



Education &
Communities
Office of Education

Early Childhood Education and Care

Review of NSW Government funding for early childhood education

Discussion paper
October 2011



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Reviewer's foreword

Giving children the opportunity to access quality early childhood education that provides a structured program of play-based learning is a national policy priority.

Informing this is research showing that children who are appropriately supported, nurtured and engaged in their earliest years have better outcomes throughout their lives – for themselves, their families and the wider community.

Against this background the NSW Minister for Education, the Hon Adrian Piccoli MP, has asked me to chair a review of State funding for early childhood education. The NSW Government is committing around \$260 million to the sector in 2011/12 and is keen to ensure that this funding is being appropriately targeted and is helping to deliver the best outcomes for young children and their families.

The Review is tasked with exploring ways of achieving this, through a process that is open, consultative and comprehensive. The terms of reference and details on how to provide feedback are at the end of this paper. I invite you to make a submission.

I look forward to hearing a wide range of views on the issues raised in this discussion paper and hope this helps promote a robust discussion.



Deborah Brennan

Professor Deborah Brennan

New South Wales and the national agenda

The backdrop for the Review of NSW Government Funding for Early Childhood Education is growing recognition of the impact of quality early childhood education. The availability of quality, structured programs of learning for young children is now accepted as one of the most important influences on child wellbeing, with important flow-through benefits for families, the wider community and the economy.

Governments have acknowledged this impact and are devoting considerable effort and resources to raising the quality of early childhood education, as well as the level of participation. All Australian Governments have signed up to targets in these areas.

The Review presents a timely opportunity to explore how the State's funding settings can contribute to the goals of more service providers offering quality education for young children, and more families having access to them – including more Aboriginal families and families from disadvantaged backgrounds.

With these objectives in mind, the Review will consider the full range of State funding programs aimed at encouraging and supporting the delivery of (and access to) early childhood education.

The Review also responds to provider concerns that the current funding programs are complex and lack transparency. Service providers as well as the wider community have a right to expect that funding programs will be based on clear principles and will be easier to understand and access.

NSW 2021

NSW 2021 is the Government's 10-year plan to rebuild the economy, return quality services, renovate infrastructure, strengthen the local environment and communities and restore accountability to Government.

Child wellbeing is an important priority in the plan, with all children having access to quality early childhood education identified as a target.

Actions in the Plan include

- conducting the Review - which is to recommend strategies to support increased participation in early childhood education;

- ensuring priority access to early childhood education for Aboriginal children and children from disadvantaged backgrounds; and
- implementing the National Quality Agenda to improve the quality of early childhood education by improving educator to child ratios in services and increasing the number of qualified early childhood educators.

New South Wales and the national agenda

The National Quality Agenda

The National Quality Agenda is a range of strategic directions and initiatives spanning quality of education and care of young children; Aboriginal and Torres Strait Islander early childhood development; early childhood workforce development; and universal access to early childhood education.

The universal access goals are formalised in the *National Partnership Agreement on Early Childhood Education*, signed by all Australian Governments.

Universal access means every child having access to a structured, play-based early childhood education program in the 12 months prior to full-time schooling:

- delivered by a four-year university qualified early childhood teacher;
- developed in accordance with the National Early Years Learning Framework;
- available across a diversity of settings and in a form that meets the needs of parents; and
- available at a cost that does not present a barrier to participation.

Under the Agreement, New South Wales has agreed that all children in New South Wales will have access to a quality early childhood education program in the 12 months prior

to formal schooling by 2013. This target is reflected in *NSW 2021* and developing recommendations for achieving it is at the centre of the Review's agenda.



How the State is travelling

Public investment in the sector is delivering measurable improvements in the quality and extent of early childhood education in New South Wales, but some important challenges remain.

New South Wales is making headway towards the goals of universal access. For example, the most recent published report of jurisdictional progress towards achieving the goals (for the year 2009) notes increases in the proportion of children enrolled in a preschool program for at least 15 hours per week, and a growing cohort of children receiving 12 - 15 hours per week – close to the 15-hour national target.¹

The progress report also notes a boost in the number of early childhood workers qualified at diploma level and above, ahead of the target figure. Early data for 2010 shows a further increase, with progress in enrolling more children from low income families.

