



Early Years Management

*Achieving a sustainable
service system*

A submission to the
Victorian Government

February 2019



EARLY
LEARNING
ASSOCIATION
AUSTRALIA

The voice for parents and service providers





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service system*

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Executive Summary

Early years management: from vulnerable to robust

Early years management is the dominant model of community kindergarten management in Victoria today. Evolving from kindergarten cluster management, the early years management model was implemented in 2016 with direct benefits to the children who attend their services, parents and family members, teachers and educators and also for government.

Benefits include:

- overall higher quality of services when compared to other early childhood education and care services, based on assessment and ratings data (ACECQA, 2018)
- high quality and supported workforce
- strong engagement of vulnerable children and disadvantaged communities
- improved governance and administration of services
- consistent implementation of policy reforms
- integration of services across the early years
- effective partnerships across early years and family and children's services
- reduced administrative burden on government.

The ELAA CEO Group, comprising CEOs of early years management (EYM) organisations has been increasingly concerned about the sustainability of the model under current funding arrangements. They report that the situation has now become critical, with risks to the future of the model, the quality agenda and the Victorian Education State agenda more broadly.

“ To inform the submission, ELAA conducted a survey of EYM organisations. Survey responses represent over half of all kindergarten sites under EYM management.”

There are a range of factors which have come together to create a challenging environment for EYM organisations, threatening their viability:

- cumulative impact of state policy reforms, as illustrated most recently by the lack of funding to support the implementation of school readiness funding, in context of Commonwealth reforms, such as the introduction of the Child Care Subsidy.
- the low level of the annual funding grant with 100 percent of EYM organisations agreeing that it does not cover their costs and some organisations reporting the gap in the grant being between 100 – 200 percent per kindergarten site.
- broader contextual factors causing a range of indirect and direct costs, such as increased challenges of staff recruitment and retention, cost of living pressures on families and increasing rental costs.

This submission to the Victorian Government, *Early Years Management: Achieving a Sustainable Service System* has been developed by ELAA in partnership with the ELAA CEO Group.

This submission:

1. articulates the value of early years management to staff, children, their parents, the community and the Department of Education and Training (DET) and in the implementation of the Victorian Government's reform agenda
2. identifies the issues affecting the sustainability of early years management and the ways services try to address them
3. outlines the case for an initial increase and a review of EYM funding to create a sustainable model of funding for early years management
4. identifies factors to be considered in the development of a sustainable model of funding of early years management.

To inform the submission, ELAA conducted a survey of EYM organisations. Survey responses represent over half of all kindergarten sites under EYM management.

The key findings from the survey, outlined in Figure A, identify the critical vulnerability of early years management due to long-standing underfunding.

The scope of the submission, whilst focussed primarily on EYM funding, also considers broader factors which impact on the sustainability of the kindergartens as these also impact on the sustainability of the early years management model.

EYM organisations have been using a range of strategies to maintain their viability:

- varying the amount of per capita (kindergarten) funding used towards covering administration costs
- strategies to generate income or other means to address the gap, such as drawing on financial reserves or cross-subsidisation
- strategies to reduce overheads, including reducing investment in leadership and development of staff.

The key findings from the survey, outlined in Figure A, identify the critical vulnerability of early years management due to long-standing underfunding.

Figure A: Key findings from the ELAA survey of EYM organisations.

Key survey results

Funding

- 100 percent of EYM organisations agree that the annual EYM grant is insufficient.
- Over 90 percent of respondents estimated the funding gap to be more than \$5,000 per annum (the maximum option available on the survey).
- Many EYM organisations report that an increase of 100 – 200 percent to the annual EYM grant is needed to cover costs.
- Over 80 percent indicated that the one percent administration funding for school readiness funding was insufficient.

Impacts

- 52 percent do not plan to or are uncertain whether they will take on any additional kindergarten sites in the next 12 months.
- Over 85 percent have decreased their investment in management and leadership.
- 60 percent reduced their investment in staff development and support.

Future of early years management

- 66 percent considered that without an increase in funding, they could only continue to provide services for less than two years with half of these services (33 percent) estimating they could continue for less than 12 months.
- EYM organisations are pessimistic about the future of early years management, ranking on average a 3.38 out of 10 on a scale ranging from very pessimistic (zero) to very optimistic (ten).

The limits of strategies to address underfunding in the current model have been reached and the capacity to continue to absorb or otherwise fund the deficit is no longer sustainable. Sixty-six percent of organisations report that without a change in the funding arrangements, in particular the annual funding grant, they could only continue to provide early years management for less than two years. Nearly half of these (33 percent) estimate that they could continue for less than 12 months.

