sup></b>
Casual education and care	1	1	<1
Kindergarten	41	28	16
Playcentre	18	12	12
Education and care	79	54	64
Homebased	8	5	8
<b>Total</b>	<b>147</b>	<b>100</b>	<b>100</b>

The types of services in this sample are not representative of national figures. Kindergartens are over-represented and education and care services are under-represented. The difference is statistically significant.<sup>10</sup>

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<sup>9</sup> The National percentages in this table are based on the most recent available Ministry of Education sample data, from April 2013.

<sup>10</sup> The differences between observed and expected values in Tables 1 and 2 were tested using a Chi square test. The level of statistical significance for all statistical tests in this report was  $p < 0.05$ .

## Appendix 2: Equity Funding received by the services in this evaluation

Figure 1: Amount of Component A received

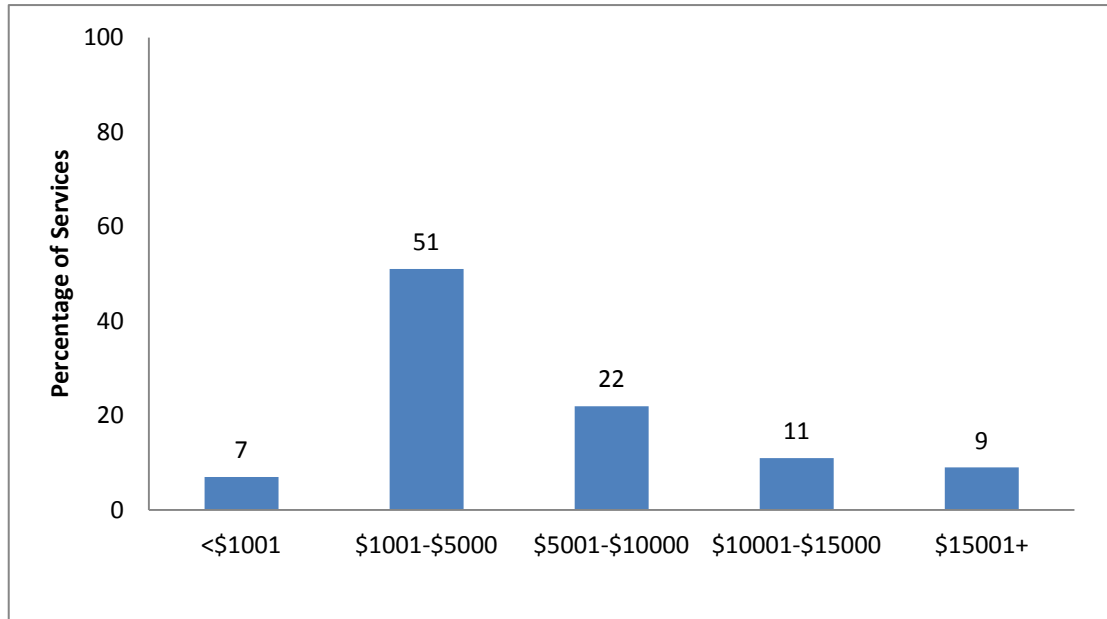


Figure 2: Amount of Component B received

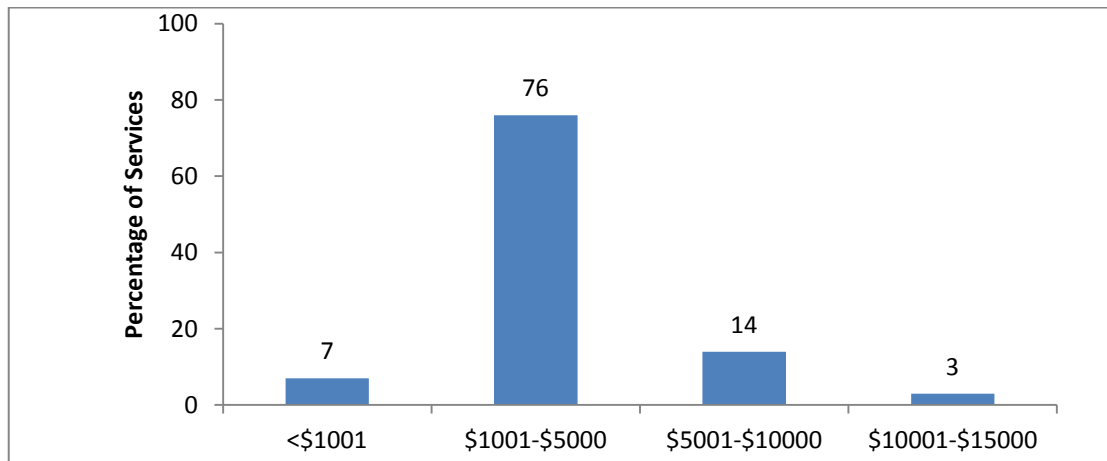


Figure 3: Amount of Component C received

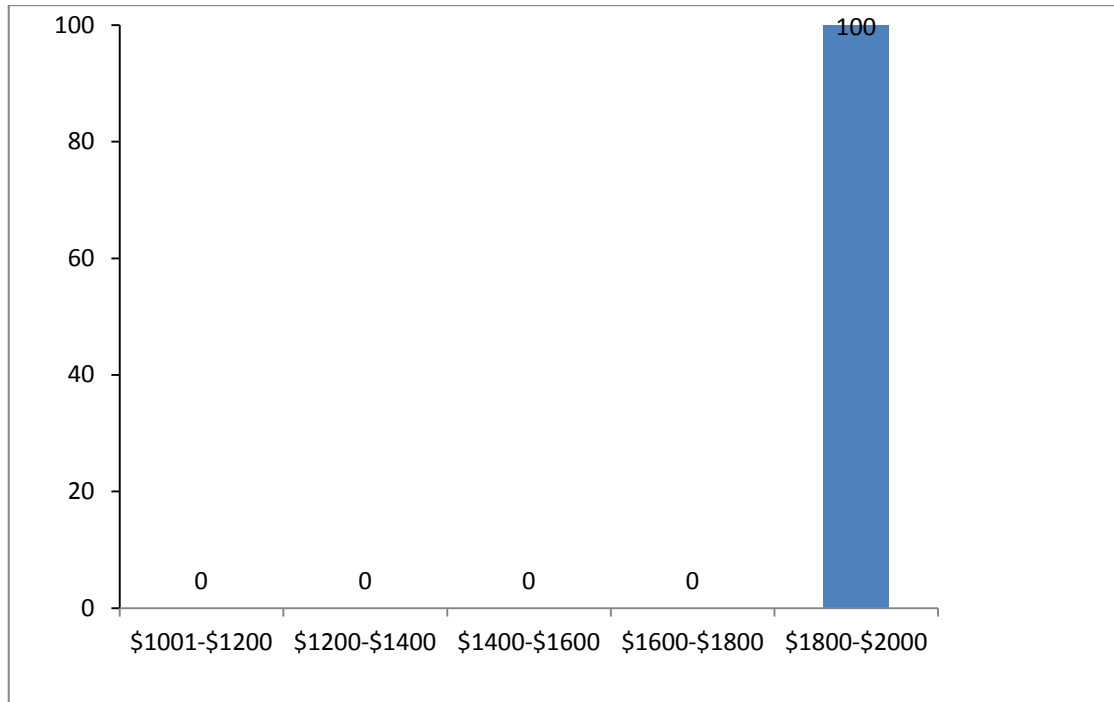


Figure 4: Amount of Component D received

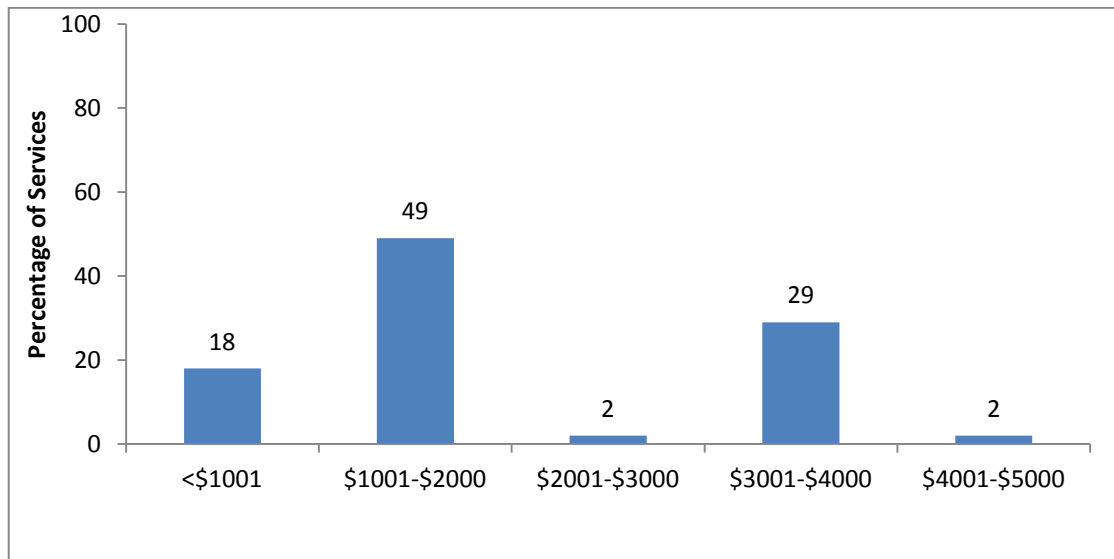
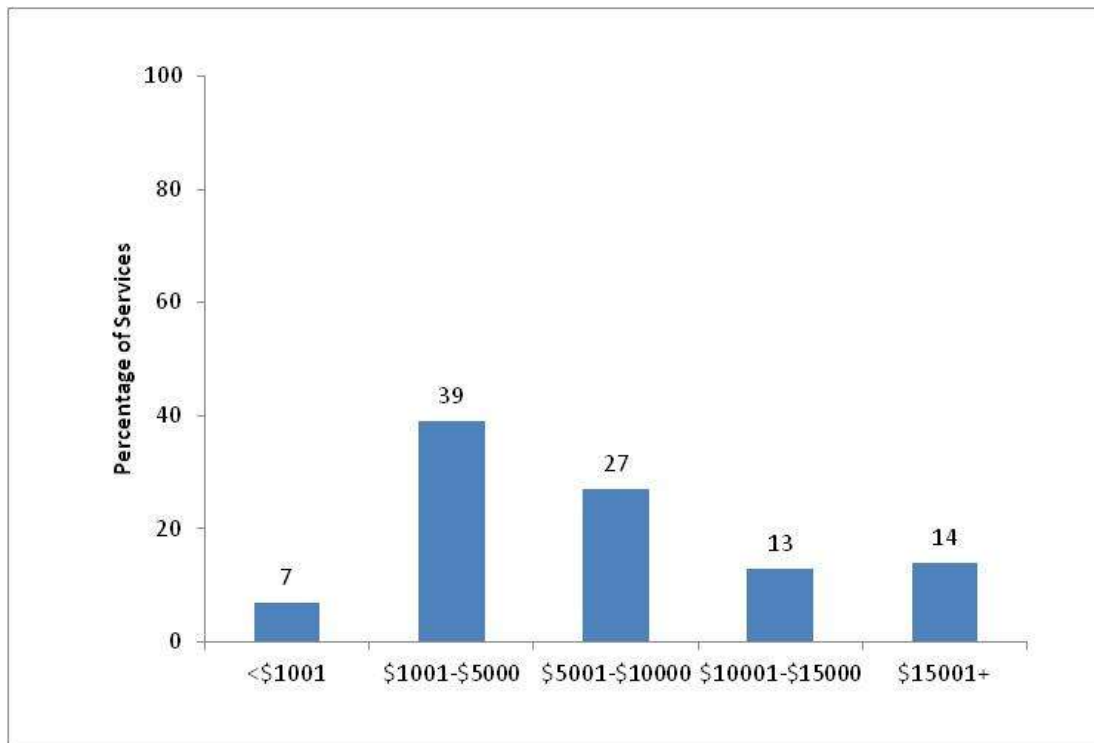


