



Preschool and Long Day Care Funding Update

Communiqué – June 2008

Welcome to the second Funding Update Communiqué, keeping you informed on the progress of the NSW Government's \$85 million Preschool Investment and Reform Plan and DoCS Funding Reform.

DoCS is pleased to announce that the next phase of the Preschool Investment and Reform Plan will be implemented from 1 July 2008.

The next phase of the plan is important for all long day care and preschool services, including mobiles, funded by DoCS - so please take the time to read this communiqué.

The Preschool Investment and Reform Plan Working Group have agreed on the principles that will guide the future allocation of funding for preschools. The principles have been developed following detailed consideration and testing to ensure that future allocations are fair and targeted to those most in need.

The Department thanks the Working Group members for their input and expert advice.

What is the new approach to preschool funding?

The basis of the new approach is to match funding levels to the actual characteristics of the children and community in which the preschool operates, and the pattern of usage of services by the community.

This means that the same funding rules will apply across all preschools rather than the present situation where funding is allocated on largely historical factors and is not responsive to changing child and family needs.

What are the principles?

In future, DoCS preschool funding will be linked directly to the services received and outcomes achieved for children.

The new funding model is based on a set of agreed principles. New rates of funding per child have also been agreed.

A summary of the principles and the funding rates is attached to this communiqué and is available on the DoCS website at www.community.nsw.gov.au.

A fundamental principle is that funding will be driven by utilisation of the preschool – that is, by the number of children who receive a service rather than the number of licensed places at the preschool. Preschools will be funded for every child that attends their service, according to the child's needs, up to a maximum number.

The funding model is also designed to provide higher rates of funding to Indigenous children, children from low income families, and children from culturally and linguistically diverse (CALD) backgrounds.

Mobile preschools and preschools located in remote communities will receive higher rates of funding to reflect the extra costs associated with these services, and to assist families in isolated communities access early childhood education.

Does this funding change affect long day care services?

Yes, from the start of the new funding model, DoCS funding will **not** increase for long day care services that are classified as 'Approved Care' and receive the Commonwealth Child Care Benefit (CCB). This is intended to reduce the disparities between 'Approved Care' services (long day care) and 'Registered Care' services (preschools) that are not eligible for CCB.

Long day care (CCB approved) places will continue to receive the same level of **recurrent** funding as they received in the 2007/2008 financial year, but from 2008/2009 will not receive any increased funding (including indexation/CPI increases).

What is happening with the Viability Funding allocated under Round Two of the PIRP?

The additional fixed term funding allocated to services under Round Two of the Preschool Investment and Reform Plan (the 'viability round') in 2006/2007 and 2007/2008 ceases on 30 June 2008. The new funding model replaces this allocation.

When will my services find out about their new funding level?

All services will be notified in July 2008 of their new funding level.

The changes to funding for preschools are based on the data reported in the 2007 ASPARD and the data submitted to DoCS by services in March 2008.

One of the benefits of this new approach is that there is no application or submission process for the additional funds. Funding levels are based on the number and characteristics of children using the service, as reported by preschools in recent data collection.

To help services adjust to the new funding approach it has been agreed that the funding model will be implemented over time. **No service will receive less recurrent funding in the 2008-2009 year than they received in the 2007-2008 year.**

Services will have already received their 2008/2009 Service Agreement. *It is important that services sign and return their 2008/2009 Service Agreement to ensure that existing recurrent funding payments continue in the normal manner.*

Will my new funding level include 'operational' and 'fee relief' funding?

The new funding model replaces the existing system of 'operational' and 'fee relief' (or economic subsidy) funding for preschools. The funding model includes per child funding for children from low income families which is now linked to Health Care Card holders only – not three income levels. Information on the income levels for Health Care Card holders can be found on the Centrelink website, www.centrelink.gov.au. DoCS believes that fees charged are a matter for individual services and will no longer be prescribing the number of places for which a service should offer 'fee relief'. The ASPARD document will be updated to reflect these changes.

What happens if my preschool funding is more under the new model?

Preschools that are eligible for a higher level of funding under the new model will receive an annexure to their 2008/2009 Service Agreement for the additional allocation, which must be signed and returned to the Department for payments to start.

Any preschools not receiving an increase of funding under the new model will also be notified of this in July.

What happens if my preschool funding is less under the new model?

As previously noted, no service will receive less recurrent funding in 2008/2009 than they received in 2007/2008.