Additional impacts of long-term underfunding include:

- risk to the implementation of the EYM model with EYM organisations less likely to take-up additional kindergartens as a result of financial and time constraints
- risks to the effective and consistent implementation of government policy, including the roll-out of school readiness funding and the expansion of three-year-old kindergarten
- impacts on the quality of children's early education
- adverse impacts on workforce attraction, development and retention
- detrimental impacts on the participation of children
- loss of parental and community engagement.

The effects of long-term underfunding are putting the entire system of early years management, the leading platform for delivery of high quality education and care services, at risk. Only 17 percent of services see themselves as able to continue to provide early years management beyond the next five years. The result is concerning given the challenges ahead for the sector, in particular operationalising school readiness funding and the roll-out of three-year old kindergarten and the associated large investment in infrastructure.

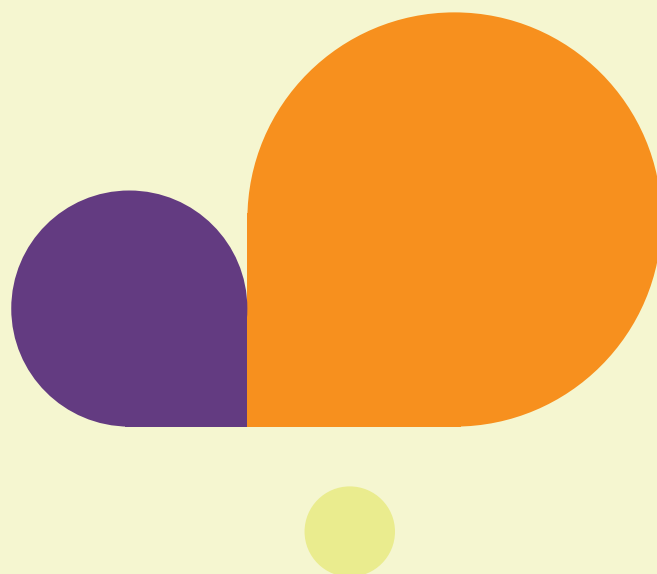
“ Only 17 percent of services see themselves as able to continue to provide early years management beyond the next five years.”

The development of a new funding model is needed which takes into account:

- the future of early years management
- increased focus on integration of early years services
- roll-out of three-year-old kindergarten in both sessional and long day care programs.

A sustainable early years management sector will deliver a robust implementation of the expansion of kindergarten to all three-year-old children in Victoria with quality education provided by a supported and engaged workforce.

ELAA and the CEO Group make the following recommendations to address the issues raised in the submission and look forward to working with the State Government and the Department of Education and Training to ensure the vision of quality early childhood education is realised for every child.



Recommendations:

Eleven steps for a sustainable early years management model

- 1 EYM organisations have immediate access to an interim sustainability payment of up to \$250,000 to stabilise service provision
- 2 the annual EYM grant is increased by a minimum of 100 percent to \$20,500 per kindergarten site to reflect the work effort of EYM functions
- 3 in the roll-out of reforms, the Department of Education and Training (DET) or the responsible agency include a budgeted allocation for implementation by EYM organisations, which reflects transition and ongoing operational costs, and costs of associated infrastructure
- 4 DET review the funding to EYM organisations for administration of school readiness funding to reflect actual work effort
- 5 the growth of EYM model is supported by increased funding of the transition and start-up grants and that the role of these payments be considered in a revised funding model
- 6 DET provide a clear policy direction for the future of early years management including its role in kindergarten management and the integration of early years services
- 7 DET develop a workforce strategy to attract, train and retain high quality early childhood teachers and educators which recognises an expanded role for EYM organisations
- 8 the Kindergarten Fee Subsidy is increased to reflect the actual costs of the funding gap, the demographics of the community and the capacity of parents to pay
- 9 DET examine the extent to which parent advisory groups are fundraising or otherwise covering the costs of service provision
- 10 DET, in partnership with ELAA and EYM organisations develop a new funding model for early years management
- 11 DET transfer agreed funding to EYM organisations in a timely manner to enable services to plan financially.

1. Introduction

Since 2003 Early Years Management (EYM) organisations have made a foundational contribution to the management of community kindergartens. Working with service partners they ensure quality early learning is provided to three- and four-year-old children by well-supported professional teachers and educators. They also play a significant role in the community, engaging with families to ensure that services are sustainable and meet local needs.

EYM organisations operate in an environment of significant change. In the last five years, they have implemented or supported the implementation of major changes, including:

- increased hours of kindergarten for four-year-old children from 10 to 15
- increased staffing ratios
- the registration of early childhood teachers with the Victorian Institute of Teachers
- Child Safe Standards
- No Jab No Play.

