

# Program guidelines

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## Childcare and Economic Opportunity Fund fee relief trial funding program

2024

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# 1 Program description and purpose

The Childcare and Economic Opportunity Fund (the Fund) will be used to trial the provision of \$500 per child of fee relief to 3 year old children attending eligible preschool programs in long day care centres, effective from early 2024. \$64 million dollars over 2 years has been allocated for the purpose of trialling fee relief for 3 year old children. The fee relief funding will be delivered to eligible long day care services through the 2024 Start Strong for Long Day Care program.

These guidelines provide an overview of the Childcare and Economic Opportunity Fund fee relief trial funding program and outlines the program's activities, requirements, objectives, outcomes and evaluation approach. Both this program and the fee relief funding itself are being delivered on a test and trial basis and will be delivered for 2 years.

This guidelines provide an overview of the conditions under which funding will be transferred from the Fund to the NSW Department of Education (the department) for the purpose of delivering the 3 year old fee relief program to the long day care sector. The guidelines also detail Start Strong eligibility criteria, spending rules (including how surplus and reserve fee relief funds are managed), and data and acquittal information.

An agreement between the Board and the department will sit alongside this guideline.

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# 2 Legislative context

The Fund seeks to address the challenges related to access and affordability of early childhood education and care (ECEC) services for NSW families. It has been legislated as a statutory authority through the Childcare and Economic Opportunity Fund Act 2022 (the Act).

The principal objective of the Act is to increase participation in the State's workforce, particularly for women, by making quality childcare more affordable and accessible. This will be achieved by reducing barriers to parents and carers participating in work, improve affordability and accessibility of early childhood education and care services, and to support the early childhood education and care workforce and sector.

The Act includes the establishment of a special deposits account for the Fund, and the creation of a statutory entity – the Childcare and Economic Opportunity Fund Board (the Board). The Board has certain functions which include to develop and administer programs, provision of financial assistance for programs and the payment of amounts from the Fund for that purpose. These program guidelines are for the provision from the Fund of funding allocated for fee relief.

The Board has the legislated authority to distribute funding where program guidelines have been established, and to take all necessary actions to achieve its functions, including entering contracts.

This program does not meet the definition of a grant under the Grants Administration Guide as the transfer of funds will take place between two NSW Government entities. But all elements will be met where practicable.

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## 3 Policy context

Significant investments to improve the quality and affordability of early childhood education and care were introduced from January 2023 as part of the Brighter Beginnings initiative.

This included fee relief funding for 3 to 5 year old children enrolled in community and mobile preschool and for 4 to 5 year old children enrolled in long day care centres. Funding to provide a trial 3-year-old program payment to Start Strong for Long Day Care services to support the preschool program was included amongst the initiatives and remains in-flight.

The Government has announced an extension to existing fee relief provision to include \$500 in fee relief funding for 3-year-old children in a long day care centre. This extension is designed to complement existing initiatives by capturing a wider cohort of children.

Funding will be delivered through the existing Start Strong program to ensure fee relief reaches as many families as possible in an effective manner that utilises existing Department program structures and systems. The Start Strong program commenced in 2017 and is the vehicle for the delivery of Preschool Reform Agreement funding and NSW Government fee relief funding to long day care services.

In 2023, over 3,330 long day care services currently receive funding through Start Strong. Strong audit and governance frameworks have been established in the Start Strong program to ensure all fee relief money is used by services to benefit families through the reduction of fees and other charges.

Start Strong is a demand-based program and all eligible children are funded. As a result the program budget fluctuates year on year. Fee relief for 3 year old children in long day care services is currently estimated to be approximately \$32 million, in line with the budget allocation for the first year of the trial. This amount is subject to change based on demand. In recognition of this, the agreement between the Board and department will set out budget management conditions to address potential overspend due to demand increases.

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## 4 Program eligibility

### 4.1 Program Agreement criteria

To ensure compliance with the Act and the Grants Administration Guide where applicable and practicable, an agreement will be entered into by the Board and the department via an exchange of letters.

The agreement must be entered into by 7 December 2024. Requests for time extension must be approved by the Board.

## 4.2 Fee relief eligibility criteria

The criteria in this section is for inclusion in the [2024 Start Strong for Long Day Care program guidelines](#). **Section 4.2.1 Service Eligibility Criteria** is already applicable under Start Strong for the other funding streams. Further information on the program can be found within the linked guidelines. Material changes made to the 2024 Start Strong for Long Day Care program that impact on the criteria below will be provided to the Board in writing for noting.