Preschools whose current level of funding is higher than allocated under the new model will continue to receive the **same level of recurrent** funding as they received in the 2007/2008 financial year for the next five years. These services will not receive indexation payments during this time; however, they will have the opportunity for reassessment of their funding each year based on utilisation rates.

Will my service get indexation/CPI increases as usual?

For preschools, all indexation/CPI increases have been incorporated into the new funding model and from 2008/2009 will no longer be provided as a separate payment.

As previously noted, from 2008/2009 long day care (CCB approved) services will not receive increased funding – including indexation/CPI increases.

What happens to the funding I get now for children under the SCAN (Supporting Children with Additional Needs) program?

There will be no change to the SCAN program in 2008/2009. Preschools, occasional care and vacation care services can still apply for assistance through SCAN to support children with disabilities and challenging behaviours. Application can also still be made for children from ATSI and CALD backgrounds; however, as funding for these groups is included in the new funding model, priority for SCAN funds should go to children with disabilities and challenging behaviours.

How will DoCS collect the information to work out my funding level in the future?

It is important to note that the future funding allocations for preschools will be assessed annually, based on the data collected during the representative week as part of the ASPARD. This is to ensure that the funding allocations remain fair and based on the utilisation of the service. The ASPARD document is currently being revised to ensure it reflects the new model.

Every year, preschools will be advised by May of the funding to be provided for the next financial year, to assist in the preparation of budgets.

What will happen next and how can I find out more?

DoCS recognises that this is a dynamic and at times unsettling period for community preschools and is committed to working closely with the sector in implementing the next phase of the Preschool Investment and Reform Plan.

To assist preschools in understanding the new model, the base funding rates for each Local Government Area and per child funding amounts will be available soon on the DoCS website, along with some real life examples of how the funding model works.

A Funding Model Worksheet will also be available through the website to allow services to work through some of the numbers and variables within the funding model and understand how it applies to your service.

What is happening with the new places as part of the Preschool Investment and Reform Plan?

The additional \$29.8 million per annum from 2008/2009 the Government is investing under the next phase of the Reform Plan includes funding to assist with the provision of preschool places for another 10,500 children to attend two days per week.

DoCS is currently working on the administrative arrangements for the allocation of these places and will provide information about the process shortly through further communiqués and the DoCS website, www.community.nsw.gov.au

Summary of the new Preschool funding principles

- Funding equity will mean that the same funding rules apply across community preschools. The aim is that similar funding support is provided to services for children and families in similar circumstances.
- Preschool funding will be driven by the number of children who receive a service rather than the number of licensed places available in the service.
- Funding will be provided to preschools for every child attending the service each week, up to a maximum number of children.
- Each preschool's base rate of per-child funding will reflect the average income of families with children aged 0-5 in the service's Local Government Area. This rate starts at \$780 per-child per-year for high income LGAs and increases to \$1,600 per-child per-year for low income LGAs.
- A higher rate of funding will be provided for children from target groups to assist these children to access preschool programs. The target groups are:
 - all Indigenous children: \$3,000 per-child per-year;
 - children from low-income families (ie non-Indigenous, Health Care Card holders): \$1,750 per-child per-year;
 - children from culturally and linguistically diverse backgrounds (ie. a language other than English is the main language spoken at home): \$250 per-child per-year for high income LGAs to \$500 per-child per-year for low income LGAs.
- For Indigenous children and low-income families this funding will be higher than, and instead of, base funding. For CALD children it will be additional to base funding.
- A loading will be provided for mobile preschools (\$500 to \$1,000 per-child per-year) and another loading for remote services (\$765 per-child per-year) to account for the extra costs of these services.
- A year-to-year "smoothing out" process will be implemented to provide funding stability and predictability for services.
- From the start of the new funding model, DoCS funding will not increase for places that are Child Care Benefit approved or eligible. This is intended to reduce disparities between CCB eligible and non CCB eligible services.
- No preschool will receive less recurrent funding in 2008/2009 than they received in 2007/2008 because of the new funding approach.
- Services that have recurrent funding below the new funding model level will have their funding increased to the appropriate level.
- Services that have recurrent funding above the new funding model level will have their funding maintained at the current level for five years.
- Children with disabilities and challenging behaviours will continue to receive additional support under a revised SCAN program.
- There will continue to be priority of access targets for the following children (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)
 - Aboriginal and Torres Strait Islander children
 - Children from low income families (ie those with Health Care Cards)
 - Children from culturally and linguistically diverse backgrounds
 - Children with disabilities.