On access and affordability, however, the picture is less promising. The most recent Productivity Commission report on children's services notes that the State has the highest median weekly cost of preschool per child in Australia.

Most importantly, the State's overall participation rate in early childhood education remains below the target rate - at just over 80 per cent for the most recent reporting year (2009) across the full range of services that offer early childhood education, including long day care, community preschools and government preschools.²

The 2011-2012 New South Wales Budget allocates around \$260 million in funding for early childhood education and care services. This amount includes a significant funding contribution from the Commonwealth in support of the universal access objective under the National Partnership Agreement.

We need to ensure that this investment is being targeted appropriately and that it is resulting in direct, measurable improvements in access for all children; affordability for their families; and the quality of programs offered across all services. We also need greater transparency around funding arrangements and processes, so that the priorities for funding are clear to all stakeholders.

Directions for reform

The terms of reference for the Review flag the Government's commitment to more services offering quality early childhood education and encouraging more families to access it. The Government wants to see greater participation in early learning across the board because of the proven benefits that quality early childhood education brings to children, their families and the wider community.

Arriving at funding settings for early childhood education that will help deliver these benefits will involve addressing some complex issues and questions.

For example, what principles should guide the State's funding policies? What should be the priorities in how funding is distributed? And how should State and Commonwealth funding approaches best complement each other? The issues around these and other questions are discussed below.

- **Common and consistent principles**
- **Clearer priorities for funding**
- **Better targeting of funding**
- **Better integration of Commonwealth and State approaches**
- **Accountability for funding**
- **More effective delivery of early childhood education**
- **Better support for rural and remote provision**

Directions for reform

Common and consistent principles

Programs for the funding of early childhood education and care services and providers in New South Wales comprise a complex mix of approaches. Adding to the complexity are differences in how and why the State and the Commonwealth provide funding for the sector.

Many families use more than one type of service to meet their needs but are confronted with a maze of different cost and subsidy regimes when trying to access services. A set of core principles that can drive the allocation of public funding will help inform better coordination of programs, as well as the design, development and administration of future funding programs.

Analysis of public funding programs in other sectors reveals some common underlying principles. These variously include:

- fairness
- equity (funding based on need – informed via reliable, accurate data)
- quality outcomes achieved by providers and which are measurable
- stability and predictability of funding arrangements
- accountability, with reporting requirements and obligations that are proportionate and reasonable
- transparency in the way funding is allocated
- value for money in ensuring the most cost effective return for the public's investment
- simplicity as a central aim in program design.

Tell us what you think

- Are these principles adequate for the design and administration of funding programs for early childhood education?
- What other principles might inform funding arrangements?
- Which principles are most important?

Directions for reform

Clearer priorities for funding

Financial resources are finite and major new public funding for New South Wales early childhood education is tied to implementation of the National Partnership Agreement. The case is therefore compelling for ensuring that funding facilitates every young child accessing high quality early childhood education before they start compulsory schooling. There may also be other priorities for funding that should be considered in support of early childhood education, but the main focus needs to be on encouraging and supporting all types of services to deliver quality education to children in the year before school.

A challenge for policy makers is to put in place the funding settings and incentives that will pave the way for this to happen and to benefit as many children as possible, across as many settings as possible and in all parts of the State.

Tell us what you think

- How can funding best encourage quality delivery of early childhood education across as many early childhood education and care settings as possible?
- How should funding encourage more widespread delivery of early childhood education in disadvantaged areas and for disadvantaged families?

Directions for reform

Better targeting of funding

Allocating resources according to need is a basic aim of any funding framework. In the early childhood education and care environment, the Council of Australian Governments has identified reducing inequalities in outcomes being achieved by different groups of children as a specific national policy objective.

Acknowledgement of the differing needs of children, either on account of an individual factor (such as a disability or remoteness) or their membership of certain groups (for example, a child who is Aboriginal or Torres Strait Islander or from culturally and linguistically diverse backgrounds) is reflected in a variety of different ways across the range of State funding programs for the sector.

