



PRESCHOOL INVESTMENT AND REFORM PLAN

Preschool and Long Day Care funding Funding principles –[October 2010](#) update

Outlined below are the overarching principles governing the implementation of the third phase of the Preschool Investment and Reform Plan from July 2008.

[These have been updated to reflect changes commencing from July 2009. These reflect changes to the funding approach that will result from the NSW-Commonwealth Partnership Agreements on Universal Access to preschool. All changes are in blue text.](#)

The principles cover the resource allocation model and the growth phase with the aim of enabling universal access to a preschool program for two days per week. ([See details below regarding the increase to 15 hours](#)).

Community Services develops resource allocation models (RAM) as the basis of, and to provide general parameters for, funding approaches. Community Services adopts a flexible application of such models and it is Community Services practice to make adjustments to model results in response to any specific issues arising to ensure that the best possible results can be achieved for children and families.

Resource allocation modelling approach

These principles are proposed as the basis of all funding provided under the Children's Services Program for centre based and mobile preschools.

- **PRINCIPLE 1:** The allocation of funding will be done to achieve equity, meaning that the same funding rules apply across all preschools. The aim is that there is equal funding support provided to services for children and families in similar circumstances.

Background: The revised approach will also improve the social equity of funding by targeting funding to children and families in need due to socio-economic, cultural, or geographic disadvantage.

- **PRINCIPLE 2:** No preschool will receive less recurrent funding in 2008/2009 than they received in 2007/2008 because of the new funding approach.

Background: Recurrent funding has in the past been known as 'operational' and 'fee relief' funding.

- **PRINCIPLE 3:** The additional fixed term funding allocated to services under Round Two of the Preschool Investment and Reform Plan in 2006/2007 and 2007/2008 will continue to 30 June 2008.
- **PRINCIPLE 4:** Funding will be driven by the number of children who receive a service rather than the number of licensed places available in the service. The aim is that funding provided is linked directly to the services received and outcomes achieved for children.

Background: A staged transition to the new arrangements will be implemented to avoid sudden adverse impacts on services.

Community Services will also consider, on a case-by-case basis, any anomalous outcomes arising from the funding model.

- **PRINCIPLE 5:** Funding will be provided for each child attending the service each week, up to a maximum number of children. The number of children funded will be capped at: 'maximum licensed places' multiplied by 'days open per week' divided by 2 days. The number of licensed places at March 2008 will establish each preschool's funding maximum, or cap in the future unless a service is allocated new 'growth' places.

Background: In the future services will receive increased funding for extra attendances by children (i.e. more children and/or more days), so long as the cap is not exceeded.

For example, for a service with 20 places that is open 5 days per week, the cap is 50 (20 multiplied by 5, divided by 2 = 50). If the number of children attending that service increases from 30 to 45, then that service will receive increased funding for 45 children – because it is under the cap. If the number of children rises to 55, then that service will receive funding for 50 children only - because the cap cuts in.

It is important to note that the attendance patterns of individual children are not part of the calculation. So there is no barrier to services having individual children attend less than two days or more than two days.

However, the PIRP aims to increase the number of children accessing services for two days per week. So the model provides a funding incentive to maximise the average attendance of children at two days.

2009 update: this principle has been amended and the aim is now for children to attend preschool services for 15 hours per week.

The maximum number of children a service will receive funding for is therefore capped at: 'maximum number of licensed places' multiplied by 'days open per week' divided by 2.5 days. The cap for a 20 place service open five days per week is now 40 children.

This change reflects the reality of 5 day service delivery across some or all of a five-day week.

For funding and for accountability purposes attendances are measured based on the average hours of attendance across all children at the service. The new 15 hour per week target will, for example, allow services that are open 5 days per week to offer a 3 day:2 day/2 day:3 day fortnight. Services should consider what attendance patterns best meet child needs and maximises the number of children whose average attendance is 15 hours per week.

