

Review of NSW Government Funding for Early Childhood Education

Professor Deborah Brennan, Social Policy Research Centre
University of New South Wales



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NSW Government

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Reviewer's Foreword

Professor Deborah Brennan

Social Policy Research Centre, University of New South Wales

It was an honour to be invited by the Minister for Education, the Hon Adrian Piccoli MP, to lead the Review of NSW Government Funding for Early Childhood Education.

The overarching aim of the Review was to develop funding strategies that, by 2013, will enable all children in NSW to have access to high quality early education in the year before they start formal schooling. This is an ambitious goal given the low levels of investment in early childhood over several decades, the size of the participation gap and the complexities of the mixed market that characterises this State.

The Review has taken place within a short space of time: just a few months elapsed between the announcement of the Review and the presentation of recommendations to the Minister. Advice from the sector has been important in helping to develop the recommendations of the Review. I would like to thank all those who contributed by attending the consultations or making submissions.

I would particularly like to acknowledge and thank the members of the Review team, John Mason, Paul Sheehan, and Rebecca Allen. All worked with unflagging professionalism and good humour throughout this demanding process.

A handwritten signature in black ink that reads "Deborah Brennan". The signature is written in a cursive style and is positioned above a horizontal line.

Deborah Brennan

Contents

Abbreviations	i
Terminology	ii
Tables	iii
Figure	iii
1. Executive Summary	1
2. Recommendations	5
3. Introduction	9
4. Principles and Priorities for Funding	13
4.1. Historical background and policy context	13
4.2. Current services and providers and enrolments - a snapshot	14
4.3. Principles for funding	15
4.4. Priorities for funding	19
4.5. Designing an improved funding model	23
5. Strengthening and Supporting ECEC in NSW	35
5.1. Commonwealth-State Coordination	35
5.2. Accountability	38
5.3. Service viability	41
5.4. Cluster management	42
5.5. Remote and rural provision	45
5.6. Supporting a qualified and skilled workforce	48
5.7. Department of Education and Communities preschools	52
5.8. Capital Funding	53
5.9. Transition to school	53
5.10. Consultation	54
6. Appendices	56
Appendix One - Terms of Reference	56
Appendix Two - Recommendations mapped to Terms of Reference	58
Appendix Three - Submissions received and consultation events held	59
Appendix Four - Funding arrangements in comparable jurisdictions	63
Appendix Five - Geographic representations of the ECE gaps in NSW	73
Appendix Six - References	79

Abbreviations

ACECQA	Australian Children’s Education and Care Quality Authority
AITSL	Australian Institute of Teaching and School Leadership
ATSI	Aboriginal and Torres Strait Islander
CALD	Cultural and Linguistically Diverse
CCB	Child Care Benefit
CCMS	Child Care Management System
CCR	Child Care Rebate
COAG	Council of Australian Governments
DEC	Department of Education and Communities
DoCS	Department of Community Services
ECE	Early Childhood Education
ECEC	Early Childhood Education and Care
IPSP	Inclusion and Professional Support Program
ISP	Intervention Support Program
LGA	Local Government Area
LSAC	Longitudinal Study of Australian Children
MCEECDYA	Ministerial Council on Education, Early Childhood Development and Youth Affairs
NP ECE	National Partnership on Early Childhood Education
NQF	National Quality Framework
NQS	National Quality Standard
NSW	New South Wales
OECD	Organisation for Economic Cooperation and Development
PIRP	Preschool Investment and Reform Plan
RAM	Resource Allocation Model
SCAN	Supporting Children with Additional Needs
SEIFA	Socio-Economic Index for Areas

Terminology

Aboriginal and Torres Strait Island (ATSI): 'Aboriginal and Torres Strait Islander' is used in preference to 'Indigenous' throughout this report, in accordance with the recommendation of the Secretariat of National Aboriginal Islander Child Care (SNAICC).

Approved services: Services approved by the Australian Government to receive Child Care Benefit on behalf of families.

Child Care Benefit (CCB): A payment made by the Australian Government to assist families with the cost of child care.

Child Care Management System (CCMS): The electronic system used for the administration of CCB.

Child Care Rebate (CCR): A payment made by the Australian Government to assist eligible working families with their out-of-pocket child care costs.

Community preschools: A term used to distinguish non-profit preschools managed by volunteer management committees or non-profit providers from DEC preschools and those operated for profit.

DEC preschools: Preschools operated by the Department of Education and Communities.

Family day care: A network of caregivers who provide care and development activities for other people's young children in the caregiver's own home. Schemes are administered and supported by central coordination units.

Long day care: Centre-based services that provide all day or part-day care and education for children.

Occasional care: Services that cater for the needs of families who require short-term care for their children.

Preschool (or early education) program: a program delivered by a university qualified teacher in accordance with a national early years learning framework for at least 15 hours per week, 40 weeks per year. Preschool programs can be delivered in a range of settings including preschools and long day care centres.

Preschools: Services that offer educational programs to children in the year or two before school. Many preschools offer programs only during school hours and school terms; others provide additional hours and operate throughout the year.

Tables

Table 1 Funding for NSW ECE Programs, 2010/11 - 2012/13

Table 2 Children aged 3,4 and 5 years, with and without formal ECE, NSW

Figure

Figure 1 Impact of base subsidies in proposed funding model

1. Executive Summary

Every child in NSW should have the chance to participate in an early education program before starting school. This commitment is expressed in the NSW Government's plan *NSW 2021: A Plan to Make NSW Number One* and in the National Partnership Agreement on Early Childhood Education. Under the Agreement, by 2013 all children should have access to a preschool program delivered by a university qualified early childhood teacher in accordance with an agreed learning framework, for 15 hours a week, 40 weeks a year before the commencement of formal schooling.

Across NSW, around one in seven children is missing out on early education. In some parts of the State, the proportion is far higher. The consequences of this are most significant for children from low-income families, Aboriginal and Torres Strait Islander children, children with disabilities, and children with limited English, including refugee and recently arrived children.

Expanding access to preschool is part of a far-ranging agenda to improve the quality of children's lives and to boost the nation's human capital. It is at the heart of an interlocked set of reforms agreed to by the Council of Australian Governments (COAG) through the National Agenda for Early Childhood Education and Care.

Given the historic neglect and under-funding of early childhood education in this State, rapid and decisive action is required for NSW to meet its objective. The strong commitment of the current government to universal access, and the availability of State and Commonwealth funds to support this goal, presents an ideal opportunity to improve access to preschool programs and to strengthen the early childhood sector.

Three factors explain why so many children do not receive early childhood education:

- NSW has the highest preschool fees in Australia
- in some parts of the State there are not enough suitable places ('suitability' requires services to be affordable and accessible, to demonstrate cultural respect and acceptance and to operate at times that meet families' needs)
- some children are not receiving an early childhood education program even though they are attending an early childhood service
- the Review suggests strategies to address each of these barriers.

The centrepiece of the Review is a funding model that would enable all children from low-income families to access quality early childhood education in the year before school, at little or no cost to their families. Subsidies would continue to be paid to community preschools. Base subsidies (scaled as closely as practicable to family income) would be supplemented by equity loadings to encourage the enrolment and participation of Aboriginal and Torres Strait Islander children, children from low-income families, children with disabilities, and children with limited English, including refugee and recently arrived children. The purpose of the loadings would be to make services accessible, appropriate, welcoming and respectful for all children and their families.

Removing or reducing preschool fees would rapidly boost participation by low-income children, especially those from Aboriginal and Torres Strait Islander families and other priority groups. Lowering the cost for families across the board would help bring NSW into closer alignment with other States (several of which provide free preschool).

The Review recommends small subsidies for children attending long day care in the year before school if an appropriate early education program is delivered by a qualified teacher. This would recognise the potential for long day care to contribute to the goal of universal access and respect the National Partnership requirement that Governments should work across sectors and service types to ensure that early education is delivered in a way that recognises, amongst other things, the workforce participation needs of parents.

Children and families living in areas with low population densities and vast travelling distances need flexible and imaginative approaches to the delivery of early childhood education. The Review recommends contracting with providers in remote areas and other areas with significant participation gaps to enable the delivery of appropriate, locally determined services, which might include stand-alone preschools, mobile services and school-based activities. Contracts should recognise the additional costs and challenges of achieving universal access in remote parts of the State.

To further support the provision of early childhood education in rural and remote areas and to make the best use of existing infrastructure, the Review recommends that the Department of Education and Communities (DEC) co-locate more early childhood services with schools and, more generally, that it encourage the use of schools as service hubs.

To relieve volunteer management committees of inappropriate levels of responsibility for managing the employment of staff and complying with licensing and funding requirements, voluntary 'cluster management' should be piloted in both metropolitan and regional areas.

In order to reduce red tape and ensure that the accountabilities of service providers are proportionate to the funding received while still protecting the public interest, the Review recommends a simplified and streamlined process of annual certification to replace the current framework of Service Specifications and Service Agreements.

Capital assistance can be a cost-effective way of expanding supply. Capital should be made available in areas where there are shortages of places for children in the equity target groups, where the market has failed to respond and where services can demonstrate that capital would help to overcome these shortages.

Universal access requires an appropriately skilled and qualified workforce. The funding model put forward by the Review establishes a nexus between operating costs and subsidy levels. This would assist services to accommodate future wage rises and reduce the tension between decent wages and affordable fees. Targeted programs to support the upgrading of skills and qualifications are also recommended.

In brief, the Review proposes:

- Free or almost free access to early education for all children from low-income families
- additional assistance to promote and support the participation of children in the following equity target groups:
 - Aboriginal and Torres Strait Islander children
 - children from low-income families
 - children with disabilities
 - children with limited English, including refugee and recently arrived children
- funding paid to services through a combination of base subsidies and equity loadings
- flexibility for parents to choose preschool or long day care
- accountability measures that reduce red tape while protecting the public interest
- cluster management arrangements to relieve volunteer management committees of inappropriate and burdensome responsibilities
- special measures to address the needs of children in remote areas of the State and to protect the viability of small services and mobile services
- closer collaboration between schools, preschools and long day care centres
- bridging programs and scholarships to help boost the numbers of qualified staff
- capital funding to enable non-profit services to expand in areas where there are significant gaps in participation, especially for children in the equity target groups
- an immediate review of the SCAN and Intervention Support Programs
- a review of DEC-operated preschools to ensure that the Department's efforts are focused on addressing need in the most disadvantaged communities
- protection of the unique status of occasional care
- a temporary freeze on subsidies to services that would lose out under the new model.

Next steps

The approach to funding recommended by the Review is based on modelling which, while robust at the State level, will need to be tested against service level data. If the Review's recommendations are accepted in principle, immediate consultation with the sector and further modelling will be required. To this end and in order for the sector to become familiar with the objectives and mechanisms of the new approach (as well as to refine and fine tune it where necessary) the Review recommends the establishment of a standing consultative forum comprised of key stakeholders. The forum would advise the Minister for Education and the Department of Education and Communities on matters relating to the sector including, if appropriate, implementation of the recommendations of this Review.

2. Recommendations

1. That, in recognition of the critical social and economic importance of early childhood education to individuals, families and the wider community, the NSW Government affirm its commitment to investing in affordable, accessible, high quality early education programs for all NSW children. NSW Government investment should increase in order for this goal to be achieved in a timely manner and should be embedded within a policy framework that expresses the vision of the State Government for early education and care, sets measurable goals and targets and establishes mechanisms for ongoing consultation with the sector.
2. That the NSW Government secures the Commonwealth's financial commitment to the achievement of national goals for early childhood education beyond 2013 through a new National Agreement that aligns the national quality reforms with the objective of universal access to early childhood education.
3. That funding for early childhood education in NSW be delivered according to the following principles:
 - **Quality:** funding must enable services to operate in accordance with the National Quality Standard
 - **Equity:** the funding system should enable equitable access to quality early childhood education for all children in the State
 - **Transparency:** the funding system should operate according to rules that are easy to access and understand
 - **Stability:** funding arrangements should be consistent and predictable
 - **Accountability:** reporting and accountability obligations should be proportionate, reasonable and appropriate to the level of funding received
 - **Value for money:** public investment in early childhood education should be cost-effective and ensure a mix of services appropriate to the needs of children, families and communities
 - **Evidence-based:** funding policies and programs should be based on reliable evidence, while not discouraging innovation.

4. That, in line with *NSW 2021* and the National Partnership on Early Childhood Education, the State's investment in early childhood education be consolidated into a single strategy with the following hierarchy of policy objectives:

Primary objective

All children have access to quality early childhood education in the year before school

Secondary objective

across a range of settings, in a form that meets the needs of parents, and at a price that does not create a barrier to access

Tertiary objective

for an average of 15 hours per week.

5. That the largest share of investment be directed to services for children in the year before school enrolled in early childhood education programs that offer:
 - a structured program of play-based learning, founded on the Early Years Learning Framework
 - planned and delivered by an early childhood teacher whose qualifications meet at least the standards required for the National Quality Framework; and
 - in settings that are regulated by DEC under the National Quality Framework.
6. That the new child funding model be designed so that subsidies and incentives are aligned with the Government's policy objectives for ECE as identified in *NSW 2021*.
7. That families and children should benefit from the Government's investment in quality early childhood education programs regardless of whether they access a long day care centre or a preschool.
8. That access to early childhood education be promoted as an entitlement of NSW children backed by Government investment.
9. That, in return for subsidies, providers be required to deliver early childhood education programs at the quality, quantum and level of affordability expected by the NSW Government.
10. That, to make choosing an early childhood education service a simpler process and to promote greater transparency, the Government authorise a 'NSW registered quality early childhood education service' label that providers can use to promote their services.
11. That the funding model meet the full cost (or very near to the full cost) of early childhood education for all children from low-income families.
12. That the level of subsidy for households not eligible for free or near to free early childhood education is scaled as far as practicable to the individual circumstances of each household and that the scales relate to household circumstances at the smallest feasible geographical area for which household income can be aggregated.

13. That equity loadings be paid to support the participation in early education of children who face significant educational disadvantage including:
 - Aboriginal and Torres Strait Islander children
 - Children from low-income families
 - Children with disabilities
 - Children with limited English, including refugee and recently arrived children.
14. That the funding model support access to preschools for children younger than the year prior to preschool age (that is, 3 years of age on 31 July of year of enrolment) where these children face significant educational disadvantage and where their enrolment would not displace an older child who has not had access to a preschool program.
15. That the Supporting Children with Additional Needs and the early childhood component of the Integration Support Program be immediately reviewed, in order to develop a coherent strategy for children with disabilities that includes the additional loadings paid to services and mechanisms to support the early childhood education workforce to build its capacity to include children with additional needs.
16. That, in collaboration with other jurisdictions, the NSW Government negotiate with the Commonwealth on ways of streamlining and minimising the reporting burden on early childhood education services and that these negotiations include exploration of the potential of a unique child identifier to help Governments and other stakeholders to understand, analyse, plan for and optimally fund the sector.
17. That the current framework of Service Specifications and Service Agreements for individual early childhood education services be replaced by a simplified and streamlined annual certification process that defines the access and participation outcomes and quality benchmarks expected of all services, supported by a system of random service audits.
18. That all services in receipt of State funding for early childhood education publish details of their fees, charges and enrolment policies according to consistent guidelines or a template to be provided by DEC.
19. That the NSW Government explore in concert with other jurisdictions and the Commonwealth the possibility of expanding the My Child website to include key data about early childhood education services, commencing with fees and charges, in a way that allows for comparison between services.
20. That, in view of its potential benefits for improved service quality, good governance and workforce capacity building, cluster management for not-for-profit providers in both metropolitan and regional areas be trialled and evaluated in 2012/13, on the basis of expressions of interest from providers and peak groups.
21. That organisations be contracted to support participation in early childhood education for children in remote communities and other areas of high unmet demand. Contracts should support service viability and be linked to the delivery of targets regarding access, cost and quality.

22. That DEC, in collaboration with other Government agencies and non-government authorities, explore the potential of delivering early childhood services in remote areas, with schools functioning as service hubs, or in other ways that make best use of existing schools infrastructure.
23. That the NSW Government develop a scheme to address the transport issues faced by disadvantaged families and children with disabilities in accessing early childhood education.
24. That the NSW Government support a more qualified early childhood education workforce through:
 - a program where the tuition costs of primary qualified teachers working towards early childhood education qualifications are subsidised by the State
 - a program where educators employed in the early childhood sector with Certificate or Diploma-level qualifications are subsidised towards attainment of a Bachelor degree.
25. That the NSW Government collaborate with the NSW Institute of Teachers, Australian Institute of Teaching and School Leadership and the Australian Children's Education and Care Quality Authority to encourage the supply of suitably qualified early childhood teachers.
26. That the Department of Education and Communities conduct an analysis of the cost of its preschool provision, and consider focusing its effort on meeting needs in the most disadvantaged communities.
27. That a capital funding program be established for not-for-profit services operating in areas where there is a shortage of places for children in the year prior to school, where the market has not responded, and where the eligible providers are able to demonstrate that capital funding would be instrumental in addressing these shortages. The program should operate until sufficient early childhood education places are made available to meet demand and ensure achievement of the State's participation targets.
28. That the NSW Government make representations to the Commonwealth regarding tax deductibility of donations to early childhood education and care services.
29. That the Department of Education and Communities pilot a strengths-based transition to school statement based on the principles of the Early Years Learning Framework in order to improve communication between families, early childhood settings and schools and to enhance this important transition for children, their families and educators.
30. That the Department of Education and Communities establish a standing consultative forum comprising key stakeholders in the sector to advise the Department and the Minister for Education on matters relating to the early childhood education and care sector.

3. Introduction

Experiences in the early years of life lay the foundation for later learning and development. According to a landmark study in the field:

Virtually every aspect of early human development, from the brain's evolving circuitry to the child's capacity for empathy, is affected by the environments and experiences that are encountered throughout the early years.¹

Access to high quality early education helps children to be better prepared for school by building strong foundations in language, number, social skills, emotional control and reasoning.² Quality early learning experiences are especially beneficial for children from vulnerable or disadvantaged backgrounds and children with additional needs.³ Conversely, missing out on early education can have enduring consequences. Children who do not experience quality early education can find themselves in 'perpetual catch-up mode' at school.⁴

"Having more children in early childhood education brings a wide range of social and economic benefits"

High quality early childhood education helps to give expression to Australia's commitments under the Convention on the Rights of the Child. It can markedly improve children's lives in the 'here and now', providing them with opportunities to play and socialise with other children, to establish relationships with adults other than their parents and to make the transition to school with confidence. For some, early childhood education offers a safe and nurturing environment not available at home.

In addition to the individual benefits of high quality early childhood education, there are compelling economic and social arguments for investing in it. Just as preventative health is more cost-effective than later medical treatment, children who receive quality early education are likely to need fewer educational support interventions later in their school lives. They are more likely to finish high school and to find fulfilling, stable and productive employment, less likely to depend on income support and significantly less likely to become involved in crime.⁵

The economic and social return on each dollar invested in the early years is greater than the return on a dollar invested later. An analysis of 61 early intervention programs found that early childhood education for low-income 3 and 4 year olds delivered a greater total benefit for each taxpayer dollar spent than any other program. The authors concluded that 'early childhood education for low-income 3 and 4 year olds provide[s] very attractive returns on investment'.⁶ As discussed later in the Review, however, these returns depend upon quality service provision.

As well as their direct benefits for children, accessible and affordable early childhood services provide vital support for parents' labour force participation. In 2006, over 50 per cent of mothers of children under 5 were in the workforce; 16.2 per cent employed full-time and 35.5 per cent part-time.⁷

The Task of the Review

Under terms of reference endorsed by Cabinet,⁸ the Review was established to provide recommendations to:

- support all children in NSW 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 report is organised around the issues raised by the terms of reference"

State and National Policy Context

The Review has taken place within a context of heightened policy interest and investment by both the State and Commonwealth governments. Under a series of agreements initiated by COAG, all Australian Governments are committed to improved access to high quality early education. The National Early Childhood Development Strategy aims to improve outcomes for all children and their families. It includes:

- The National Partnership Agreement on Early Childhood Education (NP ECE) to achieve universal access to early childhood education for all children in the year before formal schooling by 2013
 - The National Partnership Agreement on Indigenous Early Childhood Development that includes a target to ensure all Indigenous children aged 4 years in remote communities have access to early childhood education by 2013
 - The National Quality Framework (NQF) incorporating a new National Quality Standard to ensure high quality and consistent care across Australia
- workforce initiatives for the early childhood education and care workforce.