These changes have contributed to increasing workloads and overheads. School readiness funding has begun to be rolled out and the signs are clear that the administrative costs are expected to be born by EYM organisations.

“ Services are now in a position where they are cross-subsidising kindergarten programs, drawing on reserves (where available) and relying on unpaid overtime of staff to maintain EYM functions.”

The allocated funding for kindergarten oversight functions has not covered the costs for many years. Long-standing uncertainty about the funding of kindergarten, combined with the low level of the annual EYM grant is having a detrimental impact on the viability of EYM functions. Services are now in a position where they are cross-subsidising kindergarten programs, drawing on reserves (where available) and relying on unpaid overtime of staff to maintain EYM functions. The ELAA CEO Group, comprising CEOs of EYM organisations report that the situation has now become critical, with risks to the future of the model, the quality agenda and the Victorian Education State agenda more broadly.

The most exciting challenge over the next ten years will be making 15 hours of kindergarten available to all three-year old children. The successful roll-out of the long-advocated-for reform will be dependent on a thriving, viable early years management sector. Investment in early years management is needed to set a stable and sustainable future – our children are relying on it.



1.1 About the submission

This submission to the Victorian Government, *Early Years Management: Achieving a Sustainable Service System* has been developed by ELAA in partnership with the ELAA CEO Group.

This submission:

1. articulates the value of early years management to staff, children, parents, the community and the Department of Education and Training (DET) and in the implementation of the Victorian Government's reform agenda
2. identifies the issues affecting the sustainability of early years management and the ways services try to address them
3. outlines the case for an initial increase and a review of EYM funding to put it onto a sustainable long-term footing
4. identifies factors to be considered in the development of a sustainable model of funding of early years management.

There is a strong relationship between the sustainability of early years management as a funded function and the sustainability of the kindergartens EYM organisations manage. Whilst the scope of the submission is focussed primarily on EYM funding, broader factors which impact on the sustainability of the kindergartens and in turn impact on the sustainability of early years management are also considered.

1.2 ELAA survey on EYM sustainability

To inform the development of the submission, ELAA developed a survey which asked a mixture of categorical, ordinal and interval/ratio questions as well as open-ended questions. The survey covered:

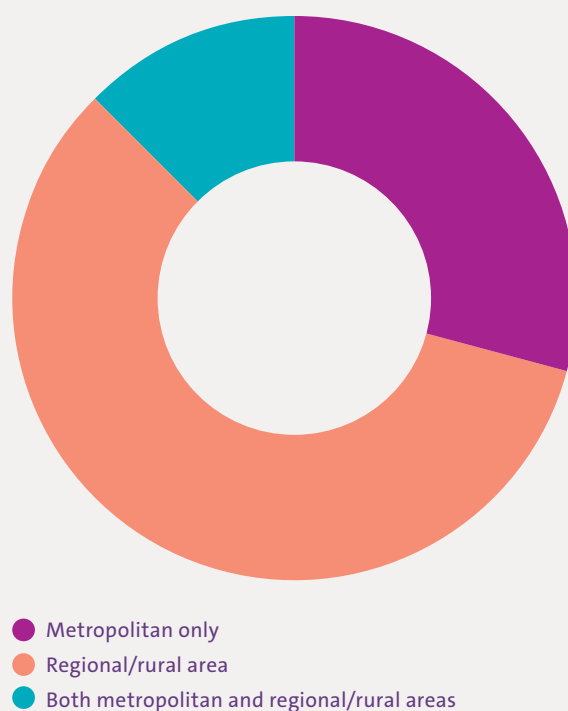
- the role of the annual EYM grant and the start-up and transition grants
- the implementation of the school readiness funding
- the support EYM organisations need for the expansion of three-year-old kindergarten.

The survey also asked EYM organisations to assess their overall confidence about the future of early years management in the present environment, taking into account the broader policy directions of the sector. The survey is included at Appendix 1.

The survey was sent to the CEO or manager of early childhood education and care in December 2018 and January 2019 advising that their responses would be de-identified. Of 34 EYM organisations invited to participate, 24 responded, a response rate of 70 percent.

The 24 EYM organisations which responded, which included ELAA members and a non-member are responsible for managing 490 kindergartens which represents 54 percent of kindergartens under the management of EYM organisations in Victoria. Survey respondents managed from 3 – 80 kindergartens. The EYM organisations offered services in metropolitan and rural and regional settings as shown in Figure 1.