The aim is to maximise attendance for those children that are in the year before school.

PRINCIPLE 6: The rate of base funding per child will reflect the average income of families with children aged 0-5 in each service's Local Government Area (or sub-areas such as Housing estates) as shown by the 2006 census.

Background: Accordingly, services will be required to give priority of access to children from the LGA in which the service is located. However, flexibility will be required to accept children from other LGAs so as not to limit family mobility and options for families to use services nearer work, school, or home as appropriate.

- **PRINCIPLE 7:** A higher rate of funding will be provided to services for attendance by children from identified target groups. The aim of this funding is to assist these children to access quality preschool programs by reducing barriers to participation. The target groups are:

- all Indigenous children
- children from low-income families (ie non-Indigenous, Health Care Card holders)
- all children from culturally and linguistically diverse backgrounds (ie. where a language other than English is the main language spoken at home)

Background: The amount of funding to be provided for each identified need is described in the accompanying paper entitled, per child funding levels under the new preschool funding model.

- **PRINCIPLE 8:** The highest rate of per child funding will be allocated for Indigenous children who attend the service. This amount will be provided *instead of* the per child base funding.
- **PRINCIPLE 9:** Funding for children from low income families (non-Indigenous Health Care Card holders) who attend the service will be allocated regardless of where the family lives. This funding will be higher than, and *instead of* the base funding.
- **PRINCIPLE 10:** Funding for children from culturally and linguistically diverse (CALD) backgrounds (ie. where a language other than English is the main language spoken at home) who attend the service will be *in addition to* the base funding or the low income family funding rate, whichever is applicable. A child can only attract the CALD or the Indigenous funding rate. The CALD funding rate will be linked to the LGA average income so that the CALD payment increases as income decreases.

Funding levels will be based on the number of such children attending each week.

- **PRINCIPLE 11:** The funding model will include a loading for mobile preschools to account for the extra costs associated with mobility.

Background: This loading is paid based on the number of children attending each week, in addition to the loadings noted above.

- **PRINCIPLE 12:** The funding model will include a loading for remote services to account for extra costs associated with remoteness.

Background: This loading is paid based on the number of children attending each week, in addition to the rates noted above.

- **PRINCIPLE 13:** Children with disabilities and challenging behaviours will continue to receive additional support to assist them to access Community Services -funded children's services under a revised SCAN program.
- **PRINCIPLE 14:** Based on their current mix of children, services that received 2007/08 recurrent funding below the new funding model level will have their funding increased to the appropriate level.
- **PRINCIPLE 15:** Services that received 2007/08 recurrent funding above the funding model level will have their funding maintained at the current level for five years. These services will not receive annual indexation.

Background: In both the principles above, "recurrent funding" is 2007/08 base funding and does not include PIRP viability funding which will end in June 2008.

The data to be used to calculate services' future funding levels according to the RAM is services' reporting in the 2007 ASPARD and a special data collection undertaken in early 2008 to confirm more recent enrolments.

During the five years in which current funding will be maintained, service utilisation figures will be collected annually to monitor changes in attendances or operations, and funding increases applied in line with the Principles and the funding model.

Funding decreases will not be made in this time however services will be encouraged to develop plans to enable them to transition to the RAM funding level.

2009 update: The five year sunset clause has been removed. This means that services which have not been allocated an increase since the RAM started in July 2008 will have their funding maintained at 2007/08 levels.

This change has been made to remove uncertainty for services about what would happen after 5 years, which may reduce service's capacity to focus on the future direction of the service and to plan for a more sustainable future.

The intent of the reforms has been, and remains:

- to ensure that a consistent and transparent and equitable approach is taken to funding services in like circumstances;
- to enable a transition from funding based on historical allocations that did not have strong links to policy goals or service outcomes to a state-wide system of allocations based on the actual characteristics and relative need of children, families and communities; and
- to ensure that services' funding is directly linked to the level of service provided to the community and provides incentives to increase and improve services to the community.