"There is a comprehensive national and State agenda for early childhood education"

The Bilateral Agreement between the Commonwealth and NSW Governments gives effect to the NP ECE in this state. Under its provisions:

- by 2013 every child will have access to a preschool program in the year before commencement of formal schooling
- the preschool program is to be delivered by a four year university qualified early childhood teacher, in accordance with a national early years learning framework, for 15 hours a week, 40 weeks a year. The Bilateral Agreement accepts that reasonable transition arrangements – including potentially beyond 2013 – are needed to implement the commitment to preschool program delivery by four year university qualified early childhood teachers
- the program will be accessible across a diversity of settings, in a form that meets the needs of parents and in a manner that ensures cost does not present a barrier to access.

The Commonwealth has committed \$278.6 million over five years to support this effort in NSW and this represents a high proportion of current expenditure on early childhood education in the State. Of the \$260 million the NSW Government is spending on early childhood education in 2011/12, \$82 million is National Partnership funding from the Commonwealth. This stream of funding will increase by \$60 million in 2012/13, bringing the total annual figure, before additional State investment, to more than \$310 million. (These figures refer only to funds administered by the State Government. They do not include Commonwealth expenditure on Child Care Benefit, Child Care Rebate and other programs.)

Early childhood education is a clear priority for the NSW government, as expressed in *NSW 2021: A Plan to Make NSW Number One*:

We will support all students to reach their full potential ... from early childhood to post-school learning and employment. To create an environment where students can continue to excel, and in turn lead productive lives and help build a strong NSW economy, we will ensure all children have access to quality early childhood education, recruit high quality teachers, and provide schools and their communities with a say in local decision making.⁹

Table 1 Funding for NSW ECE Programs, 2010/11 - 2012/13 by source

Early Childhood Education Program	Source	2010/11 (\$)	2011/12 (\$)	2012/13 (\$)
Preschool Subsidies	State	79.9	79.9	79.9
Preschool Investment and Reform Plan		22.5	22.5	22.5
Long Day Care		15.9	15.9	15.9
Occasional Care		4.0	4.0	4.0
Supporting Children with Additional Needs		13.1	13.1	13.1
Intervention Support Program*		12.8	12.8	12.9
Government Preschools		29.4	29.8	N/A
National Partnership	Federal	27.4	82.5	142.0
Total	State & Federal	205	260.5	290.3

*This figure reflects the entire program. The proportion of funding that is attributable to early childhood education is not available

Timeframe

While the Government is to be commended for initiating the Review within a short period of its coming to office, the requirement to consult, develop a funding model and report within a few months was a significant challenge. The Review recognises that the timeframe was necessary in light of the National Partnership requirement for the achievement of results by 2013, but points to three specific consequences.

First, the deadline had an impact on the extent of consultation possible. Regrettably, time did not permit the Reviewer to meet with all groups and individuals who sought to present their views personally.

Second, the timeframe limited analysis and discussion of some important issues. While the Review is confident of the rigour of the analysis and the soundness of the conclusions presented, there are areas where further work is needed. These areas are identified in the recommendations.

Finally, the Review's recommendations are based on data compiled from a working model of the early childhood education sector in NSW. Constructing this model within the timeframe was a major achievement but left no time to trial its operation. Some of its assumptions and technical parameters may need to be fine-tuned or corrected when (and if) it is implemented over the coming months.

Process

Following the launch of the Review in mid-August 2011, a discussion paper was released and dedicated web pages were posted on the DEC website. Two consultation forums facilitated by the Reviewer for peak early childhood education groups were held at the DEC State Office in Sydney on 5 and 6 September 2011.

Submissions from the sector were sought via the discussion paper and through advertisement on the DEC website. The initial closing date of 30 September 2011 was extended to 18 November 2011. Almost two hundred submissions were received.¹⁰

In order to gain insight into the issues being faced by families and providers in remote areas, the Reviewer attended the annual meeting of mobile service providers ('Mobile Meet') in Ettalong and visited Wagga Wagga, Cobar, Bourke and Griffith. Discussions were held with service providers, educators and members of management committees.

Deloitte Access Economics was engaged through a competitive selection process to construct a working model of the early childhood sector in NSW. This model informs the settings for the proposed funding model and underpins the Review's recommendations.

"A public submission process supported by key stakeholder forums has driven the Review's focused consultation process"

4. Principles & Priorities for Funding

4.1 Historical background and policy context

Achieving the early childhood education goals of its State Plan *NSW 2021* and the National Partnership agreement presents challenges for the NSW Government due to systemic under investment and lack of policy development by previous State governments. Parents in this State face the highest preschool fees in Australia and NSW has the second lowest proportion of children enrolled in State Government funded and/or provided preschools. In 2010-11, NSW spent \$190 per child on services for young children compared with \$266 in Victoria, \$489 in the ACT, \$499 in South Australia, \$556 in Western Australia and \$1,033 in the Northern Territory.¹¹

The NSW Government will need to substantially increase its investment in early education in order to meet its expressed policy commitments.

“Community preschools in NSW have been underfunded for decades”

Community preschools in NSW have been underfunded for decades, both in comparison with similar services in other States and in comparison with DEC preschools.¹² Preschools experienced a State funding freeze from 1989 to 2006. Almost no new services were established during those years, many preschools struggled to survive and some were forced to close. The funding freeze coincided with rapid population growth and the opening up of ‘new growth’ areas. Consequently, large areas of the State, especially the western, south-western and north-western suburbs of Sydney and the coastal strip running from Newcastle to Moruya have major ECE participation gaps.

The Preschool Investment and Reform Plan (PIRP), initiated in 2006 following sustained advocacy from the sector¹³, provided some relief. PIRP provided emergency assistance to services at risk of closure; operational funding, fee-relief, one-off capital and business support to some services; and, during its ‘growth phase’, funding to establish new places across the State. Community Child Care Cooperative and Care West were funded by the State Government to broker this funding across defined areas of the State. The growth phase, initiated before the National Partnership came into effect, was intended to enable children to attend preschool for two days per week. This component of PIRP ended in June 2011.

The current mechanism for allocating funds to preschools, the Resource Allocation Model (RAM) came into effect as part of PIRP. Under the RAM, funding is based on the number of children enrolled in a service and the relative disadvantage of the Local Government Area (LGA) in which it is located. With 130 LGAs in the State, 130 separate base rates are possible. In addition to the base rate funding, services attract loadings related to variables such as the

number of low-income and Aboriginal and Torres Strait Islander children enrolled, whether the service is classified as remote and whether it is a mobile.

Current funding arrangements are not strongly linked to affordability and do not necessarily drive increased participation. Providers set their own fees and there is no formal mechanism to limit fees for low income families. Across the State the average fee is around \$27 per day. For children in low-income families it is around \$15 per day, and for Aboriginal and Torres Strait Islander children around \$9 per day. These fees are far higher than in other States and Territories.

“Equity, transparency and stability should be features of any new funding system”

4.2 Current services and providers and enrolments – a snapshot

Children’s services in NSW are provided through a mixed market which includes a range of service types and business models. There are approximately 3,500 licensed children’s services including:

- 3250 centre-based services:
 - 2370 long day care and occasional care centres¹⁴ (Operating 50 weeks/year, 10 hours/day with children 0-12)
 - 880 preschools, including 100 DEC preschools¹⁵ (Operating 40 weeks/year, 6 hours per day with children 3-6)
- 100 family day care schemes, with more than 3,700 registered carers
- 70 individual home-based carers
- 60 mobile services.

Approximately 2,000 out of school hours care (OOSH) services provide before and after school and vacation care to children aged 6-12 years.

The services are delivered by 2,400 licensed providers:

- 65% are commercial providers, mainly of long day care
- 35% are not-for-profit, including local government providers, mostly of preschool, long day care, mobile and family day care services.

Of the 178,000 children under the age of 6 attending licensed children’s services:

- 52,800 attend preschools
- 101,000 attend long day care
- 25,000 attend family day care

4.3 Principles for funding

A simpler and more transparent funding system, geared to delivering the outcomes discussed in earlier sections of this Review, should be guided by principles against which it can be tested and evaluated.

Public funding programs in other jurisdictions typically include fairness, equity, accountability and transparency as starting points for program design. These values also underpin the broader funding environment in NSW. The NSW Government has adopted a number of principles to guide its relationships with organisations that receive government funding. These include:

- **Value for money:** obtaining the best mix of services to meet the community's needs within available funding and selecting the mix of resources that delivers the best outcomes to clients
- **Fairness, integrity and transparency:** ensuring that public funds are distributed in ways that are fair, appropriate and transparent
- **Cooperation:** an expectation that Government agencies and funded organisations will work to promote a funding relationship based on reciprocity
- **Diversity:** recognising diversity in the community in the process of grants administration
- **Consistency:** ensuring that grants administration procedures are consistent within programs, across Government agencies, and over time
- **Coordination:** improving outcomes for individuals and communities through better alignment of planning, program design and service delivery within and across Government, non-government organisations and local government
- **Probity:** the requirement that grants administration be conducted in an environment of integrity, honesty and scrutiny.¹⁶

"Principles need to foreground the interests of children"

While not many countries have clearly-defined funding principles for early childhood education, an interesting approach specific to the sector has been taken by the New Zealand Early Childhood Education Taskforce. The Taskforce was established in October 2010 to map the desired future state for early childhood education in that nation.

The funding principles identified by the Taskforce (which at the time of publication had yet to be adopted by the New Zealand Government) combine practical objectives for program administration with aspirations for early childhood education generally.

The New Zealand Taskforce considered that funding approaches for early childhood education should:

- respect fiscal constraints
- ensure efficient use of Government funds

- promote fairness both of access to services and educational outcomes
- create a predictable environment for service providers; and
- promote administrative simplicity and low compliance costs.¹⁷

Key messages from consultations

The Government's general principles for funding human service organisations were commended in a number of submissions from peak groups. Submissions also suggested including the following principles:

Child-centred: a number of submissions called for the funding principles to be centred on the needs of the child, so that funding is distributed with the aim of ensuring that all children have equitable access to quality early learning.

Timely: peak groups and many individual services called for funding to be made available when it is needed and based on actual enrolments rather than past information.

Predictable: submissions observed that funding arrangements had been subject to many changes in recent years and recommended that any new approaches emerging from the Review should remain in place for a set period. It was argued that services need more certainty about future arrangements to facilitate better financial management and planning.

Aligned across levels of government: many respondents called for better alignment and coordination across Commonwealth and State funding programs, particularly with respect to children with additional needs, as well as more streamlined reporting and accountability arrangements across the two levels of government.

Evidence-based: some submissions said that funding policies should be linked to the research evidence about what works best for families and that funding outcomes should be subject to independent evaluation at appropriate intervals.

Clearly communicated: most submissions from peak groups called for open and ongoing communication between government and ECE stakeholders on funding issues and priorities, founded on mutual respect and with a mechanism available for services to appeal funding decisions.

Review's conclusions

The most important principle for funding early childhood services must be that investment is geared to quality outcomes for children. A focus on quality is the only way to secure value-for-money for the State's investment and to maximise opportunities for children in both the short and long term. The benefits widely attributed to ECEC are 'completely conditional upon "quality"'. As the OECD notes:

Expanding access to services without attention to quality will not deliver good outcomes for children or the long-term productivity benefits for society. Furthermore ... if quality is low, it can have long-lasting detrimental effects on child development, instead of bringing positive

effects.¹⁸

While quality is a complex concept, there is widespread agreement (as reflected in the National Quality Framework, for example) about its key elements. The OECD has recently summarised these as:

- Setting quality goals and regulations
- Designing and implementing curriculum and standards
- Improving qualifications, training and working conditions
- Engaging families and communities
- Advancing data collection, research and monitoring¹⁹

The Investigating Quality study, conducted in Australia from 2008-2010, examined the factors that sustain and support high quality centre-based early childhood education and care. It provides valuable insights into the elements perceived by parents and educators to support high quality provision in long day care settings.²⁰

Funding must enable services to deliver quality early childhood education. This is particularly important where services that cater predominantly for children from vulnerable or disadvantaged backgrounds where the Review recommends that no, or minimal, fees be asked of parents. In these circumstances, public funding alone must support services of a standard that will maximise each child's opportunities, including their readiness for school as well as strengthen the local community and contribute to long-term social and economic benefits.

The Review proposes that funding for early childhood education and care should be based on the following principles:

- **Quality:** funding must enable services to operate in accordance with the National Quality Standard²¹
- **Equity:** the funding system should aim to achieve equitable access by all children to quality early childhood education
- **Transparency:** the fairness of the funding system should be evident through transparent processes and funding rules that are easy to access and understand
- **Stability:** funding arrangements should be consistent and predictable
- **Accountability:** funding should be supported by reporting and accountability obligations that are proportionate and reasonable
- **Value for money:** public investment in early childhood education should be cost-effective and seen to be so
- **Evidence-based:** funding policies and programs should be based on reliable evidence, while not discouraging innovation.

Further, the Review notes the importance of transparency and accountability on the part of Government regarding the funding of ECEC. Many submissions from peak bodies, non-

government organisations and service providers expressed frustration at the difficulty of obtaining clear and accurate information about levels of expenditure on ECEC, the breakdown of funding between NSW and Commonwealth Governments and sub-programs on which funds are spent.

Recommendations

1. That, in recognition of the critical social and economic importance of early childhood education to individuals, families and the wider community, the NSW Government affirm its commitment to investing in affordable, accessible, high quality early education programs for all NSW children. NSW Government investment should increase in order for this goal to be achieved in a timely manner and should be embedded within a policy framework that expresses the vision of the State Government for early education and care, sets measurable goals and targets and establishes mechanisms for ongoing consultation with the sector.
2. That the NSW Government secure the Commonwealth's financial commitment to the achievement of national goals for early childhood education beyond 2013 through a new National Agreement that aligns the national quality reforms with the objective of universal access to early childhood education.
3. That funding for early childhood education in NSW be delivered according to the following principles:
 - **Quality:** the funding allocated to services must enable them to operate in accordance with the National Quality Standard
 - **Equity:** the funding system should enable equitable access to quality early childhood education for all children in the State
 - **Transparency:** the funding system should operate according to rules that are easy to access and understand
 - **Stability:** funding arrangements should be consistent and predictable
 - **Accountability:** reporting and accountability obligations should be proportionate, reasonable and appropriate to the level of funding received
 - **Value for money:** public investment in early childhood education should be cost-effective and ensure a mix of services appropriate to the needs of children, families and communities
 - **Evidence-based:** funding policies and programs should be based on reliable evidence, while not discouraging innovation.

4.4 Priorities for funding

Under its terms of reference, the Review's central purpose is to make recommendations to 'support all children in NSW having universal access to a quality early childhood education program in the 12 months prior to formal school by 2013'.

"The goal of universal access to early childhood education is clear"

To meet this objective, NSW needs sufficient early childhood education places to deliver universal access (as defined in the NP ECE), at the required level of quality, and in ways that are affordable for families. Services must also be accessible for children from a wide range of backgrounds.

For children in low-income families, access to early childhood education will only become a reality if services are offered at no, or minimal, cost. As well, services must be delivered in a way that encourages and supports vulnerable and disadvantaged families to participate. For some, proximity or cultural appropriateness may be the key; for others access to quality early childhood education programs that support parental participation in the workforce will be essential.²² Maternal labour force participation rates are rising and clear benefits accrue to children from being in families that are economically active.²³ Thus, reshaping the State's investment in early childhood education can also contribute to the *NSW 2021* target of lifting participation in the workforce.

Small adjustments to current arrangements will not be sufficient to achieve universal access. Fundamental change to the current funding model, re-energised relationships with the sector and substantially more investment will be required.

"Two-thirds of the mothers of 4 and 5 year old children are employed; on average these mothers work for 25 hours per week"

How far is NSW from the goal of universal access?

It is difficult to provide a precise estimate of how many and which children miss out on a quality early childhood education program. Neither the NSW Government nor the Commonwealth Government has all the information and the available data do not flow freely between the two levels of Government. In jurisdictions where reliable estimates of participation are available (e.g. Victoria) it is generally because the State funds delivery across all providers and can count each child accessing a program. By contrast, NSW is heavily reliant on Commonwealth sources to estimate the contribution of the long day care sector to this target.

Evidence gathered in the course of the Review has led to some broad conclusions:

- Up to 37,000 children in the target group for universal access (mainly 4 and 5 year olds) are attending formal services (mainly long day care) but may not be participating in a quality early childhood education program.²⁴ We lack reliable data on how many of these children have access to an early childhood program planned and delivered by a qualified early childhood teacher²⁵

- Some Local Government Areas (LGAs) with high numbers of preschool age children in long day care are among those that report low proportions of children enrolled in an early childhood education program. For example, in 10 large LGAs (including Blacktown, Parramatta and Liverpool) long day care providers report that less than 30% of the 4 and 5 year olds are accessing an ECE program delivered by an early childhood teacher
- Community preschools make a significant contribution to the overall participation rate but around one-third of the children attending these preschools (more than 15,000 children) are not in their year prior to school.²⁶ Most of these children are not in the equity target groups discussed in the Review
- A small number of State funded preschools do not have an early childhood teacher. Children in these services benefit from a NSW Government subsidy, but may be missing out on an early childhood education program
- The participation rate of Aboriginal and Torres Strait Islander children in State funded preschools is very encouraging. However, research evidence suggests there is no room for complacency. For example, children may be formally enrolled, but not actually attending the service. Further investment and vigorous, targeted efforts will be required to ensure that these children have real opportunities to participate in ECEC – especially given the particular benefits that accrue from their accessing quality early childhood programs
- Children from more economically advantaged backgrounds are more likely to attend more expensive education and care settings. Harrison notes that ‘mothers of children not attending a centre or school-based care/education program were less well educated and more likely to be unemployed, have a lower weekly income, have more financial stress, have larger numbers of children living in the household, and reside in less advantaged neighbourhoods.’²⁷

“NSW has further to travel than other States, and the current approach will not take us there”

The table over the page shows the number of 3, 4 and 5 year old children reported to be accessing an early childhood education program in different types of services. The surprisingly high figure for ‘no reported ECE’ in long day care is derived from the Child Care Management System (CCMS). Even acknowledging possible problems with the data, it is clear that the long day care sector makes a substantial contribution to the goal of universal access and has further potential to do so.

“A large part of the gap may be the lack of an early childhood teacher, and not just the supply of places”

Table 2 Children aged 3, 4 and 5 years, with and without formal ECE, NSW

	3 years old	4 years old	5 years old	Total
NFP preschool	15,000	26,207	7,459	48,666
DEC preschool	180	3,604	630	4,414
LDC with ECE ¹	22,553	26,263	3,148	51,964
Total with ECE	37,733	56,074	11,237	105,044
Attending school ²	0	2,100	74,700	76,800
Population	92,652	89,196	91,998	273,846
Total without formal ECE³	55,000	31,000	6,000	92,000

Sources: NSW 2011 Annual Report on NP ECE (unpublished), unless otherwise stated

1. Estimate based on 2006 Child Care Census preschool delivery proportion

2. Consisting of actual numbers for government schools and estimates for Catholic and independent schools

3. Rounded to nearest 1,000 due to estimates errors

Geographically, the largest gaps in early childhood participation, in both absolute and relative terms, are in the Greater Sydney Metropolitan Region (see maps in Appendix 5).

How can the State's investment be more equitably and efficiently deployed?

The Review assessed the approaches adopted by jurisdictions with higher levels of early childhood education participation than NSW. One of the most striking differences between the funding models adopted in the different Australian states is the extent to which they align funding with clear policy objectives such as promoting at least one year's access by every child.