Figure 5: Total Equity Funding received



This breakdown of Equity Funding received by the 147 services:

- 92 services received components A and B
- 10 services received components A, B and D
- 4 services also received component C
- 1 service received all components of Equity Funding
- 40 services received only Component D

## Appendix 3: Criteria for making overall judgement

Judgement	Use of Equity Funding criteria (all criteria must be evident)
<b>Highly effective</b>	<ul style="list-style-type: none"> <li>The service knows about the effectiveness of its use of Equity Funding and this is demonstrated through robust self review.</li> <li>Equity Funding is effectively used to achieve outcomes that align to the overall objectives of this funding.</li> <li>The service has convincing evidence that shows the positive impact of the use of this funding to improve outcomes for children and their parents, whānau and families.</li> <li>The service meets reporting requirements –“<i>Services are required to report to parents and the local community about how they have spent their Equity Funding</i>”.</li> <li>Reporting includes:               <ul style="list-style-type: none"> <li>an outline of the amount received under each Equity Funding component</li> <li>a brief description of the purpose to which the funding was applied (e.g. purchase of goods or services)</li> <li>a brief outline of the reasons for spending the funding in that way</li> </ul> </li> <li>The report is included in the service’s annual report for presentation at its annual general meeting.</li> <li>All of the criteria for “effective” are evident.</li> </ul>
<b>Effective</b>	<ul style="list-style-type: none"> <li>The service knows about how much Equity Funding it has received and can account for the use of the funding.</li> <li>Equity Funding has been used for intended purposes.</li> <li>The service meets <u>all or most</u> of the reporting requirements –“<i>Services are required to report to parents and the local community about how they have spent their Equity Funding</i>”.</li> <li>Reporting includes:               <ul style="list-style-type: none"> <li>an outline of the amount received under each Equity Funding component</li> <li>a brief description of the purpose to which the funding was applied (e.g. purchase of goods or services)</li> <li>a brief outline of the reasons for spending the funding in that way</li> </ul> </li> <li>The report is included in the service’s annual report.</li> <li>The service is aware that it receives Equity Funding</li> <li>The service has not met reporting requirements for its use of Equity Funding.</li> <li>There is some evidence that Equity Funding is being used as intended.</li> <li>The service is not able to show what impact Equity Funding is having for children and their parents, whānau and families.</li> </ul>
<b>Limited effectiveness</b>	<ul style="list-style-type: none"> <li>The service is not able to show what impact Equity Funding is having for children and their parents, whānau and families.</li> </ul>
<b>Not effective</b>	<p>The service:</p> <ul style="list-style-type: none"> <li>is unable to account for the use of the Equity Funding it receives</li> <li>has not reported on its use of Equity Funding</li> <li>there is no evidence that Equity Funding is being used as intended.</li> </ul>