Funding allocations to services are now largely in line with this policy and remaining small anomalies are expected to disappear over time. Each year, funding will be recalculated under the RAM and services may receive increases, however future funding will not be reduced below 2007/08 levels.

This ongoing maintenance of funding is subject to the following conditions:

- affected services must continue to provide *at least* the same level of service to the community (i.e. days/hours/places per week; weeks per year)
 - Community Services will monitor affected services' funding at least annually (when data returns are provided) and reserves the right to formally review the funding of services if, for example, there is a significant reduction in the utilisation of the service or demand for the service by the community
 - Community Services will expect services to demonstrate that they have in place strategies and actions to improve service utilisation (both to increase the value of the service to the community and so that the gap between historical funding and RAM allocations are reduced or removed).
- **PRINCIPLE 16:** For services allocated funding above 2007/08 recurrent levels, a year-to-year "smoothing out" process will be implemented to provide funding stability and predictability.

Background: The approach is as follows - funding fluctuations resulting from changes in operations and child attendances would be smoothed year-to-year by putting a 15 per cent buffer on variations.

This means that if a service has an attendance variation leading to a change in funding that is up to 15 per cent above or below their last year's funding then they would receive last year's allocation, plus indexation.

If the variation is greater than 15 per cent above or below their last year's funding then they would receive the new allocation according to the RAM – whether an increase or decrease. However, they can never receive less than 2007/08 recurrent funding levels during the next five years.

Services will be advised before the end of each financial year of the funding to be provided to the service for the next financial year.

- **PRINCIPLE 17:** From the start of the new funding model, Community Services funding will not increase for places that are CCB approved or eligible.

Background: This is intended to reduce disparities between CCB eligible and non CCB eligible services. The aim is to overcome the 'double-dipping' that arises for those services that receive significant CCB support as well as Community Services support, while most preschools have no access to CCB.

Growth phase allocations:

These principles are proposed as the basis of the growth funding provided under the PIRP which aims to create a preschool opportunity for **15 hours** week for 10,500 children that do not currently receive a two day service in their year before school.

- **PRINCIPLE 18:** New capacity allocations will be calculated by comparing current capacity [i.e. the total number of preschool and long day care place-days available (for-profit, not for profit and DET)] to the number of 0 to 5 year olds living in each LGA to show relatively under-served areas.

- **PRINCIPLE 19:** These LGAs will be the ones considered for allocation of the 10,500 extra funded **15 hours** per week spots for children. However, consideration will be given to geographic and demographic factors relating to neighbouring LGAs.

Background: 'New' places may be provided in a range of ways:

- children already attending services may increase their attendance to two days and/or children may attend services for the first time
- children may take up under-utilised places in existing services
- existing services may expand their licensed capacity to provide additional funded places
- in some cases there may be development of new services and places.

It is proposed that funds in the range of \$1.5 million to \$2 million per annum be set aside in the Children's Services Program for capital projects.

- **PRINCIPLE 20:** In the future, when services in relatively over-supplied LGAs close or reduce their places, the released spots will be allocated to relatively under-supplied LGAs. Funding will not be automatically allocated for future capacity increases at individual services. This is to ensure supply matches demand.

Program funding specifications and service agreements:

- New children's services specifications will include:
 - Definition of terms such as 'Preschool aged child' and 'the year before school'
 - Priority of access guidelines for services
 - Details of funding conditions
 - Identification of reporting requirements.
- Priority of access targets to be included in the service specifications are (not in any particular order):
 - Children who are at risk of harm
 - Children in their year before school, with highest priority given to children closest to school entry (NB: Children will generally be aged more than 3½ and less than 6 years)
 - Children from low income families (i.e. those with Health Care Cards)
 - Aboriginal and Torres Strait Islander children
 - Children from culturally and linguistically diverse backgrounds
 - Children with disabilities.