In Western Australia, South Australia, Victoria and Queensland, for example, a child is generally only entitled to a State government early childhood education subsidy if they are in their year prior to school, and the number of hours of subsidised early childhood education per child is tightly prescribed.²⁸

This means, for example, that the subsidy is for 11 or 12 or 15 hours of early childhood education per week and cannot be accessed for more than one year, except in exceptional circumstances. Providers are generally not subsidised to offer more than the specified amount of early childhood education, and in some cases the subsidy is reduced if the quantum of service delivery falls below the target.

In contrast, under the current NSW funding model, up to 50 per cent of children may be accessing two years of State subsidised preschool, while others miss out entirely. As noted above, the vast majority (around three-quarters) of the 15,000 children aged less than 4 enrolled in subsidised preschool are not Aboriginal or Torres Strait Islander children and are not from low-income families. NSW is spreading its investment more thinly than other jurisdictions and this is difficult to justify in the context of the universal access objective.

Victoria and Queensland make interesting reference points for NSW. Like this State, both have diversified markets for early childhood education and care and a mix of providers across the long day care and shorter-day preschool models.

In Queensland, long day care centres are eligible for State government funding if they are

approved as 'kindergarten program providers' and meet certain other conditions. Providers must offer an approved program for at least 15 hours per week, 40 weeks per year to children in the year before the start of formal schooling. The program must be delivered by a 4-year qualified early childhood teacher or registered teacher and the service must demonstrate that its fees are not a barrier to access. Younger children may participate in the kindergarten program but do not attract State funding.

The Victorian Government funds ECE programs for all children aged 4 years on or before 30 April in the year of attendance in any setting, including long day care, providing that the program occurs in a licensed facility and the children receive a developmentally appropriate program, planned and delivered by a qualified early childhood teacher for 10 hours per week. More than 540 long day care services in Victoria participate in this scheme.

Why can't all children be funded equitably for their education whether in Long Day Care, Preschool or School?

Providing a subsidy for quality early childhood education in long day care would have many benefits. It would make best use of existing service infrastructure, improve quality and make access more affordable. Encouraging early childhood education in long day care is also important because investment by the State Government is bringing fees for many low-income and Aboriginal and Torres Strait Islander families using community preschools well below what they could expect to pay in long day care (even after Commonwealth subsidies).²⁹ The higher levels of investment available to NSW under the National Partnership should be used to ensure that early childhood education is more affordable for low-income families across a range of settings. The Partnership requires governments to deliver services 'in a way that actively engages families and communities, and meets the workforce participation needs of parents.'³⁰

Family Day Care

The Review acknowledges the important role played by Family Day Care (FDC) in the education and care of young children. In NSW, 105 schemes cater for 12,700 3-5 year olds. FDC enables many children to participate in playgroups and other structured and semi-structured activities. In principle, the Review sees no impediment to FDC schemes accessing funding on the same basis as other Commonwealth approved services (e.g. long day care). In practice, there might be limited opportunities for this to occur. Schemes would need to offer a preschool program delivered by a 4 year university qualified early childhood teacher, in accordance with the National Early Years Learning Framework, for 15 hours a week, 40 weeks a year in licensed premises. Arrangements pertaining to FDC could be further discussed with the consultative forum proposed by the Review.

4.5 Designing an improved funding model

As outlined in the discussion paper for the Review, current approaches to funding early childhood education in NSW lack coherence and are not based upon clear policy objectives.

The current funding models are complex and not easily understood. It should be clear how they relate to the policy imperatives e.g. 15 hours, 4 year qualified teachers

The Review recommends that the NSW Government investment adopt an early childhood education strategy aligned with the goals of NSW 2021. Under the strategy, the largest share of investment should be directed to funding access for children in their year prior to school to a quality early childhood education that meets the following criteria:

- a structured program of play-based learning, founded on the Early Years Learning Framework
- planned and delivered by an early childhood teacher whose qualifications meet at least the standards required for the National Quality Framework; and
- delivered in services that are regulated by DEC under either the National Quality Framework or similar State-based law.

Funding for most State programs should align with this strategy. To support the strategy, the NSW Government should adopt a formal hierarchy of objectives to direct funding, program design and evaluation, as follows:

Primary objective

All children have access to quality early childhood education in the year prior to school

Secondary objective

across a range of settings, in a form that meets the needs of parents, and so that price does not present a barrier to access

Tertiary objective

for an average of 15 hours per week.

The proposed hierarchy of policy objectives would enable the NSW Government to be clear about what it expects from providers when it invests in early childhood education.

The proposed strategy and policy hierarchy would reflect both the State Plan *NSW 2021* and the National Partnership on Early Childhood Education – both of which focus squarely on children in the year before school. The Review notes, however, that children are active learners from birth, not just in the year before school, and both Commonwealth and State Governments need to direct attention in future to appropriate funding arrangements that address a wider range of age groups.

Funding models

The Review considered three main funding models through which subsidies could be directed to service providers:

1. Operational subsidies.
2. Per child base subsidies related to service location.
3. Per child base subsidies related to household income.

Operational subsidies typically fund a fixed proportion of a service's operational costs regardless of the characteristics of the children enrolled. They provide certainty for providers and have other benefits such as supporting the viability of small services. Some submissions saw operational subsidies as the only, or at least the most effective, means of supporting the wages of a skilled and qualified workforce. While recognising the many potential benefits of operational subsidies (especially in terms of predictability and stability for providers) the Review is not convinced that this approach would be effective in delivering benefits for all parties (children and families as well as educators and service providers). The Review favours a funding mechanism that more directly shapes provider behaviour, for example by encouraging services to enrol children who are vulnerable or disadvantaged. Without such a mechanism, NSW will continue to have a system where some children benefit from two or more years of subsidised preschool while others miss out entirely.

Submissions favouring operational subsidies generally focused on community preschools and did not consider the impact of the funding model on long day care. However, using National Partnership and other funding only to support preschools would undermine the Review's secondary objective of supporting access to early childhood education for children regardless of the service type they attend. For these reasons, despite its strengths, operational funding is not recommended.

Child-centred subsidy models

The Review considered various child-centred funding approaches that would offer incentives to preschool and long day care to provide quality early childhood education to children in the target age group. These would involve subsidies to providers for each child enrolled, with additional loadings for children in the equity target groups.

Base subsidies could be the same for all services or could vary according to the relative need of the service (measured, for example, by the SEIFA score of its location). Such approaches would provide predictability for providers and administrative simplicity. Even with a five-step SEIFA scale they would be simpler than the 130 step model that underpins the RAM, and they could achieve similar benefits in terms of distributional equity.

The weakness of such approaches is that the link between subsidies and need is fairly crude. It would be even more so if a State-wide base subsidy were applied (i.e. one that provides the same base subsidy for a child in Wilcannia as to a child in Woollahra). Many submissions

called for a simpler funding model, but simplicity often comes at the price of reduced equity. The effect of a single, State-wide base subsidy would be to reduce the share of the State's investment that goes to most low or middle-income income families.

We are located in an inner city area where there is a significant proportion of public housing, but where private housing and living costs are very expensive. There is a need to be able to respond to particular needs and circumstances of families in each community

An alternative child-centred funding approach would be to link base subsidies either to the child's street address or to the income of the child's household (similar to the Child Care Benefit). Again, base funding would be supplemented by loadings for the enrolment of children from designated groups.

Improved data collection from individual services may make it possible in the future to align subsidies more closely with the actual circumstances of enrolled children. Possible options would include:

1. Assessment based on the SEIFA value or average household income at the smallest feasible geographical area for which such information is available based on the street address. This would enable a quite fine-grained linking of assistance to household characteristics.
2. Assessment of each household's gross income (as is done to calculate Child Care Benefit). This is a common approach in other social policy areas, for example, housing assistance.

Assessing the income of each household would result in more tightly targeted subsidies, but at the cost of intrusion into family finances in a way that is not consistent with the ethos of community preschools. This might, however, be acceptable in the longer term, given that it could result in a sliding scale of assistance similar to Child Care Benefit in design or even paving the way for greater integration between Commonwealth and State support.

Either of the child-centred approaches would be better aligned to family circumstances than the base subsidy calculation in the current RAM, in which base subsidies are linked to the location of the service, rather than the location or circumstances of the families who attend.

Elsewhere the report considers the benefits of a unified national system of funding for ECEC. In the long run, this is the direction that the Review hopes ECEC funding will move. But while this remains a vision rather than a reality an approach based on smallest feasible geographical boundaries for which average household income is reliably known, or the SIEFA score, is likely to be most readily implemented in NSW.

Affordability and quality

Access, affordability and quality should be assured regardless of the type of service a child attends. Families should be able to expect that Government assistance will remain reasonably consistent if they change early childhood education providers due to changes in their workforce participation or other needs (e.g. if they want their new baby to attend the same service as

their preschooler).

Providers that guarantee to deliver ECE at the quality, quantum and level of affordability required by the NSW Government would be eligible to receive – and obliged to pass on – subsidies as fee reductions to families.

This guarantee could take a number of forms beyond the underlying contractual arrangement recommended elsewhere in this report. For example, it could involve providers being registered by the State Government to provide affordable access to quality early childhood education and this registration could be used to promote services to families through the DEC website and providers' own promotional activities.

While broader strategies are needed to communicate the benefits of early childhood education to families, provider registration and transparency in relation to fee setting practices, combined with the quality assessment that will underpin the National Quality Framework, could make choosing a suitable service a simpler and better informed process for families.

Regardless of which model is selected, the Review recommends that the full cost (or very near to the full cost) of early childhood education is met for all children from low-income families (for example, those eligible for a Health Care Card).³¹

A preschool with the higher levels of Aboriginal children enrolled offered fee-free places for Aboriginal families and this was a determining factor in attracting and retaining [those] families

Designing a model that works for a range of providers and services

Subsidies should recognise that services cannot always operate at optimum efficiency and that an allowance should therefore be made for factors such as underutilisation by children in the equity target groups.

Modelling conducted for the Review suggests that, taking into account the effect of Commonwealth subsidies for users of approved services, the subsidy for long day care providers should be set at about one third of the subsidy for preschools so that affordability for families is reasonably equitable across the sector. Such an approach would be broadly consistent with that taken in comparable Australian jurisdictions.

The recommended funding model

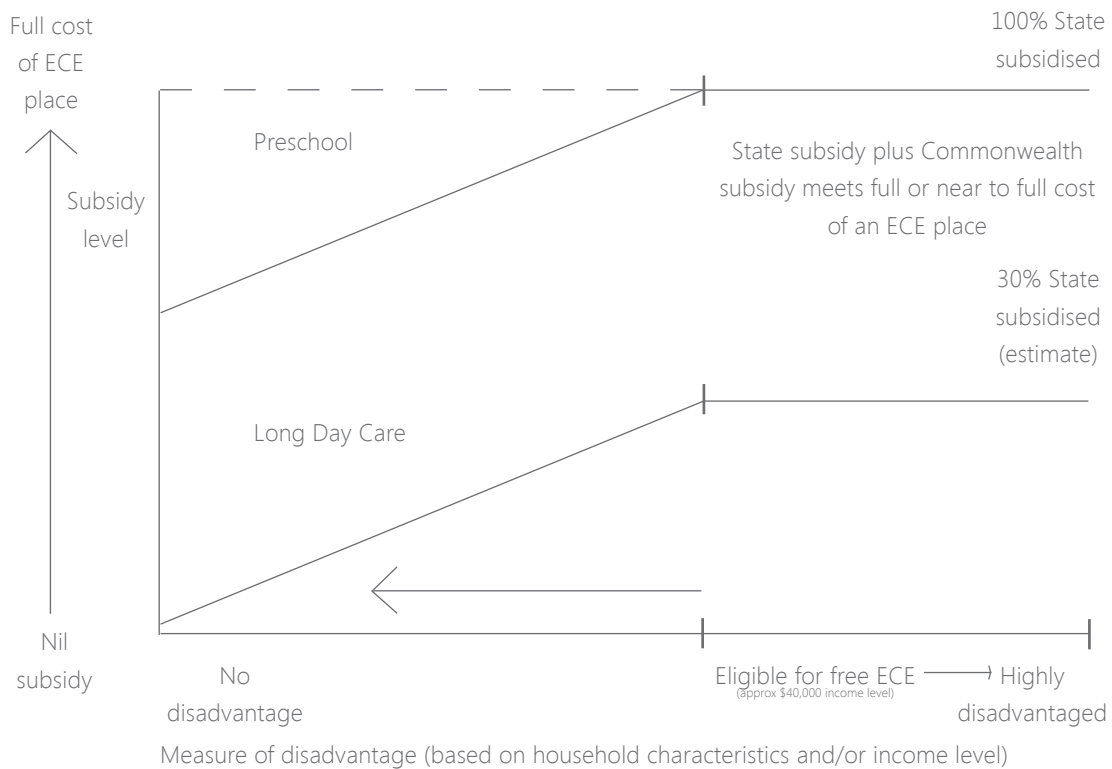
The Review recommends a funding model based on a per child subsidy linked as closely as practical to the actual income of each family. This model is recommended for the following reasons:

- Overall, a scaled model is more likely to enhance effectiveness and efficiency (as funding is more closely calibrated to a household's capacity to pay or location). This is consistent with a broader movement in schools funding to more effectively target educational need at the individual level. It is also consistent with the Commonwealth's approach of recognising individual family circumstances through Child Care Benefit.

- This model is strongly geared towards affordability for low-income families, with higher base subsidy rates provided as family income decreases. As discussed above, a form of registration and contract can supplement the model to effectively 'regulate' fees (to some extent), particularly for priority groups such as low-income families.

The effect of the proposed funding model is illustrated below (Figure 1).

Figure 1: Impact of base subsidies in proposed funding model



The subsidy would be determined by the child's home address. It would be significantly higher for a child living in a disadvantaged area (as measured by the SEIFA index) than for a child living in an advantaged area (horizontal axis).

The subsidy would also vary depending on whether the child attends a community preschool or long day care centre (vertical axis). For children attending long day care the base subsidy would range from zero up to about 30% of what the same child would attract in a community preschool. All children attending community preschools would attract some base subsidy. The difference reflects the fact that children attending long day care and other approved services benefit from Commonwealth subsidies. The State contribution is intended to keep fees relatively commensurate across service types so as not to skew family decision-making.

For the most disadvantaged families, the full cost of service delivery in a preschool setting would be met, and in long day care fees should be low enough so that cost is not a barrier to

access. Higher income families could receive a smaller subsidy equal to, perhaps, half the full cost of providing preschool. For those using long day care, the subsidy would fall to zero, in recognition of the effect of Commonwealth subsidies.

Impacts of the recommended funding model

Economic modelling undertaken to inform the Review suggests that, with investment in the vicinity of \$260.5 million per annum and the recommended funding model in place, the following could be expected:

1. More than 87,000 4 and 5 year old children (between 95% and 100% participation rate) could participate in an early childhood education program for an average of 600 hours per annum.
2. Of these, more than 18,000 children from low-income families (including the vast majority of Aboriginal and Torres Strait Islander families) would pay no or minimal fees.
3. State funded non-government preschools would continue to provide about half of the early childhood education places, with more of these being made available to 4 and 5 year olds as the model takes effect.
4. Long day care providers would be funded to offer 600 hours of early childhood education to 4 and 5 year olds at fee levels comparable to those in preschools. This would significantly increase both the actual and reported level of participation in ECE and go much of the way to closing the participation gap.
5. Government preschools would continue to contribute around 5% of supply.
6. Fees for a 'standard' 15 hours per week would range from nil for children in low-income families attending preschools, to around \$2,000 per annum for children from high income families attending either preschool or long day care. This would be a substantial reduction in costs for most families and would help to bring NSW into line with other jurisdictions.
7. Children would be eligible for subsidies to enable participation for between 12 and 18 hours per week (equivalent to 480-720 hours per year). This would allow families to choose how much early childhood education they want to access, and give providers some flexibility around how their enrolments are planned, while still ensuring a very large proportion of children (if not all) meet the Commonwealth's target of 15 hours per week (600 hours per year).
8. Rationing subsidies in this way would help to address the current situation where some children miss out on preschool entirely, while others benefit from subsidised access for up to five days per week for one or two years. Services might allow children to participate for hours outside this range, but their participation would not be subsidised by the NSW Government.

Equity loadings

Equity loadings for particular groups of children are an important strategy for supporting access. Services would be expected to apply such loadings towards measures such as transport, community engagement or outreach activities. The Review was provided with compelling arguments regarding the barriers being faced by Aboriginal and Torres Strait Islander families in accessing early childhood education and considers that funding loadings would help to address these.

Regardless of family income, loadings should apply for children with disabilities. The Review recommends that loadings for disability be available at three levels, depending on whether the service needs supplementary, substantial or extensive adjustments to enable the child to participate on the same basis as children without disability.

To help services make appropriate judgements about the extent of adjustment needed, DEC should develop an early childhood education version of the 'Functional Assessment Tool' currently being developed for use in schools. The Tool is a matrix of descriptors of various levels of competency across a range of activities and behaviours. It is designed to be used by parents and teachers as part of the process of enrolling a child with known disabilities, or when reviewing the child's progress. Reports from appropriate professionals could also be used to inform the selection of a descriptor.

The Review also recommends a loading for children with limited English, including refugee and recently arrived migrant children. This loading would replace the current allowance for children from Cultural and Linguistic Diversity (CALD) backgrounds. Reframing assistance specifically for children with limited English skills including recently arrived migrant and refugee children would make for better targeting of this support.

Equity loadings should be cumulative. For example, an Aboriginal or Torres Strait Islander child with a disability would attract two equity loadings to support attendance at preschool.

Programs for children with additional needs

Two programs within the scope of the Review assist children with additional needs, primarily, children with disabilities. These are the Supporting Children with Additional Needs (SCAN) program and the prior to school component of the Intervention Support Program (ISP). The Commonwealth also supports children with disabilities who participate in Commonwealth approved services through a range of programs including the Inclusion Support Subsidy. Many submissions to the review argued that there is ample room for consolidation of the existing State programs, and better alignment with the Commonwealth's programs.

Under the SCAN program, approximately \$13 million is distributed annually to support the inclusion of children with additional needs in State funded ECEC. Funding to a maximum of \$45 per day is made available in respect of individual children, with funding also available for projects involving groups of children or staff across several services. Most funding is distributed through eight non-government SCAN brokerage organisations, some of which are also service providers. The program is contract-based, with the current contract period

expiring at the end of 2012.

As noted in a number of submissions, there appears to be significant overlap and duplication between the SCAN program and the Intervention Support Program. The 'Young Children with Disabilities' component of this latter program in particular has very similar aims to SCAN, including an emphasis on providing sustained support for individual children.

The amount of funding apportioned by the SCAN providers to projects and administrative overheads relative to support for individual children varies from approximately 14% to 40% across the eight organisations.

Regarding the first issue, the Review sees an opportunity to amalgamate the two funding streams. This could yield lower program overheads per child supported and ensure more streamlined targeting of resources. The Review notes that the recent merger of early childhood education and care administration within DEC creates the conditions for a successful amalgamation.

On the second issue, the Review notes the marked difference in the pattern of spending across SCAN providers. While it is important to stress that the high spending on indirect support on the part of some SCAN brokerage agencies will almost always relate to salaries for specialist advisory and support staff, the Review was not able to assess the extent to which the differences in spending priorities are being driven by the profile of need in each region. Until an evaluation of this kind is carried out it is difficult to know whether the approach of any particular service represents best practice and/or value-for-money than any other. The Review therefore recommends a State-wide review of the SCAN program, particularly in light of the possibilities that could be realised through integration with the ISP.

Part of this review could tackle the question of whether the program should be refocused more clearly on building the capacity of early childhood education providers and staff so that services are able to effectively include children with additional needs. If the Review's proposals for extra funding support via disability loadings for each preschool service (or, for long day care centres, via Commonwealth funding support) are supported, then refocusing SCAN on capacity building may represent the best way to ensure that the two funding streams complement and support each other. A review of SCAN could also explore whether, for the sake of more efficient program delivery, the number of agencies that are involved State-wide in administering the funding could be revisited.