At present, the main program that channels funds towards the needs of individual children is the Supporting Children with Additional Needs (SCAN) program. SCAN targets children with needs relating to disability, behaviour, chronic health conditions and delayed language development. But funding can also be allocated according to the area in which a service is located, the number of low-income family children enrolled, the language background of each child, or other factors.

Addressing the mix of criteria and requirements across the different programs can present a complex task for providers, particularly as the programs have different criteria for identifying needs, different eligibility criteria and differing funding rates. Rationalising the number of programs and achieving a model where funding is targeted more precisely at the individual needs of each child has the potential to cut red tape, be easier to administer and help providers to deliver their services more effectively.

Tell us what you think

- How can funding be better targeted to the needs of each child?
- What are the factors that should be taken into account in determining the needs of the child?
- What other factors should be used to target funding?

Directions for reform

Better integration of Commonwealth and State approaches

Commonwealth and State funding for early childhood education and care is aimed at achieving the same broad outcomes, albeit from different perspectives. One of the Commonwealth's main objectives in supporting families is to achieve higher rates of workforce participation. New South Wales policy also supports workforce participation, but has a much stronger focus on the service and its capacity to deliver quality early childhood education programs that address the needs of children.

The risk is that without better coordination, differing Commonwealth and State approaches can lead to overlap and duplication, including in reporting and accountability. There is scope for exploring ways in which the two funding approaches can complement each other more effectively, with a view to minimising waste and duplication, ensuring that public investment is more efficiently targeted and reducing red tape.

Tell us what you think

- How can Commonwealth and State funding programs for early childhood education complement each other better?
- How can reporting by services to Commonwealth and State governments be better managed?



Directions for reform

Accountability for funding

Service providers in receipt of State funding are currently held accountable by the terms of a 'Service Agreement'. The Agreement is a formal contract that maps an extensive framework of obligations for each service, from governance and record-keeping, to asset management and staffing. The Agreement exists alongside, but independent of, regulatory requirements mandated by the Children's Services Regulation 2004, which currently governs standards of early childhood education and care in New South Wales.

Supporting each Service Agreement is a 'Service Specification'. This document identifies specific qualitative outcomes to be achieved, with performance indicators that focus on the numbers and proportions of children accessing the service. The same types of indicators are captured from most providers through an online, annual reporting event.

Children, their families, government and the wider community could benefit from an accountability framework for funding that puts more emphasis on outcomes and provider achievements, particularly in the context of working towards the national targets and with links to the National Quality Agenda.

Tell us what you think

- How might service providers best account for the early childhood education outcomes they achieve?
- What types of performance information should service providers be reasonably expected to provide?
- What kind of links should be made between the New South Wales early childhood education funding model and the new National Quality Framework regulatory scheme?
- What other factors should form the basis of accountability?

Directions for reform

More effective delivery of early childhood education

Not-for-profit early childhood education providers are a vital part of the pattern of provision of early childhood education in New South Wales and comprise a significant proportion of total providers in the sector. As a model of provision, however, some not-for-profit providers have operated at the margins of viability for many years.

Many long day care and preschool providers are small organisations run by volunteer management committees. They can struggle to contend with the complex financial, legal, workforce and regulatory issues that are a necessary part of operating in the sector and may have little reserve capacity to take advantage of changes in their market and the funding environment or to focus on quality improvement through development of programs and professional development of staff.

One approach that has been introduced in other jurisdictions is to provide incentives to providers to consolidate their management in groups or 'clusters'. In this model, a "cluster manager" agency with the right capabilities can support individual services in meeting the professional challenges involved in delivering a quality program. Recruiting and managing staff

and ensuring they receive the right professional development, guiding compliance with regulatory requirements and ensuring that new government initiatives are understood and implemented are all high-level responsibilities that a cluster manager can undertake. While implementation of this approach has not been without its challenges, a similar program aimed at stimulating greater efficiency in how the sector is organised and managed could make for more effective delivery of quality early childhood education for children and families.