### 4.2.1 Service eligibility criteria

To be considered eligible for funding under any of the Start Strong funding streams, a provider's (referred to as an Approved Provider) service must:

- have a service approval to operate under either:
  - the Education and Care Services National Law Act 2010 (National Law) and operate as a centre-based service and have checked the long day care Nature of Care field under Service Details on the National Quality Agenda IT System (NQAITS), or
  - the Children (Education and Care Services National Law Application) Act 2010 (NSW) or the Children (Education and Care Services) Supplementary Provisions Act 2011 (NSW) (State Law) and be a Multifunctional Aboriginal Children's Service (MACS); and
- be operating and reporting through the Child Care Subsidy System (CCSS).
- deliver a quality early childhood education program to children aged 3 and above, that is:
  - delivered by a qualified early childhood teacher (ECT) in accordance with the requirements under the National Quality Framework and
  - using the Early Years Learning Frameworks.

Note: the early childhood education program for 3 year old children need only be developed by a qualified ECT in accordance with the requirements under the National Quality Framework.

### 4.2.2 Child eligibility criteria

To be eligible for 3 year old fee relief trial payment funding under Start Strong, a child will need to be:

- 3 years old and not yet 4 years old on, or before 31 July in 2024 (the child's birthdate must be on, or between, 1 August 2020 to 31 July 2021)
- attending an eligible early childhood education program
- a confirmed enrolment with the service in the CCSS
- not yet in compulsory schooling.

Families do not have to be eligible or receiving the Australian Government Child Care Subsidy (CCS) to be eligible for Start Strong funding. The child must be a confirmed enrolment in the service data captured in the CCSS.

Children do not have to be in the preschool room to be eligible for Start Strong funding. All children who meet the eligibility criteria are eligible regardless of the room they attend.

Citizenship and residency status are not taken into consideration for eligibility of children for funding under Start Strong for Long Day Care.

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## 5 Program overview and activities

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### 5.1 Objectives

The objective of the Childcare and Economic Opportunity Fund fee relief trial funding program guidelines is to facilitate the transfer of funds from the Fund to the Department in a manner that is compliant with the Grants Administration Guide and the Act and enable Board oversight of the achievement of ECEC objectives under the program. The transfer of funds is imperative as it allows for the delivery of fee relief through the department established Start Strong for Long Day Care program. Delivery arrangements under Start Strong are detailed in this section.

This document sets out the arrangements to be entered into by the Board and the department under the Childcare and Economic Opportunity Fund fee relief trial funding program and the oversight mechanisms that will apply to ensure that funding is used efficiently, effectively and unerringly. An agreement will be signed by the Board and the department.

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### 5.2 Fee relief delivery

Program information in this section is for inclusion in the [2024 Start Strong for Long Day Care program guidelines](#). Further information on the program can be found within the linked guidelines. Material changes made to the 2024 Start Strong for Long Day Care program that impact on the information below will be provided to the Board in writing for noting.

#### 5.2.1 Fee relief spending rules

The Approved Provider must use the 3 year old fee relief trial payment to provide fee relief to the families of eligible children who are 3 years old and not yet 4 years old on, or before 31 July in 2024. The amount is calculated as a flat rate annual allocation of \$500 per enrolment for eligible children.

Fee relief must be offered to the families of all children that meet Section 3.2 Child eligibility criteria of the 2024 Start Strong for Long Day Care program guidelines.

Funds must be expended before the end of 2024.

The relevant fee relief payment must be applied as a weekly reduction to a family's session fee or gap fee (after the Child Care Subsidy has been applied) allocated across the total service operating weeks for the calendar year.

In situations where families pay the difference between the Approved Provider's fee and the Child Care Subsidy amount (**gap fee**), the relevant Fee Relief Payment reduces the gap fee

and/or additional charges. Any outstanding gap fees or additional charges after the Child Care Subsidy and relevant fee relief payment have been applied must be paid by the family.

In situations where 3 year old fee relief trial payment funds received by the Approved Provider are not sufficient to provide fee relief to all the families of eligible children, an adjustment may be made.

Where required, prior to the adjustment, 3 year old program payment trial funds may also be used as an interim measure to provide fee relief to the families of eligible children aged 3 years old and not yet 4 years old on, or before 31 July in 2024.