An entitlement to early childhood education

The Review recommends that access to early childhood education be promoted as an entitlement for every child in the State. This would require the NSW Government to provide funding that is responsive to changing demographic patterns, rather than capped. Funding should increase to at least match changes in the number of preschool age children and major shifts in operational costs experienced by providers, such as wages growth in the sector. The Review's position is that this approach would provide a sound footing for improving the wages of ECEC educators without creating undue pressure on parents through wage increases. Both the per child subsidy models are consistent with an entitlement based system, and the Review

has found this to be a common feature of funding models in jurisdictions that have been successful at maintaining high levels of participation in early childhood education.

Subsidies for a second year of early childhood education

Should some children receive subsidised access to more than one year of preschool education? While the Review was unable to find evidence to support a fixed 'dose' of 15 hours per week, the research consistently demonstrates the benefits of extended participation in early childhood education, especially for children from disadvantaged backgrounds.³² One year of preschool at age four may not be sufficient to realise the gains that governments are seeking from early childhood education, especially for vulnerable and disadvantaged children.

A recent summary of the evidence shows that participation in ECE for more than one year is associated with long-term intellectual gains, larger vocabularies, improved word analysis and maths achievement and better memory and future achievement.³³ Participation for an additional year increases long-term impact and reduces the likelihood of gains 'fading out' over time.³⁴ Extending participation in ECE by one year leads to an improvement of ten score points in PISA, an international student assessment test, at age 15.³⁵ Further, all the well-known studies that have demonstrated 'return on investment' (Abecedarian Project, Chicago Child-Parent Centres, Perry Preschool Project) have involved highly qualified staff and programs of at least two years duration.

The longitudinal UK study, Effective Provision of Preschool (EPPE) showed that the longer duration of attendance at preschool is related to improved achievement in pre-reading and early number skills.³⁶ US research has also showed significant gains in vocabulary, literacy and maths skills amongst children who attended at least two years.³⁷

In light of the evidence,³⁸ there is a strong argument for extending subsidies to younger children in the priority target groups. In the context of both NSW 2021 and the NP ECE, however, priority must be given to ensuring that every child benefits from at least one year of ECE. This means that in most circumstances children aged 4 and 5 should have priority over 3 year olds. However, the Review recommends that access to an additional year of ECE for children in the identified priority groups should be a high priority in the medium to longer term.

The Review notes that the participation of younger children may be necessary to support the viability of small community preschools. Several submissions to the Review indicated that it was important that children in the younger years are assisted to access programs in remote rural localities where population levels are low. The Review supports this.

Occasional Care

Occasional care occupies a distinctive niche in the early childhood sector. It provides a flexible service, enabling parents to meet work, family or other commitments which arise at short notice or in emergency situations. It is currently excluded from the National Quality Standard but this decision is to be reviewed in 2014. Occasional care provides families with the option of leaving their children in a safe, caring and nurturing environment at times that meet their

needs. Some children attend occasional care on an hourly or sessional basis while others participate regularly. Through its links with the Brighter Futures program, women's refuges and emergency services, occasional care plays a vital role in supporting vulnerable children.

The NSW Government will provide just over \$4 million to support occasional care in 2012/13. This funding is not available for occasional care in long day care centres.

In the context of the Review, State funded occasional care services (through their representative association) expressed a willingness to contribute to the goal of universal access. The Review commends the fact that many occasional care centres employ an early childhood teacher even when not required to do so. The conclusion of the Review, however, is that occasional care should remain a distinct service that can provide flexible options for one-off or irregular patterns of attendance. The type of sustained, sequential participation in a program of early learning required to give effect to the goal of 'universal access' is not necessarily a good fit with occasional care. Pressuring services into this mould could compromise the nature of this highly valued service.

For this reason the Review recommends that the current funding arrangements for occasional care should be maintained. Further consideration of the place of occasional care within the State's mix of provision could be deferred until a decision is made about whether to bring occasional care under the National Quality Standard.

Steps towards a new funding model

Modelling conducted for the Review shows that its funding proposals can work and are affordable for the State. The focus on broad impacts at the State level, however, meant that there was little scope or opportunity to unpack the full implications of the proposals at the individual service level. For the long day care sector particularly, modelling relied on a number of broad assumptions and averages that would not necessarily represent the experience of all centres.

Thus, while the Government might wish to endorse the recommended funding approach in principle, further modelling of its impacts will need to be done before it can be introduced. Such modelling would need to be based on actual, 'point-in-time' service-level data and would lead to estimates of the likely funding impact on each service. It could be used to construct a reckoner or interactive tool that services could use to work out their notional funding entitlement under the new system ahead of its full-scale introduction. The Review recommends that the Government immediately begin consultation with the sector and obtain access to the data that would enable this type of modelling and forecasting.

Recommendations

4. That, in line with NSW 2021 and the National Partnership on Early Childhood Education, the State's investment in ECEC be consolidated into a single strategy with the following hierarchy of policy objectives:

Primary Objective

All children have access to quality early childhood education in the year before school

Secondary Objective

across a range of settings, in a form that meets the needs of parents, and at a price that does not create a barrier to access

Tertiary Objective

for an average of 15 hours per week.

5. That the largest share of investment be directed to children in the year before school enrolled in early childhood education programs that offer:
 - a structured program of play-based learning, founded on the Early Years Learning Framework
 - planned and delivered by an early childhood teacher whose qualifications meet at least the standards required for the National Quality Framework; and
 - in settings that are regulated by the Department of Education and Communities under the National Quality Framework.
6. That the new child funding model be designed so that subsidies and incentives are aligned with the Government's policy objectives for early childhood education as identified in NSW 2021.
7. That families and children should benefit from the Government's investment in quality early childhood education programs regardless of whether they access a long day care or preschool service.
8. That access to early childhood education be promoted as an entitlement of NSW children backed by Government investment.
9. That, in return for subsidies, providers be required to deliver early childhood education programs at the quality, quantum and level of affordability expected by the NSW Government.

10. That, to make choosing an early childhood education service a simpler process and to promote greater transparency, the Government authorise a 'NSW registered quality early childhood education service' label which providers can use to promote their services.
11. That the funding model meet the full cost (or very near to the full cost) of early childhood education for all children from low-income families.
12. That the level of subsidy (for households not eligible for free or near to free early childhood education) is scaled as far as practicable to the individual circumstances of each household and that the scales relate to household circumstances at the smallest feasible geographical area for which household income can be aggregated.
13. That equity loadings be paid to support the participation of children who face significant educational disadvantage including:
 - Aboriginal and Torres Strait Islander children
 - Children from low-income families
 - Children with disabilities
 - Children with limited English, including refugee and recently arrived children.
14. That the funding model support access to preschools for children younger than the year prior to school (that is, 3 years of age on 31 July of year of enrolment) where these children face significant educational disadvantage and where their enrolment would not displace an older child who has not had access to ECE.
15. That the Supporting Children with Additional Needs and the early childhood component of the Intervention Support Program be immediately reviewed, with the aim of developing a coherent strategy for children with disabilities that includes the additional (per child) loadings for children with a disability and supporting the early childhood education workforce to build its expertise in the inclusion of children with additional needs.

5. Strengthening & Supporting ECEC in NSW

5.1 Commonwealth-State coordination

Under the National Partnership on Early Childhood Education all levels of Government have agreed to work together to achieve universal access. This involves working collaboratively with providers across the range of different early childhood education settings.³⁹ Part of the task involves addressing, as far as possible, areas of duplication and overlap that have developed across State and Commonwealth funding approaches.

“Having two separate funding regimes for early childhood education complicates Governments’ joint effort to achieve universal access”

The division of Commonwealth and State responsibilities means that service type (rather than service function) largely determines the funding. The Commonwealth is the primary funder of long day care and family day care, while the State has, for many years, provided the bulk of financial support for preschools. This situation makes sense from an historical and constitutional perspective but it causes difficulties and confusion for families and services.

Commonwealth and State Governments have worked together to develop a coherent and cohesive approach to quality in the sector, so that from 2012 common national quality standards apply to both preschools and long day care centres. There is a strong rationale for arguing that funding should follow a similar approach.

Key messages from consultations

Better alignment between State and Commonwealth funding responsibilities was a point made in numerous submissions. Many stakeholders saw merit in the creation of a single streamlined funding mechanism that could provide subsidies for all early childhood education services, regardless of service type.

“The framework should roll together all State and Commonwealth...funding into one pool... This would save on costs associated with program administration and reduce the regulatory burden on services. It would also promote greater equity in access to funding by service providers”

Many submissions identified the challenges associated with accessing funding for children with additional needs from multiple Commonwealth and State funding streams. The State’s SCAN and ISP and the Commonwealth’s Inclusion and Professional Support Program (IPSP) were mentioned by some respondents as examples of where better planning and coordination by Governments would lead to better outcomes for the children being supported.

“Funding for children with additional needs ... does not always support integration of the children in the way intended.... the fact that there are two separate processes for the same outcome, one Federal and one State, with two different sets of criteria and accountability processes is inefficient and time consuming”

Others raised the need to reduce the reporting burden associated with data collection requirements at the Commonwealth and State level.

“The Commonwealth and NSW could improve coordination and collaboration between the levels of government, between agencies at the same level, and between rule-makers and people subject to the rules, especially parents, children, service-providers and front-line NSW agency staff”

“Submissions advocated streamlining Commonwealth and State funding arrangements where possible”

Review’s conclusions

Ideally, all Australian governments would agree to a unified national model of investment in early childhood education and care that would consolidate subsidies provided via States and Territories with the Child Care Benefit and Child Care Rebate. This type of reform would remove the significant inequities and confusions that exist around how the system works. It would also mean that services could be shaped by the needs of families and children rather than by rules around the number of hours a day a provider opens its doors.⁴⁰

“Next steps should focus on establishing a competitively neutral operating environment for all service providers”

Even though the current National Partnership agreement is set to terminate in 2013, all levels of Government will need to ensure that at least existing levels of investment are maintained so that increased participation levels are sustained. Achieving a unified funding system could (and should) be a first-order priority for a new national agreement that encompasses both the universal access commitment and the National Quality Framework goal of lifting the quality of service provision through regulatory standards.

In the interim, the Review recognises the importance of long day care centres in delivering early childhood education and recommends extending base subsidies to these services, with an appropriate adjustment for level of support provided by the Commonwealth. Equally, the Review calls on the Commonwealth to review its funding streams, including Child Care Benefit and Child Care Rebate, to achieve better synergies, balance and efficiency with the State’s funding system. Where the policy objectives align, the Commonwealth should consider revising eligibility requirements to enable users of preschools to access funding.

Improved integration between the Commonwealth and State funding systems should establish a competitively-neutral operating environment for all service providers. This would ensure that no family is financially disadvantaged by the service type they choose and no viable service is financially disadvantaged by their operating model. Better integration would also allow centres to operate more flexibly, for example, acting as hubs for the delivery of a full range of early childhood services and programs including paediatric care, occupational therapy, family support and other social services.

A joint approach to funding children with additional needs should also be a priority in any future

national funding agreement. The concept of a 'one-stop-shop' for all additional needs funding designed in a way that could follow a child into the school system has merit. Funding for special needs support provided by other agencies in NSW, particularly the NSW Department of Ageing Disability and Home Care (ADHC) could form part of this equation.

A note on the 15 hours target

As noted above, the Review was unable to find research evidence that supports delivering a 'dose' of precisely 15 hours preschool. It recognises however that sustained, rather than sporadic, participation in ECE is necessary for children to reap the benefits. Further, the Review acknowledges that 15 hours is the target agreed to in the National Partnership. But the target causes difficulties for many NSW families and providers. Fifteen hours makes sense for services that open for 7.5 hours per day (as a number of preschools now do) but not for those that operate for 6 hours per day. In services that offer a traditional 9am-3pm program the target of 15 hours requires children to attend either 2.5 days each week or two days one week and three days the next. These patterns may work for some families, but they disrupt the rhythms and routines that many parents seek to build around their children's activities (such as rest times for younger children and picking up older children from school). They are highly unlikely to fit with paid employment.

The Review's recommendation that subsidies be available for enrolment patterns ranging from 12-18 hours per week, with an average of 15 hours, would accommodate a range of family needs and circumstances, converging on 15 hours. If such patterns are regarded as consistent with the aspiration for universal access, various possibilities arise, such as offering three days of preschool to disadvantaged children and two days to others. Alternatively, two days could be offered to 3 year olds in the equity target groups (where they do not displace older children) and three days to older children. The Review does not seek to be prescriptive about these arrangements, but rather to suggest the kinds of flexibility that would make sense for families and that might be considered by the Governments as realistic steps towards universal access.

Increasing research and streamlining data collection

With growing investment in ECEC by Australian governments and families, research, data collection and monitoring assume increasing significance. Such activities 'can be powerful levers to encourage quality in ECEC by establishing facts, trends and evidence about whether children have equitable access to high-quality ECEC'.⁴¹ NSW needs to improve data collection at the State level and to encourage systematic evaluation and research, including collaborative research with universities and independent researchers.

It is also important to streamline State and national data collection to reduce the reporting burden on service providers. At present, the Commonwealth's CCMS collects a large amount of data from long day care centres on an ongoing basis in support of its Child Care Benefit and Child Care Rebate programs, while the State collects service data annually from preschools and some other not-for-profit, centre-based services. Better integration of both data collection mechanisms would reduce duplication and double counting and help bridge the current data

gaps for the purpose of reporting against National Partnership outcomes.

The Review also sees potential for a unique child identifier to link early childhood education data systems for reporting and funding purposes. A system-wide identifier would help Government to understand, analyse, plan for and optimally fund the sector. The high degree of mobility of children across different types of services and the movement of the funding system towards a child-centred approach would strengthen the case for a unique identifier for each child. Such an identifier should be fully portable nationally and used for the Commonwealth Child Care Benefit and Child Care Rebate systems. The NSW Government could consider making the case for the development of an identifier at the national level, via the appropriate Ministerial Council.

Recommendations

16. That, in collaboration with other jurisdictions, the NSW Government negotiate with the Commonwealth on ways of streamlining and minimising the reporting burden on early childhood education services and that these negotiations include exploration of the potential of a unique child identifier to help Governments and other stakeholders to understand, analyse, plan for and optimally fund the sector.

5.2 Accountability

Early childhood education and care providers have multiple accountabilities. First and foremost they are accountable to parents. Parents have high expectations of what providers will ensure in terms of safety and care for their child, as well as how the provider will nurture and help their child learn, grow and develop.

As well, providers are accountable to Governments in two ways. First, governments hold services to account for their achievement of quality standards. Governments take on this role in part because many parents do not have access to the type and extent of information that would enable them to make an informed judgement about service quality.⁴² Second, Governments hold services to account for their use of public funding. With total national investment of around \$5.4 billion in 2010-11, the community as a whole has a significant stake in the outcomes and value-for-money being achieved by the sector.⁴³

“Providers are accountable to a wide range of stakeholders”

Services are also accountable to their ‘owners’ whether these are individual business owners, corporate entities, not-for-profit organisations or communities of interest. In the not-for-profit early childhood education sector, these are typically boards of management comprising the parents of children attending the service. The ethos of community ownership, widespread in the not-for-profit sector, reflects this deeply held notion.

From 1 January 2012 Governments are holding providers to account against the requirements of a new National Quality Framework. The Framework prescribes quality standards for

the day-to-day operation of services in areas such as child health and safety, educational programs and service management. Regulatory bodies in each jurisdiction are responsible for the ongoing monitoring and quality assurance of services against these standards. In NSW, DEC undertakes this role.

Where Governments subsidise providers, there are extra layers of accountability. In NSW, providers account for their use of funding through a detailed Service Agreement in the form of a contract covering the provider's obligations in areas such as asset management, record-keeping and staffing. The Agreement is supported by a Service Specification that maps numbers (and types) of children attending, number of days open and other quantitative information. Together these documents comprise a comprehensive, if complex, set of financial accountability measures.

Key messages from consultations

Submissions that addressed this issue argued that reporting and accountability requirements for the early childhood education sector should be appropriate to, and commensurate with, the level of funding. Stakeholders also noted that reporting on educational outcomes will occur through the assessment and ratings processes under the National Quality Framework and should not be duplicated by State funding accountability arrangements.

Review's conclusions

An approach seen by the Review as relevant to the early childhood education sector is that of State funding for non-government schools. These schools can access State funds once they have been registered by the Board of Studies NSW against quality standards. A separate (or parallel) system of contractual arrangements for funding exists only to the extent that schools must declare annually that the grants are being used for educational purposes and that enrolment figures given by the school are true and correct (this is because grants are calibrated according to the number of students).

Compliance is supported by a system of rolling, random audits of a set percentage of all schools. Those found to have provided false information can be penalised financially, with criminal prosecution of office-holders also a possibility.

As well, the school's auditor must sign for the fact that the grants for the previous year were spent for approved purposes. Auditors who knowingly make false declarations put their professional accreditation at risk.

The system has been operating for a number of years and is accepted and supported by the sector. It has clear advantages in terms of minimising red tape and administrative cost while at the same time being seen to protect the public interest.

This type of approach would be far less burdensome than the current framework of Service Specifications and Agreements. Aspects of service delivery that are dealt with in these

"The current system can be streamlined by using declarations followed up by sample audits"

documents are already covered by either the regulatory framework or other legislation, or could be highlighted in other ways, including possibly via additions to the annual service census.

A recipient of funding should be required to declare each year that the funding will be (and is being) applied towards the State's priorities for early childhood education; that information provided in the annual census of enrolments is true and correct; and that enrolment records and other critical data are kept up to date and are accessible. The declaration should be an annual process, ideally completed online as part of the census.

Supporting the declaration should be a set of funding rules published on the DEC website. The rules would constitute the essential terms and conditions under which all services access subsidies (for example, one of the rules would be that services are to reduce fees for low-income families). The declaration would assume that services have read the funding rules and agree to observe them.

For the declarations to be treated with the appropriate gravity, the Review recommends that compliance be checked systematically through a rolling program of annual, 'sample' audits of providers. The Review suggests that 2.5% of funded services should be subject to a formal audit process each year, with any general findings or lessons from the program disseminated back to the sector.

A number of submissions commented on the workload involved in having to report to two levels of Government in return for funding. The Review's thoughts on this issue and how it might be addressed are set out in Section 5.1, which discusses Commonwealth-State coordination.

Accountability to parents

To promote transparency and accountability to parents, the Review recommends that each service publish information about its fees, hours, enrolment policies and other details that would allow parents to make basic comparisons.

In Queensland, providers complete a form developed by the Department of Education and Training.⁴⁴ This requires information such as:

- Total daily rate
- Inclusions in the daily rate (e.g. sunscreen, food)
- Enrolment conditions (e.g. minimum enrolled hours or days)
- Additional fees or levies.

"All services should publish information about their fees and charges"

The forms are uploaded either to the service's own website or to that of their governing body so that they are readily accessible to parents.

The Review recommends that NSW providers be required to publish similar information. It suggests that DEC issue guidelines, or possibly a template, to guide providers. Publication of this information should be a precondition of access to State subsidies.

To promote transparency and accountability, Governments across Australia are increasingly making available comparative information about a range of essential community services. In the schools sector, the My School website includes standardised, comparable information about every school in Australia and its achievements. A similar site is planned for the health services sector. In early childhood, the My Child site has been established to provide key information about Child Care Benefit-Approved Services.

“Information on the My Child site could be expanded”

The Review considers that the site has potential to be expanded to include more information about all services, including their fees and possibly performance information. This potential is strengthened by the fact that all services are from 2012 subject to a single framework of quality standards. The Review recommends that the Government explore this possibility in consultation with the sector and with other Australian Governments, through the appropriate Ministerial Council.