Figure 1: Where survey respondents manage kindergarten services in Victoria



2. Early Years Management today

Early years management is the dominant model of community kindergarten management in Victoria. As of May 2018, 59% of Victoria's community kindergarten services, a total of 922 services, were under one of 53 EYM organisations (DET, 2018).

The seeds of the current model of kindergarten funding were developed over 25 years ago with the introduction of per capita grants for each child attending kindergarten in 1994. Kindergarten cluster management was introduced in 2003 to reduce the burden on kindergarten committees, strengthen the delivery of kindergarten programs and provide employees with professional employment arrangements.

In 2016 the Early Years Management model was introduced with a draft policy and outcomes framework and operating guidelines (DET, 2016a and 2016b). An overview of the key milestones in the development of today's model of early years management can be found in Appendix 2.

The change from kindergarten cluster management to early years management was introduced to reflect the long-term vision to extend the platform beyond the management of kindergarten services. Early years management signifies the broader role these community-based, not-for-profit organisations already play within the early years sector, and the policy to move the sector towards achieving a more integrated and sustainable service system into the future.

The structure of EYM funding for the administration of kindergartens is outlined in Appendix 3 and includes the following elements:

- annual EYM grant
- establishment grant
- start-up grant
- transition grant.

The main source of funding is the annual EYM grant. The grant, a single flat rate, is paid for each location/site managed by an EYM organisation that offers a funded kindergarten program.

Although there have been significant changes to the function of EYM organisations, including changed policy frameworks, quality and expected outcomes, there has not been a review of EYM funding since it was increased following a review by KPMG in 2007. The review resulted in a funding increase for kindergarten cluster management of 26 percent to \$7,000 per annum (Department of Education and Early Childhood Development, 2008). Since that time, despite the increasing demands, only an annual increment to the funding has been applied based on indexation.

“ As of May 2018, 59% of Victoria's community kindergarten services, a total of 922 services, were under one of 53 EYM organisations (DET, 2018).”



KEY FACTS

about Early Years
Management

53 EYM organisations
managing 922 funded
kindergarten services

59% of eligible kindergarten
services managed
by an EYM

EYM organisations
managed **36%** of all
funded kindergarten
services

The number
of services EYM
organisations
manage ranges
from **3 – 112**
services

47% of EYM-managed services
are in rural or regional areas



3. Value of EYM organisations

The work of EYM organisations is of enormous benefit to the children who attend their services, their parents and family members, the teachers and educators who work there and also for government.

The benefits of early years management are considered across the following dimensions:

- overall quality of services
- high quality workforce
- engagement of vulnerable children and disadvantaged communities
- improved governance and administration
- consistent implementation of policy reforms
- integrated service provision
- effective partnerships
- reduced administrative burden on government and reduced risks.

3.1 Quality service provision

One of the achievements of kindergarten cluster management was being a proven driver of quality (DET, 2016a). Recent data from the Australian Children's Education and Care Quality Authority (ACECQA, 2018a) demonstrates the continued value of early years management with better quality ratings achieved across all seven quality areas of the National Quality Standards (NQS) compared against other services.