Tell us what you think

- How can early childhood education providers be better supported to manage and improve the quality of their services?
- Is the cluster management approach viable for New South Wales, or are there other models that will allow providers to concentrate more of their resources on providing quality early childhood education?

Directions for reform

Better support for rural and remote provision

The provision of early childhood education in rural and remote areas faces particular challenges. Services in these areas typically have fewer children than providers in metropolitan areas and as a result can face higher operating overheads, particularly regarding workforce needs.

Access and affordability are key issues in these areas. Many of the families in the communities concerned are under significant financial pressure and the distances required to travel to the nearest early childhood education service can be challenging.

An issue for the Review is to determine the most appropriate form and level of support for service delivery models that will best encourage access and enhance affordability in all localities. For example, in recognition of the highly variable nature of their costs from region to region, services with very small enrolments (say, 5-10 children) or mobile services may benefit from a simpler funding model, with specific access and participation targets mandated in the form of a funding contract.

Other options, such as use of existing infrastructure, could also be explored

as a possible solution to the lack of early childhood education services in remote locations where start-up and recurrent costs can be very high. It may be possible, for example, to assess whether existing services could develop stronger partnerships with schools, TAFEs, university campuses or other facilities such as libraries or community centres. Co-locating services with schools could, for example, lead to more effective transitions for children as they prepare to enter school. This type of approach could also involve greater collaboration between government and non-government agencies in planning and providing a range of early childhood services in and for these locations.

Tell us what you think

- How should the State government best support early childhood education in rural and remote areas?
- How should government best address providers' capital and infrastructure needs in rural and remote areas? Are there other areas where capital and infrastructure needs are also of concern?
- What opportunities are there for government and non-government services to work more closely together in rural and remote areas to improve accessibility and participation?

How to provide comment

The focus questions in this discussion paper are intended to draw out some of the key issues in how funding should best support New South Wales to meet its obligations under the *National Partnership Agreement on Early Childhood Education*. There are many other issues; contributions need not be restricted to these focus questions. Any perspectives, observations or suggestions are welcome.

Submissions should be sent by **18 November 2011** to the following addresses:

Post: Manager, Review of NSW Early
Childhood Education Funding
Department of Education
and Communities
Box 33 GPO
SYDNEY NSW 2001

Email:
ECEfundingreview@det.nsw.edu.au



Appendices

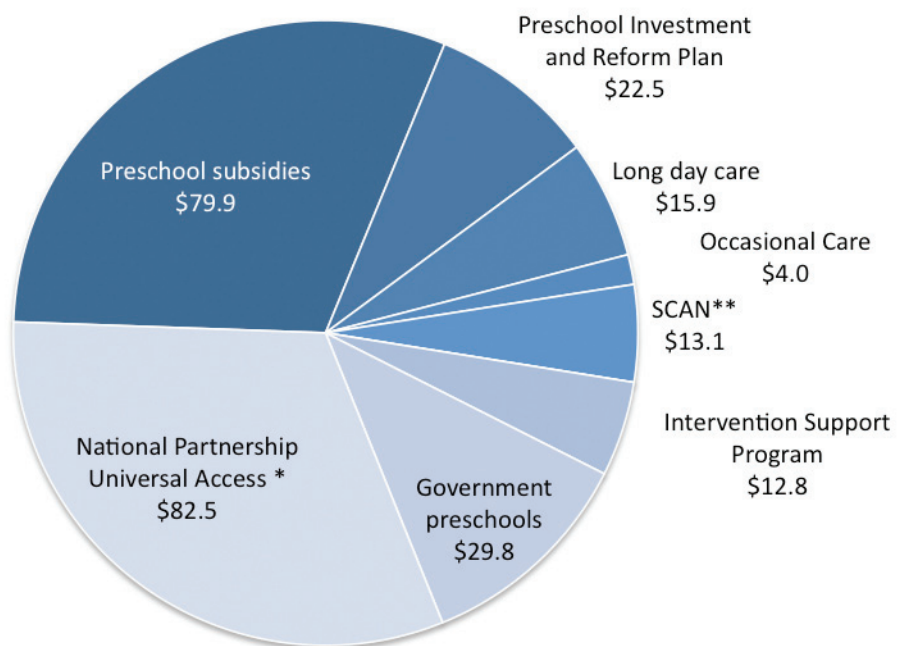
1: State and Commonwealth funding for early childhood education