Recommendations

17. That the current framework of Service Specifications and Service Agreements for individual early childhood education services be replaced by a simplified and streamlined annual certification process that defines the access and participation outcomes and quality benchmarks expected of all services, supported by a system of random service audits.
18. That all services in receipt of State funding for early childhood education publish details of their fees, charges and enrolment policies according to consistent guidelines or a template to be provided by the Department of Education and Communities.
19. That the NSW Government explore in concert with jurisdictions and the Commonwealth the possibility of expanding the My Child website to include key data about early childhood education services, commencing with fees and charges, in a way that allows for comparison between services.

5.3 Service viability

Many submissions to the Review from individual centres referred to their precarious financial position. Centres with small and/or fluctuating enrolments in particular said that revenue is a constant problem and called for additional funding to avert steep fee increases or even closure.

“Financial viability is an ongoing issue for many small providers”

One of the most important factors that will impact on the viability of individual providers in the future is sustained Commonwealth support after the National Partnership Agreement terminates in 2013. The gains in access and affordability that can be realised under the arrangements proposed by this Review would be jeopardised, or even reversed, if funding is not continued for NSW in some form beyond the Agreement. In addition to securing continued support from the Commonwealth, the NSW Government needs to increase

its own investment in early education.

The Review anticipates that the model it recommends and its supporting elements will help address the plight of some centres operating at the margins of viability, at least in the medium term.

The solutions recommended for centres in isolated areas or those catering for significant numbers of children with special needs will help place them on a surer and more stable financial footing.

5.4 Cluster Management

Another initiative with potential to support community managed services is consolidating (or clustering) the management of services. Clustering is encouraged in Victoria via the Kindergarten Cluster Management program introduced in 2003 in response to a review of the role, responsibilities and workload of committees of management, and the conditions and management of staff. Following a review of the scheme in 2008, new policies and guidelines came into effect.⁴⁵ In the Victorian scheme, cluster management organisations (which include community-based, not-for-profit organisations, church groups, community health services, family support agencies and kindergarten associations) provide:⁴⁶

- **Management and employment of staff** and all related activities such as recruitment and selection, salaries, tax, staff appraisals and professional development, management of staff and provision of pedagogical leadership
- **Compliance with licensing and funding requirements** and all related responsibilities. This includes becoming the licensee of the kindergarten locations, ensuring regulatory and funding requirements are met and liaising with officers from DEECD
- **Good governance arrangements** that provide efficient and professional leadership and management systems
- **Financial management** of individual kindergarten funds including the development of annual budgets and financial reporting
- **Strategic planning and implementation of key government initiatives** such as those under the national reform agenda. Kindergarten cluster managers are also responsible for linking kindergartens into Municipal Early Years Plans and other local early childhood networks and planning processes.⁴⁷

“Clustering of services has strengthened governance in Victoria”

The Victorian Government’s commitment to this model is reflected in funding. Cluster managers receive an annual indexed grant (currently around \$8,000) for each approved location included in the cluster. This is in addition to the grants each service receives. All newly-appointed cluster management organisations also receive a one-off grant and, when adding new locations, an additional payment of 15% of an annual cluster management grant. Further funding of \$1.8 million is being rolled-out for a range of other initiatives, such as development of an online policy bank.

Victoria has approximately 860 stand-alone services where kindergarten (preschool) is delivered – this is similar to the 787 community preschools in NSW. Approximately 640, or more than three quarters, of Victoria’s kindergartens are involved in cluster management arrangements. Most uptake of the model has been in rural areas, involving providers that were struggling with a burgeoning administrative workload and expanding responsibilities.

Key messages from consultations

“For small services, the training requirements of a committee and the turnover has meant that there is both the danger that compliance requirements are not met and an issue of wastage of existing resources”

Submissions expressed broad support for the introduction of cluster management in NSW. Stakeholders noted the mounting pressures on management committees in dealing with a range of matters including business planning, staffing, fundraising, enrolments, fee collection and marketing, some of which involve complex legal processes and/or carry major penalties.

Some submissions also pointed out that with frequent (often annual) turnover of management committee members, the burden of dealing with these matters inevitably falls on the service director, with a consequent impact on her time for engaging with children, families and staff.

While clustering is already occurring spontaneously in some locations, it was argued that Government funding and in-kind support could further improve service quality and viability.

Review’s conclusions

Cluster management should be explored as a way of improving governance and service quality, professional development and career pathways for staff. Its potential to improve service viability is less clear from the available evidence. The Victorian program relies on

significant and ongoing Government funding support, which may limit its usefulness as a way of making community based services more financially viable. Moreover, internal research by the former Department of Community Services (DoCS) has shown that the functions most amenable to cost-sharing in cluster-style arrangements would at best comprise around 25% of the average centre’s total costs. This suggests that ‘outsourcing’ support

functions to a cluster manager is unlikely to yield savings sufficient to make a critical difference to a centre’s financial position.

Further, while the program has had many positive outcomes in Victoria, some differences between the State environments need to be taken into account when considering a similar initiative in NSW.

First, local government plays a more prominent role in planning and delivering human services in Victoria than in NSW. Councils in Victoria make up approximately half of all kindergarten cluster managers. All clusters, regardless of their ownership, are required to be closely involved in the development and implementation of each council’s Municipal Early Years Plan, which is

“Cluster management has many benefits but will not necessarily make for viable services”

the main driver of planning, coordination and provision of early childhood services locally in Victoria.

Second, the distance between population centres is more significant in NSW than Victoria. Victoria's population is more evenly dispersed throughout its regional areas (and the State covers a smaller area overall), arguably making the task of mapping synergies across centres in some districts less of an issue.

For these reasons the Review recommends that cluster management be trialled in both metropolitan and regional areas initially. If appropriate, it could be scaled up following an independent evaluation that considers its impact on service quality, good governance and workforce capacity building. The program should be initiated on the basis of expressions of interest from consortia of service providers and/or peak organisations in areas where cluster arrangements have potential. Various cluster arrangements should be trialled and evaluated. These could range from provider amalgamation, through to fixed-term contracting of a cluster manager by the owning entity and/or consolidation of selected back-office and public interface activities.

Viability will always be an issue for some providers in the not-for-profit preschool sector; cluster management is not a simple solution to viability problems. For some services, the longer-term solution may involve increasing their hours of operation where the demand exists. This would pave the way for parents to access Commonwealth subsidies including Child Care Benefit and Child Care Rebate.

Longer hours might increase demand in some services that are currently running under capacity. More mothers of preschool children are now employed than ever before, and maternal labour force participation will continue to rise.⁴⁸ The changing landscape of work and family underpins the need to bring service characteristics into alignment with the realities of contemporary family life.

Recommendations

20. That, in view of its potential benefits for improved service quality, good governance and workforce capacity building, cluster management for not-for-profit providers in metropolitan and regional areas be trialled and evaluated in 2012/13, on the basis of expressions of interest from providers and peak groups.

5.5 Remote and rural provision

Achieving universal access in rural and remote areas has been a particular focus of the Review. In NSW the spread of children across different locations is quite uneven. Some 75% of children in the State live in metropolitan areas, mainly along the eastern seaboard, and most of the remainder live in provincial and remote areas. Less than 2% of children live in remote and very remote areas and these children are spread out over more than 50% of the State's land mass.⁴⁹

"Universal access means finding a solution for children living in the hardest to reach places"

Universal access means access for these 2%, just as much as for the other 98% and therefore rural and remote localities were the focus of the consultation forums and site visits held during the Review. The Review visited Wagga Wagga, Bourke, Cobar, Lismore and Griffith and heard from a range of service providers and organisations about the unique challenges they face.

There was an almost unanimous view in submissions and consultations that the issue of service viability in rural and remote areas deserves special attention as part of any new funding model. One small provider said:

"As a rural, remote preschool in a small country town we are seriously struggling to maintain a service for the preschool children in our community due to the financial costs incurred. From year to year we never know how many children we will have and with a transient population we never know from week to week which makes future planning very difficult. The ability to raise funds and fundraising opportunities are scarce."

The Review notes that while a range of costs are fixed and do not change with location (for example, learning resources and electricity) and rents can sometimes be cheaper outside the major cities, low population and consequent uneven utilisation rates increase overheads and reduce economies of scale. These factors are relevant to either a per service funding approach, where the base subsidy would need to be set high enough to take account for the differentials in operating costs, or a child-centred approach, where low participation rates would need to be offset by some type of loading.

"A service's financial viability can vary significantly depending on seasonal and generational changes in communities"

Key messages from consultations

Submissions expressed broad support for a funding model for rural and remote provision that is sensitive to the unique operating costs of service location.

"...it is our experience that the majority of services with less than 15 children are unable to deliver a quality service on a sustainable basis relying on RAM funding alone"

Inadequate transport and large travelling distances stood out as key issues for families trying to access early childhood education services in remote parts of the State. For families in these areas, access is more than just getting children through the door; it is getting them to the door in the first place.

“Transport and accessibility stood out as key issues in consultations with rural and remote communities

Submissions strongly supported more innovative solutions to early childhood education provision, for example sharing Government infrastructure and using schools as service hubs. In particular, many stakeholders supported stronger links with the school system.

Many submissions also raised the issue of inadequate access to support services, such as occupational therapists and speech therapists, for children with additional needs.

Review’s conclusions

Base funding

The Review acknowledges that circumstances can vary significantly from one rural and remote locality to another and these variations will complicate assumptions around operating costs, participation rates and other relevant factors in any base funding model. Whilst a child-centred model can go most of the way to ensuring there is flexibility to take account of individual service characteristics, the Review sees a clear need for ‘outlying’ areas to receive special consideration.

The Review therefore recommends that providers in these areas be given the opportunity to opt in to a 3-5 year contract based on negotiated ‘outputs’ such as levels of participation by children in equity target groups across a specified geographical area. Services participating in these arrangements would receive global funding, based on 3 to 5 year contracts attached to yearly business plans. A service delivery plan would build in flexibility from year to year around prospective utilisation and guarantee service outcomes.

To be eligible to participate in such arrangements, services would need to submit a business case outlining their need in relation to a set of established criteria. For example, in a rural locale with a number of small towns DEC would seek a proposal from a provider to ensure the participation target is achieved using a variety of service delivery models that might include preschool, mobile services, school-based services, long day care and outreach initiatives, including transport.

As the terms ‘rural’, ‘regional’, ‘remote’ and ‘country’ are interpreted differently in different settings, the Review recommends the adoption of the Accessibility Remoteness Index of Australia (ARIA) to classify services as rural or remote. ARIA gives accessibility/ remoteness values based on the road distance to the nearest town or service centre. ARIA is the measure used by the standing Council on School Education and Early Childhood (CSEEC) in relation to schooling.

The Review considers that services located in ‘very remote’, ‘remote’ or ‘outer provincial’ areas (as classified by ARIA) should be eligible for contract based funding. This would work in unison with any base funding. It would be targeted at services in the aforementioned areas, but could

“Where unique circumstances exist, tailoring the funding approach may be the best solution”

be applied to any service that has a participation gap. For example, new growth areas of the State where early childhood education services have yet to be established or metropolitan areas with high numbers of refugee children could also benefit from the service outcomes focus of this type of arrangement. Rather than leaving all such gaps to be filled by submissions, the Review recommends that DEC proactively use its own resources, supplemented by appropriate community advice, to determine where gaps exist. DEC could then initiate a tender process.

“Many schools have infrastructure to meet capacity gaps”

Closer integration with schools

“We believe the future for preschool growth is through partnership with schools. Utilising facilities on their land and becoming a feed directly into their school system”

The Review sees great potential in better utilising schools to target supply in remote areas. Schools are the hub of many small communities and, where early childhood education services are lacking in these locations, it may be possible for the local public school to bridge the capacity gap.

A number of options could be considered. For example, the current arrangement in some locations where not-for-profit providers or mobile preschool services are based at a school could be formalised and strengthened. Alternatively, where no early childhood education provider exists, a school could allow very small numbers of children into a combined early Stage One program.

Arrangements of this type have already been developed locally in some areas. To build on such initiatives, the Review recommends that DEC consult with service providers in outlying areas and explore further opportunities for collaboration. DEC should remove any administrative barriers to developing and sharing infrastructure. The participation of the non-government school sector in such initiatives should also be considered.

The Review sees similar opportunities around transport. The Government currently provides services such as the Private Vehicle Conveyance Scheme and the School Student Transport Scheme to help school-age children to get to school. It should consider extending access to these services to younger children to help them participate in early childhood education, especially when services are co-located with schools.

Recommendations

21. That organisations be contracted to support participation in early childhood education for children in remote communities and other areas of high unmet demand. Contracts should support service viability and be linked to the delivery of targets regarding access, cost and quality.
22. That the Department of Education and Communities, in collaboration with other Government agencies and non-government authorities, explore the potential of delivering early childhood services in remote areas, with schools functioning as service hubs, or in other ways that make best use of existing schools infrastructure.
23. That the NSW Government develop a scheme to address the transport issues faced by disadvantaged families and children with disabilities in accessing early childhood education.

5.6 Supporting a qualified and skilled workforce

Universal access to high quality early education and care requires a skilled, qualified and appropriately remunerated workforce.⁵⁰ Under the National Quality Standard (NQS), all long day care centres and preschools will be required to employ at least one early childhood qualified teacher by 2014 – an initiative that is supported by robust research evidence.⁵¹ All staff in long day care centres, preschools and family day care will have to hold or be working towards a formal qualification by this date. At least 50% of staff in long day care and preschools will be required to hold or be working towards a Diploma, and all others will need at least a Certificate III.

“Pay equity is a major issue in the sector”

Staff will not only be required to have higher qualifications, but the expectations placed on them by parents, communities and Governments will rise. Under the Early Years Learning Framework, for example, directors and teachers are expected to be pedagogical leaders who guide and organise their colleagues, build shared understandings about early childhood development, and encourage family and community participation. The importance of university-qualified teachers is supported by robust evidence. And it is not only teachers who are in the spotlight. All educators will be expected to understand child development, program planning, children’s health and safety and relationships with families.

Given these heightened expectations and the fact that, on average, ECEC workers are paid less than other workers,⁵² it is not surprising that pay and conditions accounted for a large number of submissions to the Review. Many of these focused on the salary gap between early childhood teachers employed in early childhood settings and similarly qualified staff in primary schools. They argued that preschools and long day care centres find it difficult to attract or to retain university-qualified early childhood teachers since people with these qualifications can earn significantly higher salaries in DEC preschools or in primary schools. Some services and peak bodies provided specific, compelling information on their struggle to attract and retain staff.

Others referred in general terms to a 'drift' of early childhood teachers into primary schools.

Data here present a mixed picture. DEC has an oversupply of early childhood qualified applicants for teaching positions and there are few opportunities for early childhood teachers to move into the school sector. On the other hand, as at mid-September 2011, almost 3,500 of the 34,000 individuals on the waiting-list for permanent employment as teachers in public schools held early childhood teaching qualifications.⁵³ This suggests a strong desire on the part of early childhood teachers to work in DEC school or preschool settings.

DEC provided data to the Review showing that NSW is not subject to the same pressures being faced by other jurisdictions in meeting its NQF obligations to ensure that centres have sufficient numbers of appropriately qualified staff.⁵⁴ NSW regulations have long required preschools and long day care centres licensed for 30 or more children to employ a teacher. The latest DEC projections suggest that the 2014 NQF target for the employment of qualified staff in smaller centres will be met.

The Review notes that these data apply to the State as a whole. It accepts that many services, particularly but not exclusively in rural and remote areas, experience difficulty in recruiting and retaining teachers. According to the Productivity Commission, the NQS requirements 'present a significant challenge to rural and remote areas, which already struggle to recruit and retain an ECEC workforce'.⁴⁹ A recent study conducted by the Western Research Institute on inland NSW bears this out:

Qualified [ECEC] staff [are] difficult to attract and retain because of poor conditions, and the inability of services to afford such staff. Additionally, a lack of access to affordable and suitable training and education in the research region hampered the ability of existing workers and local job seekers to develop skills.⁵⁶

The lack of sufficient staff to support the enrolment of Aboriginal and Torres Strait Islander children was also noted by the Productivity Commission and is also of concern to the Review.

The fact that the NSW Government has, in the past, allowed waivers (or 'interim approvals') for services that were unable to recruit qualified teachers, is further evidence of problems in recruiting and retaining staff. Interestingly, research into the waivers granted by the former Department of Community Services (DoCS) suggests that, at least in some circumstances, it is not the location of the service but some other feature, that makes it difficult to recruit teachers. A review of services that had been granted waivers in NSW in 2004 showed that, regardless of location, it was more difficult for private, for-profit services to recruit and retain qualified teachers. Such services were markedly over-represented among those granted interim approvals by DoCS. While 52% of the services that were required to employ early childhood teachers at the time were privately owned, such services represented 80% of those that requested and were granted interim approvals by the State Government. In all regions of the State, including those with high numbers of interim approvals, some services were able to attract and retain more teachers than required by the regulations.⁵⁷

"The Review's preferred funding model allows for future wage rises"

Regardless of which parts of the State or the sector early childhood teachers choose to work in, there is no disputing the injustice of the current pay disparities. The Review also notes the recommendation of the Productivity Commission that ‘community and privately managed preschools in NSW will...need to offer competitive salaries and conditions for their teachers ...’⁵⁸

Strong campaigns for improved wages and conditions are underway in the sector and pay increases are both appropriate and likely to occur, especially in the context of the COAG agenda around quality and universal access. As the Productivity Commission notes, Governments will not be able to achieve their objectives in relation to early childhood unless they can attract sufficient staff with relevant qualifications. ‘To entice sufficient additional and existing workers to obtain the requisite qualifications and enter or remain in the ECEC workforce, wages will need to rise.’⁵⁹

Frustration about the pay issue was expressed in the majority of submissions that addressed this issue and was the theme of almost every statement from individual teachers. The Review acknowledges the strength of feeling about the issue and strongly supports the principle that individuals who perform the same type of work in similar settings should be remunerated at comparable rates.

While the recommendation of a particular approach to wage policy in the sector is outside the Review’s brief, the nexus its preferred model establishes between operating costs and subsidy rates would assist in accommodating future wage increases. By scaling the base subsidy against operating costs (the major component of which will always be staff salaries), the preferred model would help to ensure that subsidies take account of movements in wages. It remains a matter for negotiation between services and their workforces as to how and when these increases would occur.

Support for the upgrading of qualifications

As noted at the start of this section, the Review recognises that access to high quality early education depends on the availability of appropriately qualified staff. Active measures are needed to support this. Accordingly, the Review recommends two initiatives to support the upgrading of qualifications.

(i) A bridging program for primary trained teachers

In Queensland, the Child Studies Bridging Program assists teachers who are trained and qualified to teach in primary schools to gain additional qualifications that will allow them to teach in early childhood settings.

The Review recommends the NSW Government explore a similar program, enabling primary-qualified teachers to gain an additional Diploma level qualification that would equip them to work in early childhood settings. Such a course could be offered in distance mode, with costs supported by DEC. The development of such a program would need to be undertaken in close consultation with the sector.

“Bridging programs and scholarships may help to boost numbers of qualified staff”

(ii) A pathway to enable staff to upgrade from Certificate or

Diploma to a Degree

The Review also recommends a program of career path scholarships, which would enable a fixed number of those who hold Certificate or Diploma-level qualifications in early childhood education and who are employed in the sector to upgrade to a Bachelor Degree qualification. This program would segue from the current New Skills: Quality Care initiative, which provides support for uncredentialed staff in the sector to gain qualifications up to Diploma level. It would be targeted to staff working in disadvantaged areas and regions that have an undersupply of qualified staff. Successful applicants could have course costs offset by the State.

The Review has also identified an area for further investigation, which is to leverage the opportunities presented by the range of other national and State agencies that have an interest in the development of a professional and recognised early childhood education and care workforce. These include the Australian Institute for Teaching and School Leadership, the Australian Children's Education and Care Quality Authority and the NSW Institute of Teachers. Collaboration between these agencies and DEC has the potential to ensure that the best frameworks are in place to encourage early childhood teachers into the sector, recognise their quality and affirm their professional status.