### **Surplus and reserved funds**

Approved Providers are required to manage their fee relief funds based on the changing number of enrolments and families/carers that claim fee relief from their service. Unspent Fee Relief Payment funds can be separated into:

#### **Surplus funds**

Where a family's gap fees have been reduced to zero in a regular billing period, the remaining fee relief is considered a surplus (Surplus Funds). The Approved Provider must first spend Surplus Funds to cover any additional charges imposed on the eligible child, such as levies.

Remaining Surplus Funds can be used for purposes set out in the 2024 Start Strong for Long Day Care program guidelines. The Approved Provider must track the usage of Surplus Funds.

#### **Reserved funds**

Where service's current enrolments are less than what is funded, if they have enrolments ineligible for fee relief, or if a family declares they will not claim fee relief from their service, the fee relief funding must be reserved (reserved funds).

Where a child leaves the service, funding for that enrolment is considered reserved funds until the next eligible child that takes up that enrolment.

Reserved funds cannot be used until an additional eligible child nominates to receive fee relief from the service. The Approved Provider must retain reserved funds and may be required to return it to the department.

### **Fee guidelines**

In line with the affordability objectives of the program:

- Approved Providers are not permitted to increase their service's fees to offset the benefit of the 4YO+ fee relief payment or 3 year old fee relief trial payment.
- Before fee relief or any other subsidies (for example, the Child Care Subsidy) is applied, the fee for children in the same cohort must be the same irrespective of eligibility for fee relief at the service.

If an Approved Provider does either of these things, this may be considered to be an Event of Default under the *Early Childhood Outcomes Commissioned Programs – Funding Agreement – Terms and Conditions – 1 January 2024 to 31 December 2024* (Terms and Conditions). In circumstances where it is necessary to adjust fees, such as due to reasonable increases in operating costs, Approved Providers must retain evidence to support the fee increase.

### Children enrolled at multiple services

Children can only access the fee relief payment from one service at a time. Families nominate which service they will access the fee relief from and must complete a declaration form.

Where a service receives funding under Start Strong for Long Day Care and Start Strong for Community Preschools, children can only access the fee relief payment from one funding program. Families must complete a declaration form to nominate which funding program they will access the fee relief through.

The department will conduct compliance checks as part of its auditing process. Approved Providers are required to retain declaration forms for this purpose.

If an Approved Provider receives the fee relief payment for a child whose family declares they will not claim fee relief from their service, the Approved Provider must retain the reserved funds and may be required to return it to the department.

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## 5.3 Other program activities

Both the Board and the department must ensure that the following additional program activities are completed:

- This document must be made publicly available on a website in line with the Act.
- Funding transfer information, including the transfer amount and reasoning for the transfer, must be made publicly available on a website in line with the Act.

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# 6 Roles and responsibilities

The arrangements outlined in Section 5: Program overview and activities will provide greater detail on roles and responsibilities. A summary of Board and department roles and responsibilities are provided below.

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## 6.1 Board roles and responsibilities

The role of the Board is to share funds with the department through an agreement and to maintain oversight of the delivery of fee relief funding by the department. The Board has the following responsibilities:

- to provide approval for the release of funding from the Fund in line with the Act
- to enter into an agreement with the department in line with the Act
- to approve this document in line with the Act
- to oversee eligibility for and delivery of fee relief to 3 year old children in long day care services
- to include information on this program and the fee relief initiative in the Board's annual report



- to determine fund recovery requirements, if any, from the Department in line with the Act
- to operate as a NSW Government Board in line with the Act and the NSW Government Boards and Committees Guidelines
- to meet the objectives of this program at Section 5.1: Objectives.

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## 6.2 Department roles and responsibilities

The role of the department is to deliver fee relief funding to eligible long day care services. The Start Strong for Long Day Care program has been identified as the preferred method for funding delivery. It is the expectation of the Board that the department has the following responsibilities:

- to seek all relevant approvals from the Deputy Premier and Treasurer on behalf of the Board
- to receive funding from the Board and deliver fee relief funding to eligible long day care services in line with the objectives of this program
- to enter into contracts with eligible long day care service providers through the Start Strong for Long Day Care program for the purpose of reducing fees and other charges for families
- to maintain and update Start Strong program guidelines and supporting collateral to outline funding conditions for 3 year old fee relief funding for 2024 and 2025, including where changes are requested by the Board in relation to fee relief for 3 year old children
- to publish this document and total fee relief amount for 2024 on the department's website in line with the Act
- to report to the Board in line with requirements at Section 7: Reporting and Data, including on the effectiveness of this program in achieving its objectives
- to demonstrate funding compliance with the Board in line with requirements at Section 8: Funding compliance
- to participate in review and evaluation processes as outlined in Section 9: Review and evaluation.