New South Wales funding for early childhood education

Generally speaking, the State's emphasis in supporting the sector is on providing funding to preschool service operators (including Department of Education and Communities preschools), while the Commonwealth provides financial support for the families of children accessing other types of services. One of the Commonwealth's main objectives in funding early childhood education and care is to increase workforce participation, hence the emphasis in its support on models based on extended hours of operation and subsidies for parents rather than service providers.

Funding programs for early childhood education within the scope of the Review are shown in the following chart.

Figure 1: 2011-2012 NSW Government managed funding programs for ECE (millions)



Source: Department of Education and Communities

*Commonwealth National Partnership funding allocated to New South Wales. The Early Childhood Teacher Cost Contribution Scheme, which terminates in 2011-12, is funded from this source.

**SCAN – Supporting Children with Additional Needs

Appendices

Preschool subsidies

Preschool subsidies account for the majority of State funding for the early childhood education sector. The subsidies are matched to the actual characteristics of the children and community in which the preschool operates and the pattern of usage of services.

Preschool Investment and Reform Plan (PIRP)

Under the Plan, additional funding of around \$22 million is being distributed annually to preschools to boost the number of preschool places. Funds have also been used for service access initiatives and some capital projects through a 'Growth Phase'³.

Long day care subsidies

Many not-for-profit long day care services are subsidised by the State government. The quantum of funding for these services has been frozen since 2008.

Supporting Children with Additional Needs (SCAN)

This program provides per-child funding to support services with children from Aboriginal and Torres

Strait Islander backgrounds, children from culturally and linguistically diverse backgrounds, children with a disability, and children with challenging behaviours.

Intervention Support Program (ISP)

The ISP provides supplementary support to non-government and not-for-profit services that enrol children with disabilities. Funding streams are targeted, based on age groups, and include a capital program for projects to improve participation of children with disabilities and an educational program to support integration of children with disabilities.

Early Childhood Teacher Costs Contribution Scheme

This scheme involves a one-off payment in 2011 of up to \$6,000 for a three-year university qualified early childhood teacher, up to \$8,000 for a four-year university qualified early childhood teacher and for services in designated remote areas an additional \$1,000 per teacher. All licensed providers of centre-based and mobile services are eligible to apply for the payment.

Government preschools

The NSW Department of Education and Communities has operated a system of preschools since the early 1940s. These schools are funded by the NSW Government, at a cost of approximately \$29 million in 2011/12.

Occasional care

A funding contribution is distributed at a single flat rate, originally based on the number of places and length of time the service is open. Many occasional care services are also eligible for Commonwealth Child Care Benefit and Child Care Rebate funding.

Commonwealth funding for early childhood education

The Commonwealth provides funding support to the State, parents and early childhood education and care services through a number of programs.

Appendices

National Partnership Agreement on Early Childhood Education

Under this agreement the Commonwealth has agreed to fund States and Territories to support the achievement of the preschool universal access target nationally. This is the only Commonwealth funding that directly targets early childhood education programs.

The use to which this funding can be put is specified in Commonwealth-State bilateral agreements. To date the funding has been used to bolster funding distributed primarily via preschool subsidies, the NSW Government's Early Childhood Teacher Cost Contribution Scheme and Preschool Investment Reform Plan.

Child Care Rebate and Child Care Benefit

Parents with children in long day care, family day care and most occasional care receive a subsidy from the Commonwealth.

The Child Care Rebate is not means tested and compensates parents for 50 per cent of the out-of-pocket cost of child care, i.e. 50 per cent of the net cost (after taking into account the Child Care Benefit) to the parent, up

to a maximum of \$7,500 per child per annum.

The Child Care Benefit is a payment made to parents to assist with the cost of child care. It is calculated at an hourly rate for up to 50 hours of care per week and is subject to a means test. The current weekly maximum rate for one child in care is \$184 per week.