Recommendations

24. That the NSW Government support a more qualified early childhood education workforce through:
 - a. A program whereby the tuition costs of primary qualified teachers working towards early childhood education qualifications are subsidised by the State
 - a. A program where a fixed quota of educators employed in the early childhood sector with Certificate or Diploma level qualifications are subsidised towards attainment of a Bachelor Degree.
25. That the NSW Government collaborate with the NSW Institute of Teachers, Australian Institute of Teaching and School Leadership and the Australian Children's Education and Care Quality Authority to encourage the supply of suitably qualified early childhood teachers.

5.7 Department of Education and Communities preschools

The Review's remit included consideration of preschools directly operated by DEC. DEC operates 133 preschool classes in 100 government schools. Eleven of these schools have preschool classes specifically for Aboriginal and Torres Strait Islander children and a further 13 schools in Aboriginal and Torres Strait Islander communities have preschool classes.

Few submissions made reference to the continued presence of DEC as a provider of preschools or to the new fee policy in DEC preschools, which attracted controversy in 2011. The aspect of DEC's operation of preschools most commented upon by stakeholders was the salary difference between teachers employed in DEC preschools compared with other providers. Submissions that commented on the fee policy emphasised concern about disadvantaged families.

The Review notes that, under the fee policy announced in 2011, free or low-cost access to DEC preschools will be extended to low-income families, families at preschools in disadvantaged areas, and Aboriginal and Torres Strait Islander families. The Review notes, as well, that linking fees to a family's capacity to pay is consistent with its recommended funding model.

"DEC needs to consider how best to target its future provision of preschool education"

The Review supports a continuing role for DEC in providing early childhood education in areas of high need. There is a clear case for schools continuing to provide a focal-point for the engagement of families in early childhood education in disadvantaged areas. Locating preschools alongside or within schools in these areas has many benefits, not only for more effective child transitions into school, but for the whole school and wider community.

The Review recommends that, in the longer term, DEC refocus its provision of preschools on these areas, but with a full exploration of the actual costs of these services as a first step. Within the time available and with existing data, the Review was unable to conduct this type of analysis. A clear understanding of the actual costs of DEC preschools is essential in order to enable DEC and the NSW Government to make informed decisions about how these services might best contribute to the State's early childhood education sector.

Recommendations

26. That the Department of Education and Communities conduct an analysis of the cost of its preschool provision, and consider refocusing its effort on meeting needs in the most disadvantaged communities

5.8 Capital funding

The majority of submissions from peak groups called for the establishment of a capital funding program. Many services struggle to meet their capital needs and finding the money for building improvements or renovations adds pressure to an already tight financial situation.

“Funding for capital needs to contribute to broadening access and participation”

The Review was not able to model or forecast the extent of these needs within the time available but recommends that capital funding be made available to areas where there is a shortage of places for the target groups and where services can demonstrate that capital funding would be instrumental in addressing these shortages. The program should run until there are sufficient places

to meet demand.

The parameters for a program of this type would need to be determined by Government in the context of its overall budget priorities and in light of evidence about the extent of likely demand.

The Government could also consider making representations to the Commonwealth to make contributions to not-for-profit early childhood education providers tax deductible, in the same way as donations by parents or others to non-government school building funds are tax deductible. The Review acknowledges that this type of measure would be marginal in its effect but that it could make a difference for some services.

Finally, many submissions called for capital funding to be made available for refurbishments. However, with reference to the priorities for funding, the Review is not able to support this. Funding needs to be concentrated on increasing access and participation ahead of renewal of existing provision. The Government may wish to consider revisiting the issue of providing funding for refurbishments once the participation and access targets are achieved.

The Review recommends that capital funding to support the early learning needs of children with disabilities is maintained.

5.9 Transition to School

The location of responsibility for early childhood education and care within the Department of Education and Communities has been widely welcomed by the sector. This is a move that occurred in almost all other Australian jurisdictions and is widespread internationally. It presents an excellent opportunity to strengthen the links between schools and early childhood settings and to build understanding of the role played by ECE in establishing the foundations of learning.

The Review’s recommendations regarding schools as service hubs would be one way to do this. Another way would be for DEC to encourage the preparation of ‘transition statements’. In Victoria, families and early childhood educators are encouraged to develop a ‘transition statement’ in order to share information about the child as he or she moves into formal schooling.⁶⁰ The statement summarises the child’s strengths, interests and approach to learning

and suggests ways they can be supported. The statement is informed by the outcomes for children identified in the Victorian Early Years Learning and Development Framework and is linked to other initiatives such as Victoria's 'Sharing Our Journey' process for children with a severe disability. The statement can be illustrated in ways chosen by the child, the family and the teacher (e.g. anecdotes, drawings, stories). In addition to information about learning and development, families of children with a disability or other additional learning and development needs are encouraged to record information about services that the child and family have accessed prior to school or any other important information the school should know.

The transition statement is not a check-list about 'school readiness' and does not replace the assessments of children that may take place at the start of formal schooling (e.g. assessments of language development or mathematical thinking). It is jointly developed by the family and the educator, but the decision about whether to forward it to the school is a decision for families. The Review recommends that a similar statement be introduced in NSW as a means of supporting children's transition to school and strengthening links between schools and early childhood services.

Recommendations

27. That a capital funding program be established for not-for-profit services operating in areas where there is a shortage of places for children in the year prior to school, where the market has not responded, and where the eligible providers are able to demonstrate that capital funding would be instrumental in addressing these shortages. The program should operate until sufficient early childhood education places are made available to meet demand and ensure achievement of the State's participation targets.
28. That the NSW Government make representations to the Commonwealth regarding tax deductibility of donations to early childhood education and care services.
29. That the Department of Education and Communities pilot a strengths-based transition to school statement based on the principles embodied in the Early Years Learning Framework in order to improve communication between families, early childhood settings and schools and to enhance this important transition for children their families and educators.

5.10 Consultation

Peak groups argued strongly for further consultation before any new funding approach is implemented. The Review recommends the establishment of a standing consultative forum that can reflect and relay the views of the sector, and participate in deliberations about directions in the sector – not only on matters arising from the Review and implementation of the National Quality Framework but on issues in early childhood generally. The first meeting of the forum could be convened once the Government signals its intentions in response to the Review.

The forum could:

- act as an advisory group to the Minister on policy issues affecting the early childhood education sector

"A standing consultative forum would contribute to better policy and engage the sector"

- promote and facilitate the sharing of information between the Government and the early childhood education community;
- help to overcome perceived barriers to effective communication between the sector and Government and between the sector and DEC.

A standing forum could also discuss issues in early childhood education that relate to the State's funding agreements with the Commonwealth, as well as provide advice for the Minister for Education's input at national plenary meetings where early childhood education matters are raised, including discussions towards the development of a new national early childhood education funding agreement.

Recommendation

30. That the Department of Education and Communities establish a standing consultative forum comprising key stakeholders in the sector to advise the Department and the Minister for Education on matters relating to the early childhood education and care sector.

6. Appendices

Appendix 1 - Terms of Reference

The funding review will provide recommendations to:

- Support all children in NSW 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.

Element One

Analyse and compare international and Australian early childhood education and care funding arrangements.

Assess current access and participation rates in NSW 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.

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 NSW. 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 Plan
- 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.

Appendix 2 - Recommendations mapped to Terms of Reference

Rec	Term of Reference		
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Appendix 3 - List of submissions and consultations

Consultation

Consultation Forums were held on 5 and 6 September 2011 at the Department of Education and Communities, Bridge Street, Sydney. The Review made regional visits to Wagga Wagga, Bourke, Cobar, Lismore and Griffith throughout September and October 2011.

Peak Organisations

1. Aboriginal Early Childhood Support and Learning
2. Anglicare – Vacation Care
3. Association of Independent Schools NSW
4. Australian Community Children’s Services
5. Care West – Central and Western NSW SCAN provider
6. Catholic Education Commission NSW
7. Child Care NSW
8. Community Child Care Co-Operative NSW
9. Community Connections Solutions Australia
10. Contact Inc.
11. Ethnic Child Care Family and Community Services
12. Federation of Parents and Citizens’ Association of NSW
13. Gowrie NSW
14. Isolated Children’s Parents Association NSW
15. Independent Education Union
16. Inverell Disability Services – New England region SCAN provider
17. KU Children’s Services – Northern Sydney SCAN provider
18. Learning Links
19. Mobile Children’s Services Association of NSW
20. NifTey NSW
21. NSW Children’s Services Forum
22. NSW Family Day Care Association Inc.
23. NSW Primary Principals’ Association
24. NSW Teachers Federation
25. Occasional Child Care Association NSW
26. Royal Institute for Deaf and Blind
27. Tonia Godhard, ACECQA Board member (personal submission)
28. Toy Library Resource Centre & EC Intervention Service

Service Providers and Directors' Groups

29. Albury and District Preschool Partnering Group
30. Care West
31. Department of Education and Communities
32. Galloping Gumnut Mobile Children's Services
33. Good Start Early Learning
34. Greater Hume Shire
35. Illawarra Area Child Care
36. KU Children's Services
37. Ku-ring-gai Children's Services Interagency Network
38. New England Regional Group
39. North Coast Region
40. Penrith City Children's Services Cooperative
41. SDN Children's Services
42. St George Area Community Preschools
43. Sutherland Shire Preschools
44. The Benevolent Society
45. Uniting Care Children's Services

Services

46. Alstonville Baptist Community Preschool
47. Belmont North Preschool
48. Berkeley Vale Preschool Kindergarten
49. Bermagui Pre School Co-operative
50. Birrahlee Lane Cove Kindergarten
51. Blue Mountains Steiner School
52. Braidwood Preschool
53. Bundanoon Preschool
54. Cabarita Mortlake Kindy
55. Cawongla Playhouse Inc.
56. Channon's Children's Centre
57. Collaroy Plateau Community Kindergarten
58. Coolamon Preschool
59. Crescent Head Community Preschool
60. Dubbo & District Preschool
61. Dunedoo Preschool Kindergarten Inc.
62. Glenbrook Preschool, Glenbrook
63. Gunning Early Learning Centre

64. Hills Montessori, West Pennant Hills
65. Holbrook Early Learning Centre Inc.
66. Holy Trinity pre school
67. Jindera Preschool Assoc. Inc.
68. Jindera Preschool's Committee of Management
69. Khancoban and District Children's Resource Centre
70. Kindilan Early Childhood Centre
71. Kurri Kurri and District Preschool
72. Lightning Ridge Preschool Centre
73. Little Y's Preschool, Bankstown City, YMCA – Centre Manager
74. Little Y's Preschool, Bankstown City, YMCA – Parent Committee
75. Manilla Community Preschool
76. Northern Roads Activity Van
77. Singleton Heights Preschool Inc.
78. St Joseph's Family Services
79. St Peters Community Preschool
80. St Stephens Preschool, Normanhurst
81. Villawood East Public School Preschool
82. Wakool Pre School
83. West Bathurst Preschool

Individuals

- | | | |
|------------------------|-------------------------------------|-----------------------------|
| 84. Alexandra Reeks | 85. Alison Brian | 86. Allison Blakeney |
| 87. Amanda Parrinelli | 88. Amy Barron | 89. Anna Webb |
| 90. Antonell Panuccio | 91. Ashleigh Conn | 92. Averil Broderick |
| 93. Belinda Crothers | 94. Belinda Handley | 95. Belinda Hassarati |
| 96. Beryl Cappello | 97. Breana Matthews | 98. Carly Lloyd |
| 99. Caryn Maher | 100. Catherine Rivett | 101. Catherine Wall |
| 102. Cathy Burton | 103. Cathy Witmore | 104. Christine Knox |
| 105. Deni Harden | 106. Dianne Miller | 107. Dianne Minnet |
| 108. Doreen Levensmith | 109. Doreen Smith | 110. Edward & Kerrie Osborn |
| 111. Elyse McNamara | 112. Fasha Steen | 113. Fiona Harvey |
| 114. Georgia Frantzis | 115. Graeme & Cheryl Collison-Smith | |
| 116. Harriet Hill | 117. Hayley D'Ettorre | 118. Heather Sinclair |

119.	Helen Douglas	120.	Helena Hogan	121.	Jacky Angelovska
122.	Jan Elder	123.	Jane Courtney	124.	Janet Jensen
125.	Jenelle Williams	126.	Jeni Hind	127.	Jenny Nicholson
128.	Jenny Ruming	129.	Jessica Chandler	130.	Jillian Bowles
131.	Jo Barton	132.	Joan Clarke	133.	Jodie Lovel
134.	Jody Baird	135.	John Loadsman	136.	Joy Leach
137.	Julia Cameron	138.	Julie Collins	139.	Julie Creasey
140.	Julie Jenkinson	141.	Julie Thompson	142.	Karen Collins
143.	Karen Currie	144.	Karen McIlveen	145.	Karen Rose
146.	Kate Brakel	147.	Kate Ellevsen	148.	Kate Favorito
149.	Keiran Castle	150.	Kerry Ellbourn	151.	Kerry Thomas
152.	Kim Anderson	153.	Kim Henry	154.	Kim Horner
155.	Kim Moroney	156.	Kris McLennan	157.	Kylie Clewett
158.	Kylie Kirrage	159.	Kylie Nunan (<i>Toronto Child Care-Centre</i>)		
160.	Kylie Nunan (<i>Salamanda Child Care Centre</i>)			161.	Kylie Thomas
162.	Leanne McKay	163.	Leanne Watterson	164.	Linda Miller
165.	Lisa Jeffery	166.	Lynette Funnell	167.	Mandy Moore
168.	Margaret Driscoll	169.	Margy Maycock	170.	Maria James
171.	Maria Whitcher	172.	Marie Jacobsen	173.	Maxine Smith
174.	Michelle Butler	175.	Michelle King	t176.	Michelle Lechowski
177.	Michelle Munro	178.	Nicole-Brooke Dean	179.	Olivia McFarlane
180.	Olivia-Rose Pepper	181.	Pauline Pryor	182.	Rebecca Hart
183.	Rebecca Moyes	184.	Renee Smyth	185.	Rod & Belinda Vogels
186.	Sally Beesley	187.	Sharron Ribeiro	188.	Shirley Meares
189.	Sue Gration	190.	Susan Sorensen	191.	Suzanne Kowalski-Roth
192.	Tracie Wallace	193.	Heidi Wiedner	194.	Trisha DaRos
195.	Veronica	196.	Vicki Beasley	197.	Yukiko Moyle

Appendix Four - Early childhood funding arrangements in comparable jurisdictions

Queensland

ECE sector characteristics

Early childhood education (referred to as 'kindergarten') provision is a mixed model, including community-based kindergarten, non-state school providers and long day care services. There are also a small number of services run in state schools in remote Aboriginal and Torres Strait Islander communities.

The age cohort for services in receipt of funding programs are children who are at least 4 years old by 30 June in the year they participate in a kindergarten program. This allows for delayed entry and/or exit from a kindergarten program.

All recurrent kindergarten funding is administered through the Queensland Kindergarten Funding Scheme. The Government establishes service agreements directly with long day care services and through block grants to organisations referred to as a Central Governing Bodies (CGBs). Kindergarten services must be a member of a CGB to access funding.

Total funding

For 2011/12, the State government is spending \$91 million on kindergarten provision.

Base funding

1. *What is the model?*

A standard subsidy rate is provided to non-Child Care Benefit (CCB) approved kindergarten services per eligible child enrolled – \$2,250 per annum. A different standard subsidy rate is provided to long day care centres that have access to CCB, but are "approved" kindergarten services – \$1,286 per annum.

A funding guarantee is available for the community preschool sector (referred to as 'legacy preschools'). In these cases, the minimum funding assistance is a proportion of staff costs (80%) for a fixed number of hours per week. To ensure these services eventually transition to the standard subsidy model, indexation is to be frozen post 2014.

2. *What is being purchased?*

The subsidy rate is only available to each "kindy-age" child enrolled in a kindergarten program. In addition, a provider also has to be "approved as a kindergarten provider". The application criteria are linked to definitions of universal access as outlined in the National Partnership, including:

- the offer of a learning program that is offered for a least 15 hours per week, 40 weeks per year
- delivery by four year qualified teachers (and meets national regulation ratios); and
- proof that the fee structure is not a barrier to access.

Other funding

Funding is provided to upgrade workforce qualifications. This includes *Early Childhood Teacher Scholarships* where funding is provided for the payment of course fees and the study allowance of upgrading from a 3 year qualification to a 4 year qualification. *The Early Childhood Bridging Program* waives tuition fees to enable qualified primary teachers to work as early childhood teachers in licensed early childhood services.

\$321 million is also being invested by the Government to establish up to 240 extra kindergarten services in areas of need by 2014.

Treatment of equity groups

Equity funding loadings are delivered as a percentage of the standard subsidy rate.

- services operating in a “remote area” (ARIA 4 or 5) attract a 50 per cent loading to attract/retain teachers
- services operating in bottom 20% of a Statistical Local Area as determined by Socio-Economic Indexes for Areas (SEIFA) attract a 25% loading to offset fees.

In addition, holding a Health Care Card is used to attract a subsidy for low income families on a per child basis, to offset fees.

In 2011, additional funding was provided on top of existing allocations to help services meet cost of staff and resources to deliver early childhood education to children with a disability.

Links to fee relief

To be approved as a “kindergarten provider” a provider must provide evidence of how their fee structure is not a barrier to access as part of their application. Providers are also required to publish their fee structures online using a department developed template.

Low SES funding loadings are provided for the purpose of bringing down fees for parents.

Features of possible interest to NSW

- Outsourced management of funding administration
- Funding guarantee for community preschools
- Linkage between equity loadings and fee relief.

Victoria

ECE sector characteristics

Early childhood education (referred to as 'kindergarten') programs are delivered across a range of community, commercial and school settings (State, Catholic and Independent) for children in the year prior to school (typically 4 years old).

Total funding

In 2011/12, the State Government is spending \$101 million on early childhood education.

Base funding

1. *What is the model?*

Per capita funding grants are provided to kindergarten services, including long day care centres with kindergarten programs, under 3-year service agreements. The per capita grants vary according to each service's enrolment numbers and its remoteness.

2. *What is being purchased?*

Funding is provided for children to access a kindergarten program in the year before school entry (turned 4 by 30 April), for at least 10.75 hours per week. 10.75 hours is the number of hours an ECT teacher can be in front of children allowing for entitlements in their industrial award.

No child can access the funding more than once (services have an obligation to ascertain whether a child is accessing another service). Services must also maintain a required minimum number of enrolments. For example, to be eligible for the standard rate a non-rural kindergarten service must have 20 enrolments and a long day care centre must have a minimum of 1 enrolment.

Other funding

Cluster Management Grants are available to services that join "cluster" organisations with similar services. The Government provides \$7,902 per annum in recurrent funding for each location belonging to a cluster. Additional one-off grants of \$5,000 are provided to new cluster management organisations upon establishment.

Early Childhood Teacher Supplements are paid to services for each child taught by a qualified teacher. This is provided as an annual lump sum payment to the service. The standard rate is \$310 per eligible child taught by an eligible teacher. There are higher rates for rural and small rural services. Independent schools are not eligible.

Other service-based funding includes *Travel Allowances* to assist rural regions attract qualified teachers and *Parental Leave Reimbursement Payments* for early childhood teachers of up to 14 weeks.

Children's Capital Grants Program provides funding to enable kindergartens to increase infrastructure capacity to deliver 15 hours per week.

Free payroll services and IT infrastructure are also available to kindergarten services.

Treatment of equity groups

A standard *Fee Relief Subsidy* of \$872 (or \$205 per term) is provided to all services that operate a kindergarten program on behalf of eligible disadvantaged families to reduce fees for 10 hours per week. The criteria for eligibility include Aboriginal and Torres Strait Islander, Commonwealth Health Care Card holders and asylum seekers. To be eligible for the subsidy, providers are obligated to charge no fees for the children participating in these programs.

Rural and remoteness loadings are built in to the standard subsidy rates and vary according to service size (as determined by enrolments) and whether or not the service is the only service in the location.