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# 7 Reporting and data

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## 7.1 Reporting for the Board

The department is required to report to the Board on the uptake and delivery of fee relief funding delivered as part of the 3 year old fee relief trial. The department may also provide information about the broader Start Strong program where relevant and valuable in contextualising delivery of the 3 year old fee relief trial.

The following information must be provided to the Board in writing for consideration in Board meetings:

- Long day care service participation in Start Strong
  - 2024 calendar year participation
  - 2025 calendar year participation
- Expenditure of funding
  - 2024 calendar year funding allocation
  - 2025 calendar year funding allocation
  - Total program funding expenditure.

Where requested the department must provide the Board with reasonable timeframes for the submission of the above reporting for its consideration. Requests for time extension must be approved by the Board.

The department may report to the Board on the number of children accessing fee relief. This is at the department's discretion as there is limited quality data available to accurately report on this measure.

Reporting to the Board is in addition to acquittal requirements set out in Section 8: Funding compliance.

Both the Board and the department may be required to provide an update on 3 year old fee relief in relevant annual reports. Any updates provided should consider the availability of information and its relevance to the public. Information in the Board's annual report may include information provided by the department as part of its reporting requirements, subject to approval by the department for its use in public reporting.

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## 7.2 Data collection under Start Strong

The department is required to collect data to present to the Board regarding uptake of the 3 year old fee relief trial initiative as per its current data collections practices for Start Strong. Current practices are detailed below.

The initial 3 year old fee relief trial payment for eligible services is calculated based on NSW enrolment data provided by the Australian Government from the representative week of 26 June to 2 July 2023. Enrolment data is based on Child Care Subsidy system submissions and is provided to the Department via a Memorandum of Understanding with the Australian Government.

This data is supplemented by a fee relief data collection managed by the department. The submitted fee relief data will monitor how the funding interacts with the Child Care Subsidy to enhance affordability for families and will enable the department to:

- assess the number of eligible children receiving fee relief at services
- calculate fee relief funding adjustments for services
- identify families that may be incorrectly claiming fee relief at multiple services
- meet Australian Government data reporting obligations

- evaluate the Start Strong for Long Day Care program.

This data will be shared with the Australian Government to assist them to monitor how the funding interacts with the Child Care Subsidy to enhance affordability for families.

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## 8 Funding compliance

The department will be required to demonstrate funding compliance at a program level. The department must report to the Board on the amount of funding expended on 3 year old fee relief, and must report on Start Strong audit and acquittal outcomes to the Board as it becomes available.

The Act sets out requirements for the return of funds to the Fund. The department with written approval by the Board must determine if unspent 3 year old fee relief funds should be returned to the Fund or used to offset future fee relief allocations. This determination and associated processes will form part of the agreement to be entered into by the Board and the Department and will be added to the Start Strong for Long Day Care program guidelines.

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### 8.1 Funding compliance obligations under Start Strong

Funding compliance information in this section is taken from the [2024 Start Strong for Long Day Care program guidelines](#). Further information on the program can be found within the linked guidelines. Material changes made to the 2024 Start Strong for Long Day Care program that impact on the information below will be provided to the Board in writing for noting.

#### 8.1.1 Fee relief spending rules

In accordance with the Terms and Conditions, Approved Providers must submit a financial accountability for each individual service which has received funding, to provide assurance that public funds have been expended for their intended purpose.

##### Review of financial accountabilities

Upon receipt of a financial accountability, the following will be undertaken:

- The Approved Provider's financial accountability will be reviewed by the department.
- Where there are unexpended funds, reserved funds or surplus funds, an invoice may be raised by the department requesting repayment of funds.
- Where there is a nil balance or deficit reported, no further action is required.

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## 9 Review and evaluation

An evaluation of Start Strong is currently proposed to begin in 2024. This will not include 3 year old fee relief due to the evaluation's timing.

The 3 year old fee relief initiative will be evaluated at a later date to ensure the program can be evaluated fully against relevant aspects of the initiative's business case addendum, including an assessment of benefit against cost and program logic.