Inclusion and Professional Support Programs

The Inclusion Support Program (ISP) funds Inclusion Support Agencies (ISAs) that work with services to provide more inclusive environments for children with additional needs. The ISAs also assist services to access direct funding for specialist equipment and resources via the Inclusion Support Subsidy. The support is not available for children enrolled in preschools.

The Professional Support Program (PSP) aims to build the capacity of the early childhood workforce. It provides subsidies for individuals to access professional training.

The Child Care Services Support Program

There is a range of payments under this program. They are designed to deliver improved access to child care, through support for establishment of new services and the maintenance of services in areas where the market would otherwise fail. Payments depend on the type of child care service, its size and location.

Appendices

2: The early childhood education and care sector in New South Wales

The early childhood education and care sector in New South Wales comprises the following main types of service delivery models:

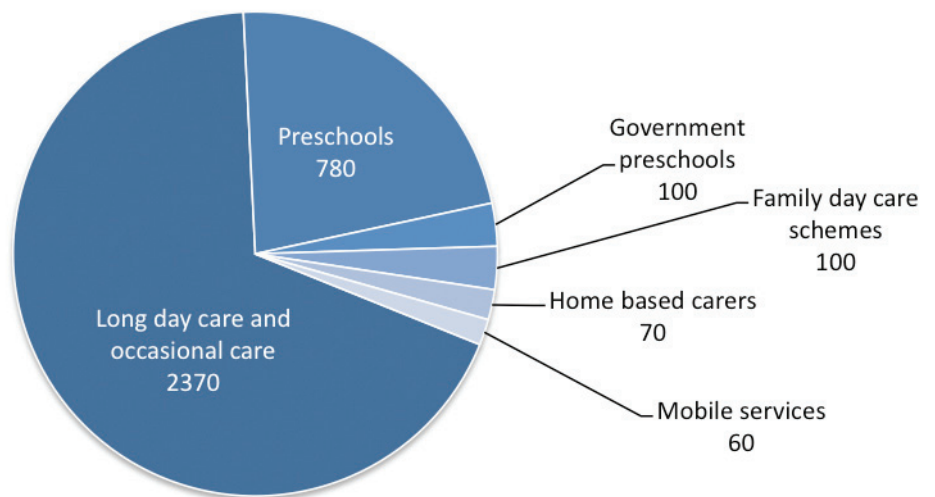
- Preschools⁴
- Government preschools
- Long day care and occasional care⁵
- Family day care schemes
- Home-based care
- Mobile services⁶

More than 180,000 children under the age of six currently access some form of licensed children's service in New South Wales on a regular basis. Of this number,

- 101,000 are in long day-care;
- 52,800 attend centre-based and mobile preschools;
- 25,000 are in family day care; and
- 4,300 are in Government preschools

Note: figures are rounded and may include some double-counting where a child accesses more than one service

Figure 6: NSW Early Childhood Education and Care Sector services 2010



A strength of the New South Wales sector is that it is a 'mixed' model of service provision, with early childhood education distributed across different service delivery models operated by both commercial and not-for-profit providers. The main types of services are described below.

Source: DEEWR Child Care Update August 2011 and internal Department of Education and Communities data

Appendices

Preschools

There are approximately 780 preschools in New South Wales operated by not-for-profit groups, which can be large non-government organisations, small parent-run committees or local government.

These services, which typically operate for six hours per day, receive funding from the State government according to enrolments, the profile of their enrolments and the statistical division (local government area) in which they are located. Parents usually pay a fee to use these services.

Department of Education and Communities preschools

The Department operates 100 preschools across New South Wales. These are co-located with Department primary schools and provide educational programs for children in the year prior to their enrolment in Kindergarten. They are fully funded by the State government.

For the most part, the Department's preschools are located in low socio-economic status areas and give priority to the enrolment of children from disadvantaged backgrounds, particularly children

whose families are experiencing financial hardship, and Aboriginal and Torres Strait Islander children. (Eleven preschools are operated specifically for Aboriginal and Torres Strait Islander children.) The Department's preschools are accessed by approximately 4,300 children annually. Fees for access to DEC preschools have been announced as part of the 2011/12 State Budget.