Early Start Kindergarten Initiatives provides an additional funded year of 10.75 hours per week preschool for 3 year old Aboriginal and Torres Strait Islander children who do not have access to the Commonwealth Child Care Benefit for the time spent in a kindergarten program. The standard grant is \$2,809 per annum (higher for rural and small rural). If the service offers a program for less than 10.75 hours per week the grant is reduced accordingly.

Three year old children known to Child Protection are also eligible for an additional year of up to 10.75 hours per week. The standard per capita rate is \$702. Funding is also provided to municipalities known as "partnership areas" to trial best practice in engaging child protection children. Administrative grants are provided for non-partnership areas (\$1,000 per service).

Children with severe disabilities can access funding under the *Kindergarten Inclusion Support Package*, jointly funded by the Commonwealth and Victorian Governments. The Preschool Field Officer Program provides consultancy support to services for children with additional needs.

Affordability/fee relief measures

The fee relief subsidy is provided to target disadvantaged cohorts of children to directly bring down the cost of 10.75 hours preschool per week. Providers are also required to have in place a comprehensive fee policy that balances the capacity of parents to pay, provision of high quality services and financial viability.

Features of possible interest to NSW

- per capita funding only accessible once for each child in the same year
- no funding beyond minimum 'dose' i.e 10.75 hours (ATSI, at-risk children excepted)
- cluster management program.

South Australia

ECE sector characteristics

State schools are the main early childhood education providers, operating around 388 preschools. Around a third of the government preschools deliver 15 hours per week, and the rest are converting to this model. The non-government sector has around 12% share of early childhood education market.

Total funding

The 2011/12 budget net cost (excluding income from all NPs) but including all other operational costs and grants for preschool services is \$93.3 million.

Base funding

1. *What is the model?*

Funding payments are made direct to State schools to meet the costs of preschool staffing entitlements, operating costs plus an allocation of special purpose grants. Under the National Partnership these payments increased 20% to meet the '15 hour' target. State schools may charge fees and may increase this charge to recognise increase in service provision. Fees in State preschools average \$5 per week.

Payments to non-government providers are based on a per child base rate linked to 5 levels of Local Government Area (LGA) ranging between \$1,000 and \$2,000.

To be eligible for payments the provider must employ four year degree qualified (or approved equivalent) early childhood teacher/s, provide each enrolled child at least 15 hours per week early childhood education and ensure there is no double dipping.

2. *What is being purchased?*

Subsidies are for 4 year olds for one year prior to school only, except that State preschools can enrol 3 year old Aboriginal children or children subject to a guardianship order and be funded for an additional year at 12 hours per week. The subsidy rate levels are set at a level high enough to cover the pay gap between an EC teacher and a primary school teacher.

Other funding

Payments are available to a wide range of non-government providers including schools and commercial long day care.

Capital funding is available for State preschools but not for the non-government sector.

Treatment of equity groups

Aboriginal children and children in guardianship arrangements can access two years (1,080 hours) early childhood education in government preschools prior to school. These children, plus low-income and refugee children benefit from per child loadings – \$500 for services in remote communities and \$1,500 for ATSI and low-income and refugee children.

South Australia's Department of Education and Children's Services is developing a disability subsidy model.

Affordability/ fee relief measures

No explicit link to fee relief in funding model, and no clear means of monitoring. In practice, the average out of pocket expense for parents ranges from \$5 per week in a government preschool to \$18 per week in 'private' preschools.

Features of possible interest to NSW

- new data collection method under development, which may link in with Commonwealth Child Care Management System
- non-government funding is a simpler version of the NSW Preschool Investment Reform Program per child funding model
- no per child disability subsidy at present, but this is being developed
- each child can only get one dose of 600 hours in year prior to school, unless in Aboriginal or guardianship priority groups
- non-government funding must be used to reduce fees
- refugee loading in preference to CALD
- unique identifier for double counting – currently just in DEC funded preschools, however, will roll out to whole sector by later next year.

New Zealand

ECE sector characteristics

For the purposes of funding early childhood education, services are classified as either 'teacher-led' or 'parent-led'. 'Teacher-led' services are where the person responsible is a registered teacher. This includes kindergartens, home-based education and care and hospital services. 'Teacher-led' services are a mix of private and community-owned. 'Parent-led' services include licensed play-centres that provide education and care for children less than six years of age.

The New Zealand Government has committed to providing 20 hours per week universal access for all 3, 4 and 5 year olds.

Total funding

The Ministry of Education budget for early childhood education in 2011 is \$1.4 billion.

Base funding

1. *What is the model?*

The *Early Childhood Education Funding Subsidy* is paid to all licensed early childhood education services to contribute to a service's operating costs. Funding is provided as a proportion of per child, per hour cost to deliver an early childhood education program. Amount of subsidy is dependent on the number of hours children attend, the ages of the children, the number of registered teacher to regulated staff hours, and the type and standard of the service (i.e. either teacher-led or parent-led). Higher rates are also payable if the service provides 20 hours fee-free preschool per week.

2. *What is being purchased?*

Services are eligible to claim the subsidy for children less than 6 years old, to a maximum of 6 hours, per child place per day, up to 30 hours per child place per week (over 7 days). Funding cannot be claimed by two services for the same hours of attendance or for hours of a booking when the child does not attend.

Other funding

Support Grant for Provisionally Registered Teachers is paid to eligible services to support the costs of teachers proceeding from provisional to full early childhood teacher qualified registration. Approved uses of the grant include professional learning and development opportunities for the provisional teachers.

Targeted Assistance for Participation Scheme provides \$15.5 million per annum in assistance, incentives and small grants to establish new child care places in areas of low participation.

Treatment of equity groups

Equity loadings are provided in addition to operational funding for language and culture other than English, isolation, low SES and special needs and non-English speaking backgrounds, however at nominal rates. The highest loading (for low SES) is worth \$0.42 per child per hour.

As with the ECE Funding Subsidy, equity funding cannot exceed six hours per child place per day or 30 hours maximum per week. Services are also required to report to parents and the community, including how much was received and the purpose to which the funding was applied.

There is also annual top-up funding available for small isolated services that receive less than \$20,000 per annum overall in ECE funding.

Affordability/fee relief measures

The *20 Hours Early Childhood Education* is a higher base rate of funding to enable services to provide early childhood education to 3, 4 and 5 year olds for up to a maximum of 6 hours per day for 20 hours per week per child without charging fees. Parents may be charged fees outside the 20 hours.

Features of possible Interest to NSW

- Higher per capita rates payable depending on percentages of staff with qualifications
- Higher per capita rates (almost doubles) if service provides 20 hours fee free.

Sweden

ECE sector characteristics

Under Sweden's Education Act, children are entitled to 15 hours per week free preschool (524 hours per year) from the autumn term of the year they turn three until they start school. For most children, this amounts to three years of free preschool. Modest fees apply for any additional hours of care and education required by children whose parents are working or studying.

Families requiring additional hours are charged a maximum of 3, 2, or 1 per cent of the combined household income for the household's first, second and third child respectively. Fees are capped at approximately SEK1260 (\$180) per month for the first child; SEK 840 (\$120) for the second and SEK 420 (\$60) for the third child.

Children with special needs have the right to full day preschool regardless of whether their parents are working or studying.

Total funding

Total expenditure on children's services in 2010 was SEK 53,400,000,000 (approximately \$7.6 billion). Sweden's population is approximately 9 million, Australia's is 22 million.

Base funding

1. *What is the model?*

Municipalities fund both public (municipality run) and private services (the latter can be either run as co-operatives or private, for-profit) and are responsible for ensuring they meet the regulation set out in the Education Act. Most children attend public preschools. Around 8 per cent attend 'for profit' preschools and 11 per cent attend private, not-for-profit centres.

Both commercial and public preschools are funded equally on a voucher basis. Per child fee relief subsidies are provided to all children (1-6) based on a capped fee scheme. Families are charged a maximum of 3, 2, or 1 per cent of the combined household income for the household's first, second and third child respectively. Fees cannot exceed a maximum capped rate.

Municipalities are also required to provide free preschool for all 3, 4 and 5 year old children for at least 525 hours a year starting from the autumn term in the year the child turns 3 (this generally amounts to three years of free preschool).

3. What is being purchased?

Free preschool for 524 hours is available from the autumn term in the year in which the child turns 3 and continues until the start of formal schooling.

Other funding

No other funding is provided.

Treatment of equity groups

Children with special needs have the right to free, full day preschool regardless of whether their parents are working or studying.

Affordability/ fee relief measures

Fees are capped as outlined above.

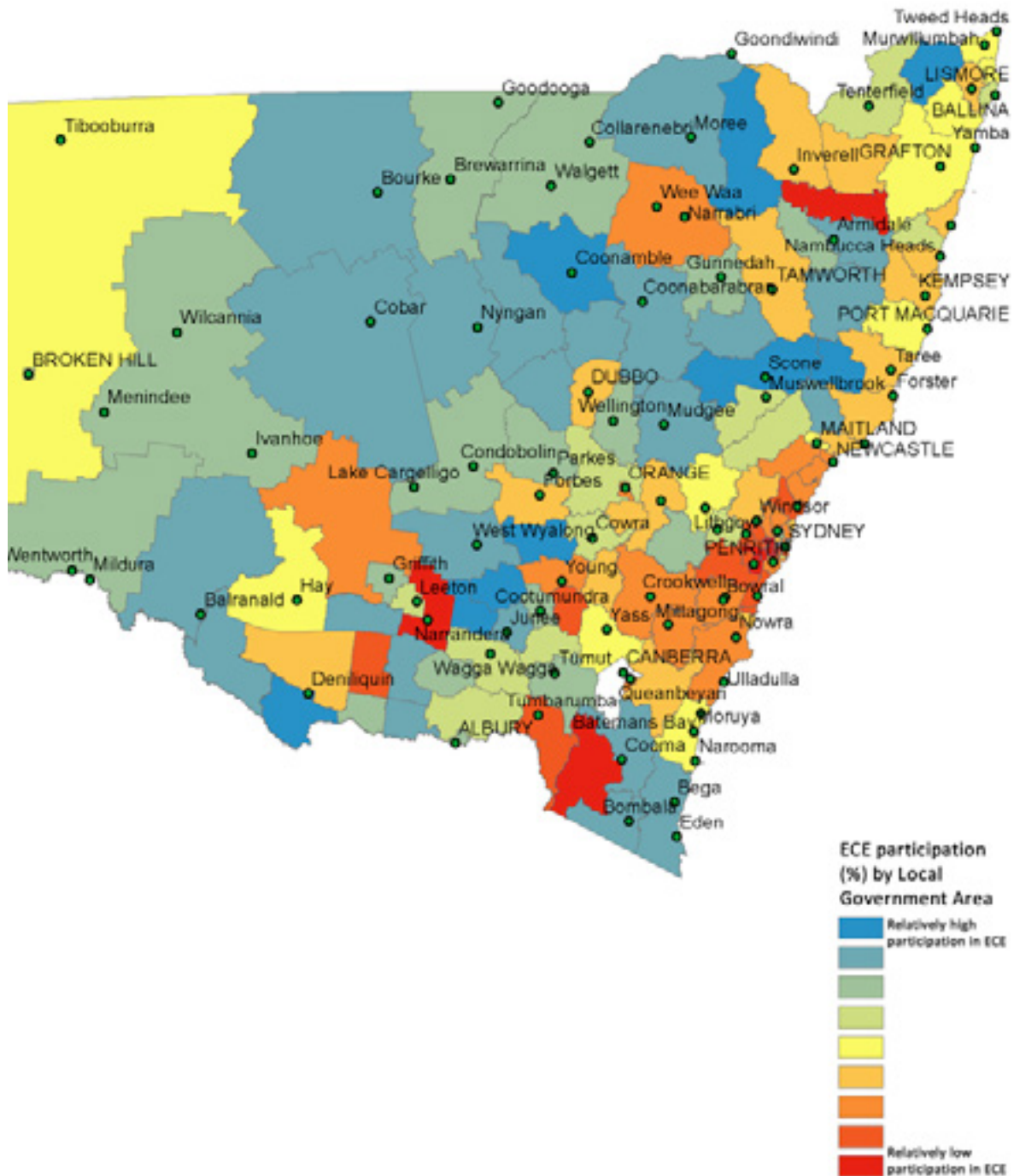
Features of possible Interest to NSW

- System of maximum fee structures
- Universal per child entitlement legislated in Sweden's Education Act. All children must be offered a place and have access to appropriate forms of education that is equal in value, wherever it is provided.

Appendix 5 – Geographic representations of the early childhood education gaps in New South Wales

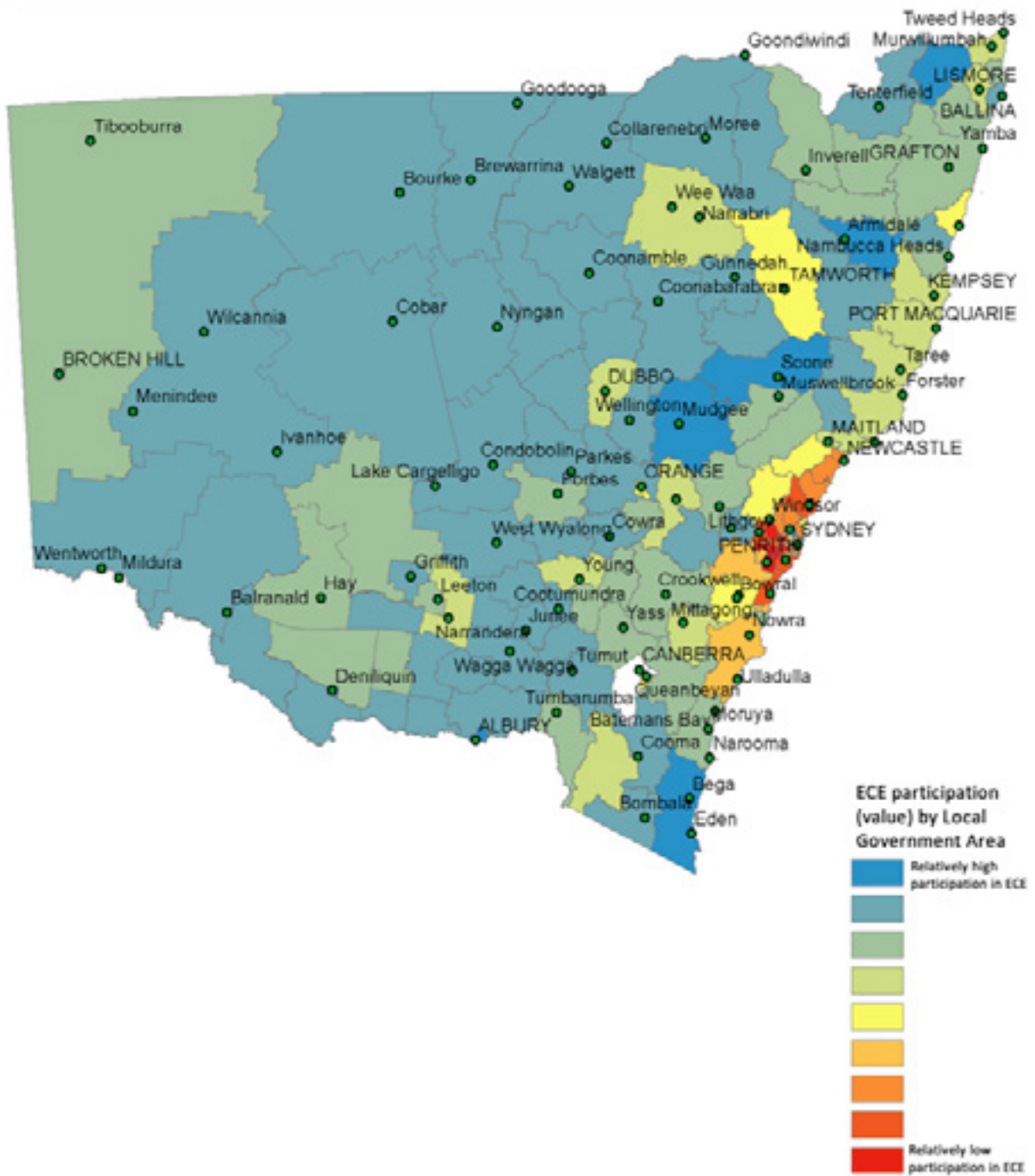
The “participation gap” in New South Wales – as a percentage

The percentage of 4 and 5 year olds reported to be participating in an early childhood education and care service as measured in the August 2011 NSW Preschool Census and the Commonwealth’s Child Care Management System’s data collection compared to the 4 year population by Local Government Area.



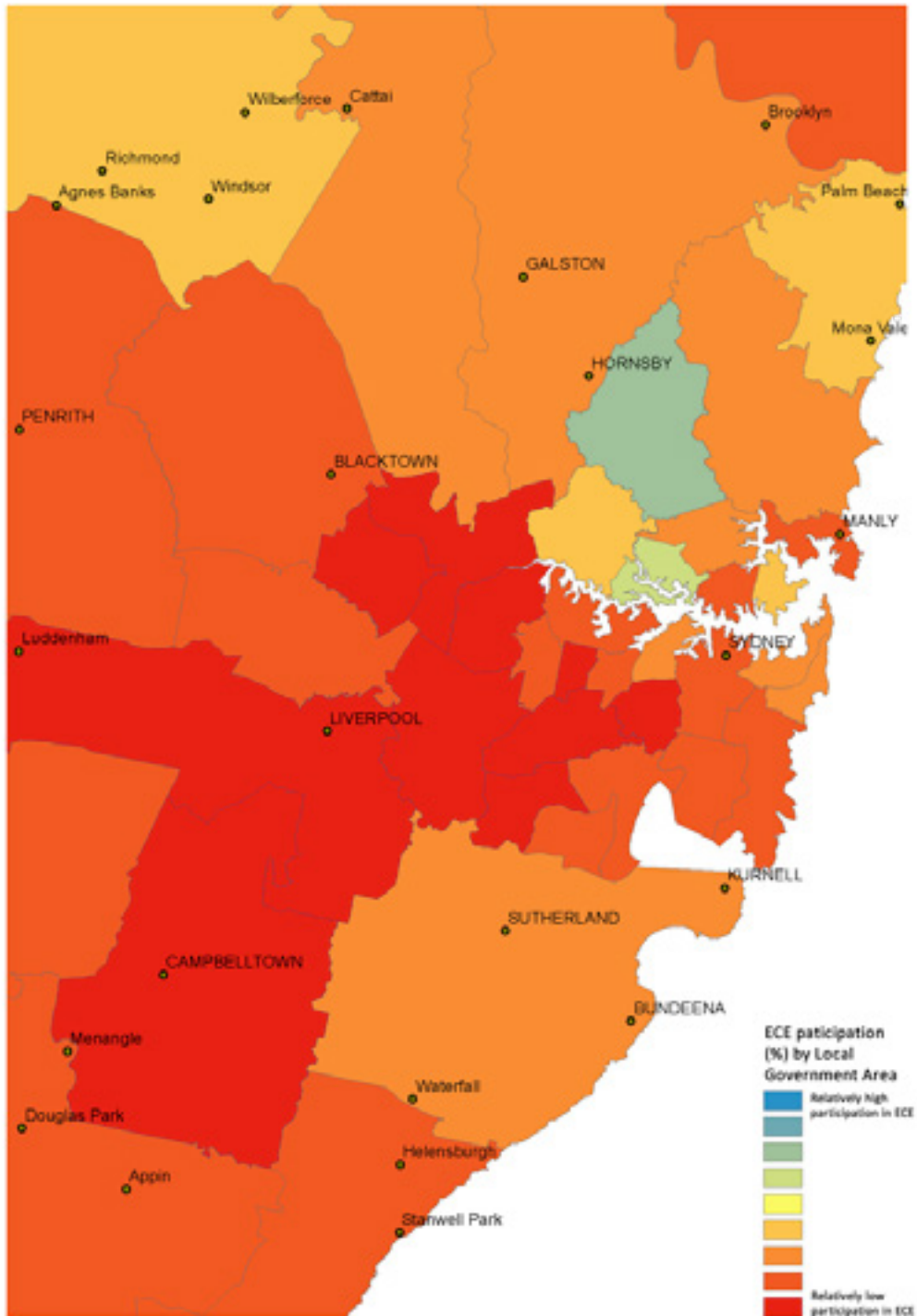
The “participation gap” in New South Wales – as a value