Mobile services

Mobile services operate predominantly in remote and regional areas and in some metropolitan locations and service geographically or socially-isolated communities. They are often outreach services of a regional centre to venues such as community halls in very small towns. Staff can travel up to 1.5 hours to a venue and may offer sessions between 3 and 6 hours duration.

Long day care centres

Throughout the State 2,370 long day care centres provide extended hours of child care, with 101,000 enrolments in 2010.

Family day care

Family day care schemes are typically operated by local government. This model of service involves registered carers providing care for up to seven children daily in their own home. There are approximately 100 of these schemes in New South Wales.

Appendices

3: Terms Of Reference

Terms of reference

The funding review will provide recommendations to:

- Support all children in New South Wales having universal access to a quality early childhood education program in the 12 months prior to formal schooling by 2013.
- Develop an evidence-based funding system to increase access and participation for all children to universal early childhood education and care services in keeping with State and national policy.
- Achieve funding arrangements that are transparent, equitable, financially viable and sustainable, deliver value for money and are efficient and effective in meeting the NSW Government's objectives.

The funding review will report directly to the Minister for Education and will involve consultation with key stakeholders.

The review will consist of four elements. In formulating its advice, the review will consider the following:

Element One

- **Analyse and compare** international and Australian early childhood education and care funding arrangements.
- **Assess** current access and participation rates in New South Wales and identify where objectives are being met and where there are gaps, the range of cost drivers, projected supply and demand and other critical factors affecting participation and access to early childhood education programs.

Element Two

- **Recommend** funding principles that are evidence-based, universal and targeted and provide:
 - extra assistance to:
 - families in disadvantaged circumstances
 - children in low-income households
 - children of Aboriginal and Torres Strait Islander background
 - families in regional and rural areas

- children with special and additional support needs
- and other possible priorities
- appropriate solutions for areas with limited supply of preschool services
- appropriate arrangements for supporting a qualified and skilled workforce, and
- consideration of capital requirements.

Element Three

- **Develop** a sound model and funding strategies, administrative changes and mechanisms that:
 - enable effective and efficient deployment of government investment
 - improve participation rates and affordability;
 - establish simple and workable solutions for service providers and families;
 - identify appropriate accountability mechanisms to ensure investments are delivering expected results; and
 - identify funding shortfalls.

Appendices

Element Four

- **Recommend** a methodology to pilot (where appropriate) and to evaluate the approved funding model and strategies.

At the conclusion of the review, the appointed reviewer will produce a report with recommendations on strategies and actions that can be undertaken to improve the funding of early childhood education services in New South Wales. In preparing the report to the Minister, the reviewer will:

- Consult directly with stakeholders, as appropriate
- Invite public submissions from interested parties
- Publish a report outlining recommended actions.

Scope

The following programs and sources of funds will be in the scope of the review:

Subsidies for not-for-profit preschools

Preschool Investment and Reform Program

National Partnership for Early Childhood Education (Commonwealth funding)

Long day care subsidies

Occasional care subsidies

Supporting Children With Additional Needs (SCAN) program

Intervention Support Program (ISP).

The above programs are the responsibility of the Department of Education and Communities.

Government-run preschools, operated by the Department of Education and Communities, will also be within scope of the review.

References

1. National Partnership Early Childhood Education Progress Report 2010, accessible via the Department of Education, Employment and Workplace Relations website: deewr.gov.au.
2. For the purpose of measuring progress under the National Partnership Agreement, 'early childhood education' occurs when it is delivered by a qualified early childhood teacher.
3. The PIRP 'Growth Phase' finished at the end of the 2010/11 financial year.
4. Also known as 'community' preschools, this part of the sector largely comprises not-for-profit operators.
5. These are a mix of commercial, not-for-profit and government-provided services. For example, TAFE NSW is a provider of occasional early childhood education and care.
6. The majority of these operate a State-funded, preschool model.



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