The number of 4 and 5 year olds reported to be participating in an early childhood education and care service as measured in the August 2011 NSW Preschool Census and the Commonwealth’s Child Care Management System’s data collection compared to the 4 year population by Local Government Area



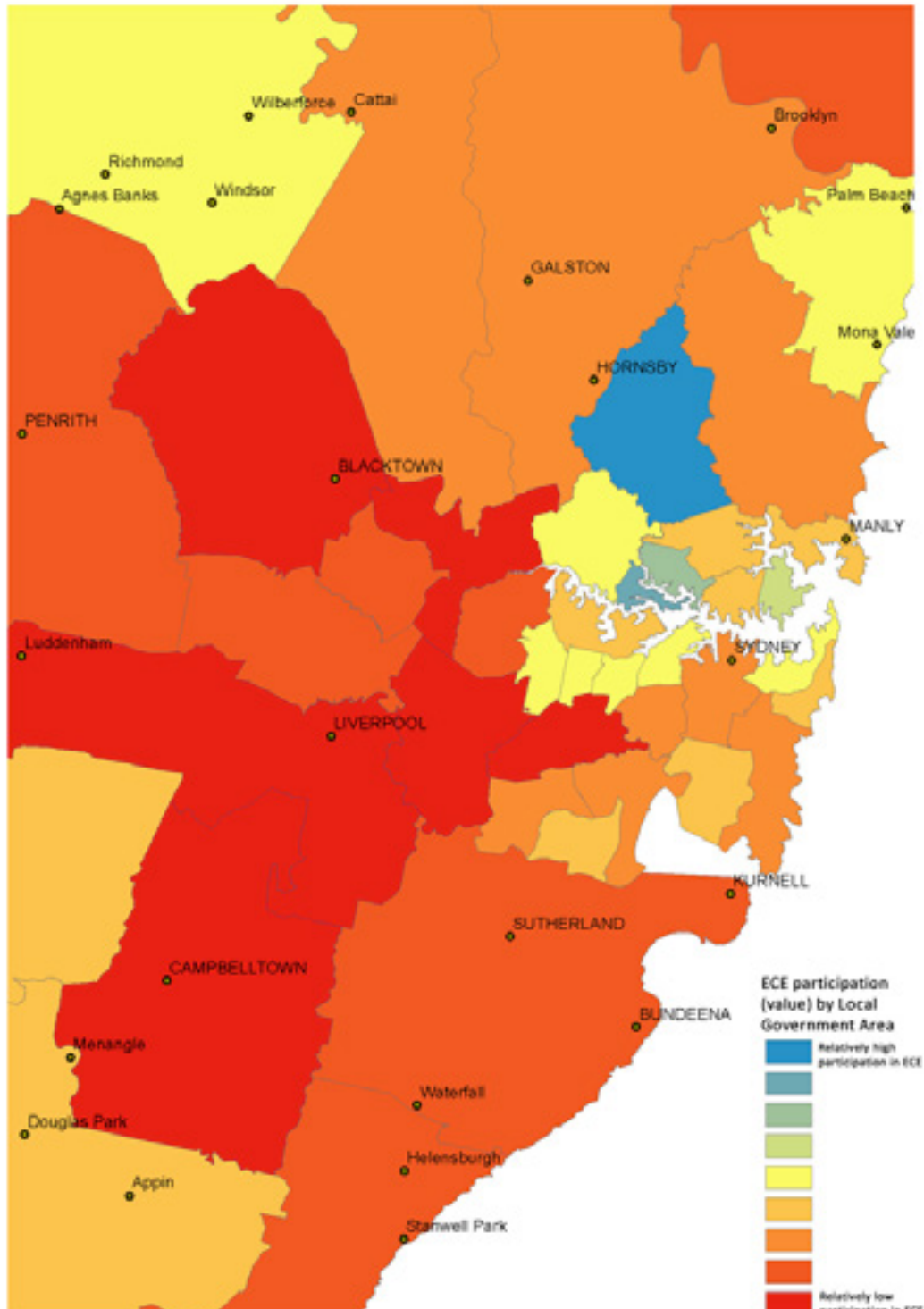
The “participation gap” in Greater Sydney – as a percentage

The percentage of 4 and 5 year olds reported to be participating in an early childhood education and care service as measured in the August 2011 NSW Preschool Census and the Commonwealth’s Child Care Management System’s data collection compared to the 4 year population by Local Government Area.



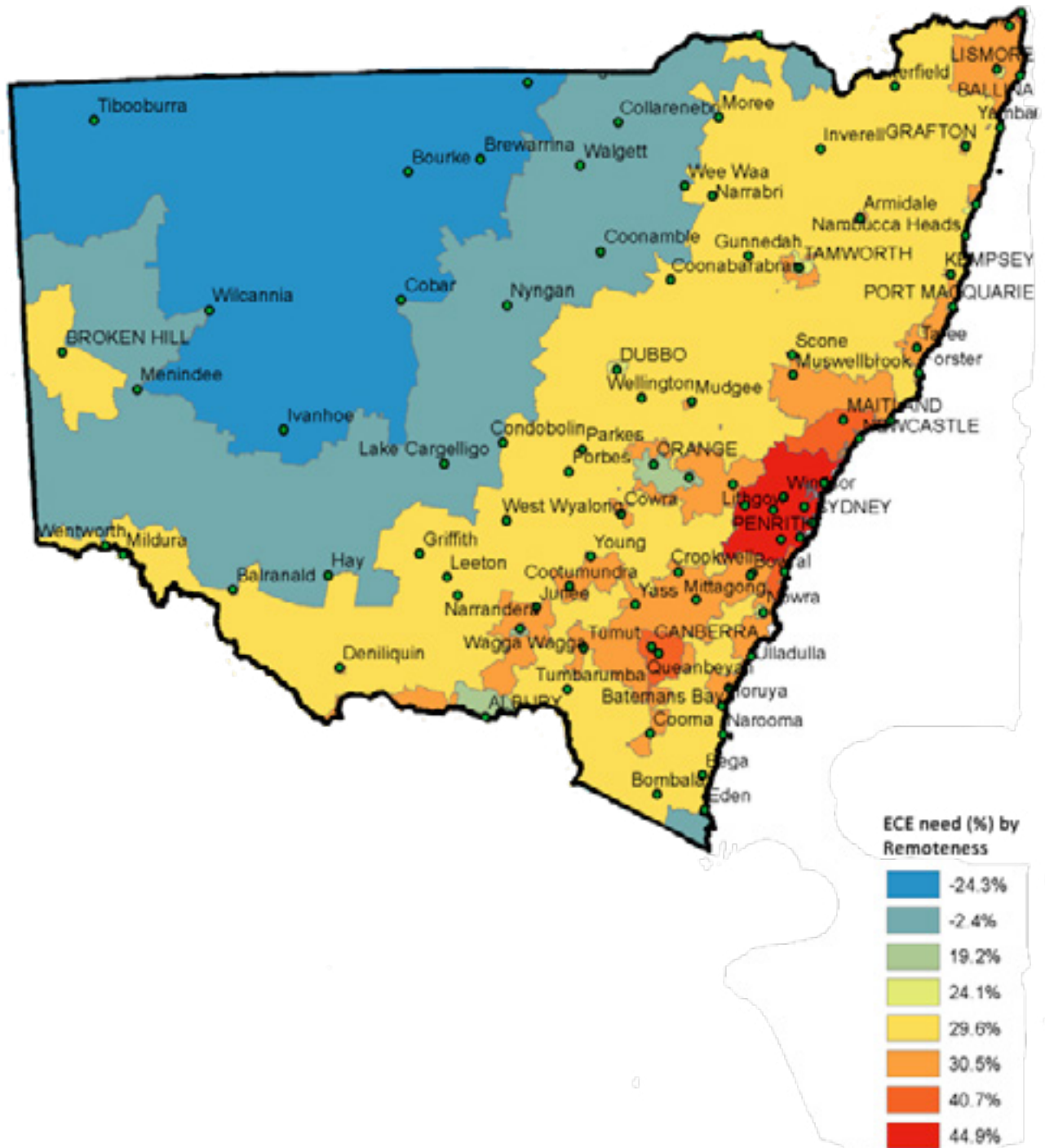
The “participation gap” in Greater Sydney – as a value

The percentage of 4 and 5 year olds reported to be participating in an early childhood education and care service as measured in the August 2011 NSW Preschool Census and the Commonwealth’s Child Care Management System’s data collection compared to the 4 year population by Local Government Area.



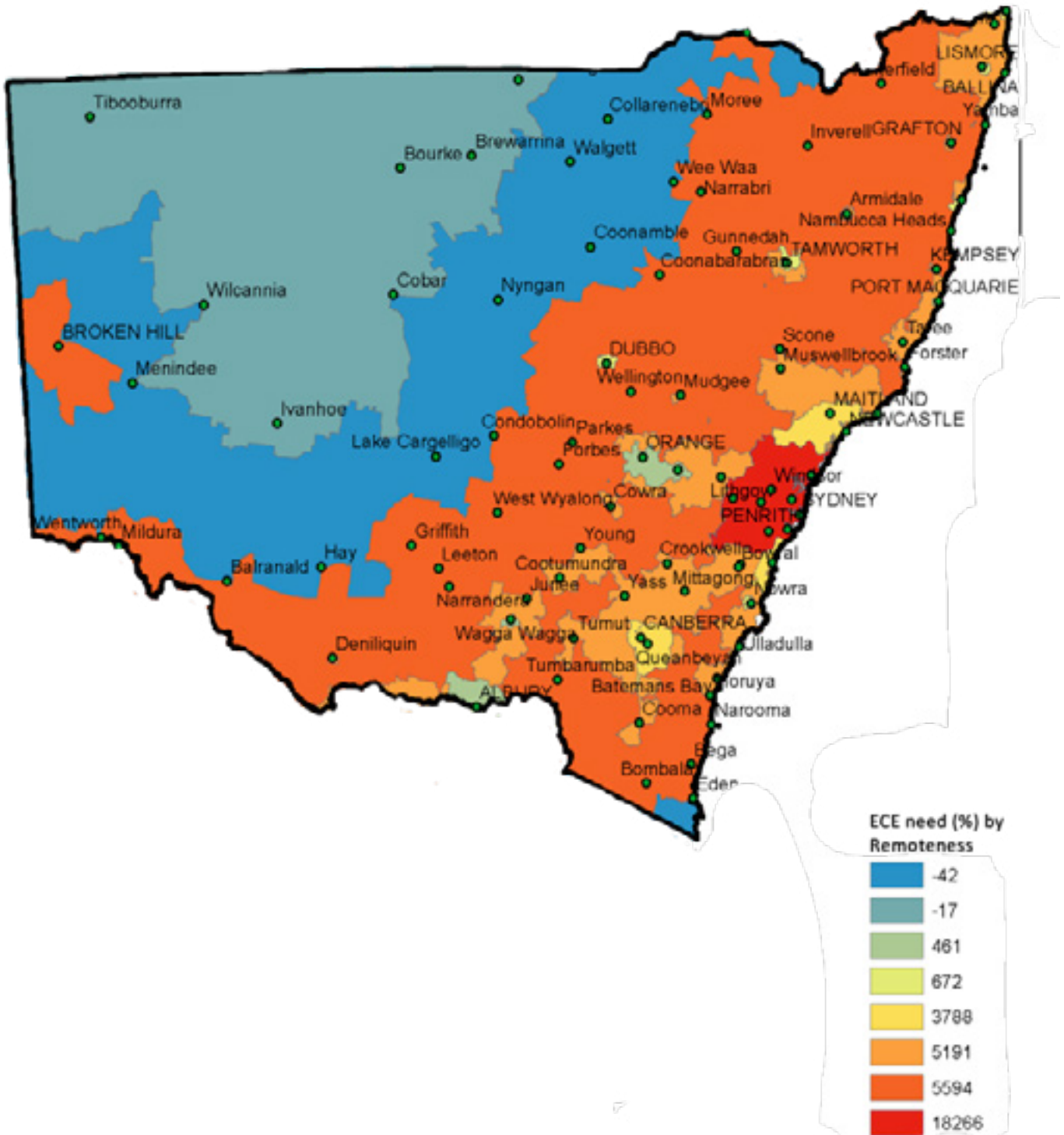
Remote and very remote need in New South Wales– as a percentage

The percentage of 4 and 5 year olds reported to be participating in an early childhood education and care service as measured in the August 2011 NSW Preschool Census and the Commonwealth's Child Care Management System's data collection compared to the 4 year population by using the Accessibility/Remoteness Index of Australia, a geographic measure of remoteness.



Remote and very remote need in New South Wales– as a value.

The percentage of 4 and 5 year olds reported to be participating in an early childhood education and care service as measured in the August 2011 NSW Preschool Census and the Commonwealth’s Child Care Management System’s data collection compared to the 4 year population using the Accessibility/Remoteness Index of Australia, a geographic measure of remoteness.



Appendix 6 - References

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2. OECD, *Starting Strong*, Paris: OECD, 2006; G Doherty, *Zero to six: the basis for school readiness*, Research paper prepared for Human Resources Development Canada, 1997, p. 55.
3. Feinstein, L. 'Inequality in the early cognitive development of British children in the 1970 cohort' *Economica*, vol. 70, no. 277, p81; Sammons. P. et al., *Influence on children's attainment and participation in Key State 2: Cognitive outcomes in Year 6, Effective preschool and primary education 3-11 project (EPPE 3-11)*, 2008.
4. New Zealand ECE Taskforce (2011) *An Agenda for Amazing Children: Final Report of the ECE Taskforce* www.taskforce.ece.govt.nz/
5. See Calman, L. and Tarr-Whelan, L. *Early childhood education for all: a wise investment* Legal Momentum, New York, New York 2005; Galinsky, E. *The economic benefits of high quality early childhood programs: what makes a difference?* Committee for Economic Development 2006 accessed December 2011, at <http://www.k12.wa.us/EarlyLearning/pubdocs/summaryCEDwhyeconbenefits.pdf>
6. Aos, S. et al. (2004), *Benefits and Costs of Prevention and Early Intervention Programs for Youth* Washington, DC: Washington State Institute for Public Policy, p. 2.
7. Australian Bureau of Statistics (2009), *Childhood Education and Care Australia*, Cat. No. 4402.0
8. The full Terms of Reference are available at Appendix 1.
9. NSW2021: *A Plan to Make NSW Number One*, Sydney, 2011, p.31, emphasis added
10. A list of submissions received is included at Appendix 2.
11. Productivity Commission (2012), *Report on Government Services*, Table 3A.37.
12. Almost 40 years ago, the Australian Preschools Committee report *Care and Education of Young Children (the Fry Report)* noted that New South Wales had the lowest proportion of children enrolled and the lowest per capita expenditure on ECE in Australia.
13. NSW Children's Services Forum (2002), *Who Sank the Boat? The impact of under-funding on community-based preschools in NSW*; NSW Children's Services Forum (2006), *There's a Hole in the Bucket*; NSW Children's Services Forum (2009) *Drowning, not Waving*.
14. Most families using long day care, occasional care, family day care and out of school hours care are subsidised via Commonwealth Child Care Benefit and (if employed, studying or training) Child Care Rebate.
15. Families using preschool and mobile services are generally subsidised indirectly by the NSW Government. NSW also provides some subsidies to not-for-profit long day care and to vacation care services.
16. NSW Department of Premier and Cabinet *Principles for the Funding and Working Relationship Between Government and Grants Recipients*.
17. New Zealand ECE Taskforce - *Essay on Policy Design 3: Reforming Funding Mechanisms* www.taskforce.ece.govt.nz/essay-3-reforming-funding-mechanisms accessed November 2011

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19. Ibid.
20. Fenech, M., Harrison, L., Press, F. and Sumsion, J. (2010), Contributors to Quality Long Day Care: Findings from six case study centres, Charles Sturt University and Macquarie University.; Fenech, M, Guigni, N and Bown, K. (in press) A critical analysis of the National Quality Framework: Mobilising for a vision for children beyond minimum standards, Australasian Journal of Early Childhood.
21. Including preserved elements of NSW regulations where these are higher than the NQS.
22. Longitudinal Study of Australian Children Annual Statistical Report, Melbourne: Australian Institute of Family Studies, 2010, p.30.
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24. This number is considered an upper bound as there is strong evidence that more preschool age children are enrolled in long day care with programs delivered by an early childhood teacher than are currently reported. For example, the 2010 Workforce Census reported 63,820 children were enrolled in LDC with a preschool program in NSW.
25. DEEWR Administrative data as at August 2011 - source is the CCMS non-mandatory 'Preschool Indicator' which records 'whether a child attended a preschool program either in-house or at another location during this session of care'.
26. In August 2011, the average daily fee in State funded non-government preschool for an Aboriginal family was approximately \$10 and \$15 per day for a low-income household. The average (out of pocket) cost for a low-income household using long day care is estimated to be around \$18-20 per day.
27. Harrison, L. J. (2010), 'Children's experiences of child care', LSAC Statistical Report, Melbourne: Australian Institute of Family Studies.
28. There are some exceptions, for example the South Australian policy provides a subsidy to a three year old Aboriginal child or a child subject to a Guardianship order, and the Victorian model allows a subsidy for three year old Aboriginal children, and some children within the child protection system, but only five hours per week in the case of this later group.
29. In August 2011, the average daily fee in State funded non-government preschool for an Aboriginal family was approximately \$10 and \$15 per day for a low-income household. The average (out of pocket) cost for a low-income household using long day care is estimated to be around \$18-\$20 per day
30. NE ECE, p.5, emphasis added
31. The Review has not taken a final position on the best way to assess 'low-income'. The Health Care Card has been used by many preschool providers as a proxy for low-income and has many benefits. However, some groups e.g. recently arrived migrant families may not be eligible for a Health Care Card and so this issue needs consideration and consultation with the sector and other levels of government.

32. Love, J. M. et al (2003), *Child Care Quality Matters*, Department of Child, Youth and Family Studies, Lincoln: University of Nebraska; Melhuish, E. C. et al. (2004), 'The Effective Provision of Preschool Education (EPPE), Project: Findings from Preschool to end of Key Stage 1', Sure Start, United Kingdom; Smith, A. (2003), 'School Completion/Academic Achievement Outcomes of Early Childhood Education', *Encyclopedia on Early Childhood Development*, Centre of Excellence for Early Childhood Development and Strategic Knowledge Cluster on Early Child Development, Montreal.
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39. The National Partnership Agreement (at page 7) commits jurisdictions to "work across inter-agency and sectoral boundaries, including with non-government providers of early childhood services such as community, not-for-profit and for-profit providers, to support early childhood education and care".
40. Similar reform directions have been identified in previous reviews. One example of a recent and accessible discussion of the benefits of a unified national system of investment in early childhood education in Australia is provided in *A Practical Vision for Early Childhood Education and Care*, PwC Australia March 2011.
41. OECD, *Starting Strong III*, p. 285.
42. See Brennan, D, Blaxland, M. and Tannous, K. (2009), *A Strategic Assessment of the Children's Services Industry*, Adelaide: Government of South Australia, p. 36.
43. Productivity Commission (2012), *Report on Government Services*, 3.9.
44. See <http://deta.qld.gov.au/earlychildhood/service/access-kindy/kindy-fund-scheme-forms.html>
45. See DEECD, *Kindergarten Cluster Management* <http://www.education.vic.gov.au/ecsmanagement/careankinder/clusters.htm>
46. DEECD (2009) *Kindergarten Cluster Management Policy Framework*

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52. Productivity Commission (2011) p.64
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59. Productivity Commission, Early Childhood Development Workforce p. 37 (emphasis added)
60. Transition Resource Kit: Part 1 Transition for Everyone, <http://www.education.vic.gov.au/earlylearning/transitionschool/one.htm>