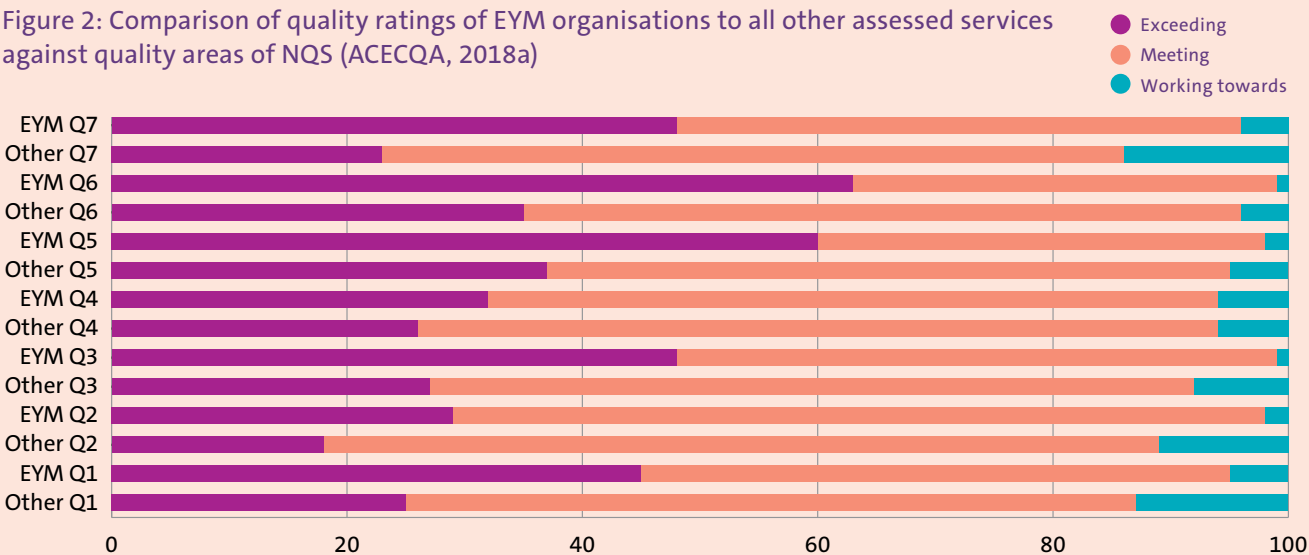


CASE STUDY:
Commitment to quality in constrained circumstances

We have raised parent fees again to allow us to employ an additional early education advisor in 2019 to support quality service provision. This brings us to just over 1.0EFT in this position for a large number of services in a wide geographic area – an example of how we run very light on in our management functions.

Rural EYM service provider

Figure 2: Comparison of quality ratings of EYM organisations to all other assessed services against quality areas of NQS (ACECQA, 2018a)



3.2 High quality workforce

EYM organisations have a responsibility to develop the early years workforce so early childhood professionals are highly skilled, able to work in partnership with families and other professionals and deliver quality learning experiences for children (DET, 2016).

As they manage numbers of services, EYM organisations are able to provide more secure employment opportunities with career pathways. Support to educators, such as backfill for sick leave and to attend professional development is also available. These structures are designed to make the early childhood sector an attractive place to work and to encourage people to stay involved in the sector.

Due to their reach, EYM organisations are also well-placed to contribute to workforce initiatives across the sector, such as supporting provisionally registered teachers in their transition to full registration.

3.3 Supporting vulnerable children and disadvantaged communities

Quality Early Education for All (O'Connell et al, 2016) examined the value of quality early education as 'one of the most significant investments in education and productivity that governments make'. The report identified early education as a key strategy for overcoming disadvantage experienced by children early in life.

Early years management is a strong platform for supporting vulnerable and disadvantaged communities and driving high levels of kindergarten participation. Data from 2017 revealed that 58 percent of Early Start Kindergarten enrolments were at an EYM managed service, while EYM managed services had only 46 percent of the total year-before-school enrolments (DET, 2018). Anecdotally services report that parents of children with a disability or developmental delay choose kindergarten sites managed by EYM organisations over independent kindergartens because of their reputation for welcoming all children and the skills of the staff who work there.

“ With their greater capacity to network with local services, strong focus on staff development and educational leadership, EYMs have the organisational capability to support more complex families.”



CASE STUDY:

Benefits of early years management for staff

Working for an early years management organisation means I now receive support for my professional development. I have a performance appraisal plan where I have been able to set goals and I know I will be supported by the EYM organisation to achieve them, through a time allowance, the arrangement of relief staff and the cost of training. This is a big contrast to my experience of working for a kindergarten managed by a parent committee where I had to keep explaining why I needed to undertake professional development. Often I had to organise for replacement staff or attend training on my own time and at times I also had to pay for my own training.

Lyn, teacher with a rural EYM organisation

3. Value of EYM organisations (continued)

3.3 Supporting vulnerable children and disadvantaged communities (continued)

With their greater capacity to network with local services, strong focus on staff development and educational leadership, EYM organisations have the capability to support more complex families. This translates into services being more welcoming and accommodating and better able to respond to issues which come with disadvantage and vulnerability.

EYM organisations also build social capital by engaging families in parent advisory groups and supporting the activities of those groups to develop relationships between families, creating inclusive environments where everyone feels they belong.

3.4 Improved governance and administration

EYM organisations play a critical role in ensuring the sustainability and quality of kindergartens, particularly in rural, regional and disadvantaged areas, where low enrolments and difficulty securing staff can be challenging. The level of local government support for early years services varies considerably with some EYM organisations taking a leading role in the administration of enrolments and promotion of kindergarten services.

EYM organisations relieve parent committees of the responsibility for governance and leadership allowing them to focus on the participation of their child in the service and the development of relationships with other parents.



CASE STUDY: Parent's perspective

I have been on a kindergarten committee. The responsibilities of the committee were huge, from approving changes to policies to financial oversight. Staff and parents not agreeing with decisions of the committee were tricky, too. The bulk of responsibilities would fall to the president who managed staff, often with no experience of early childhood education. Being involved with an EYM which has a paid employee to take responsibility means I am able to be a parent and focus on the needs of my child. Knowing that staff are supported means I am more confident that all children attending are having quality learning experiences.

3.5 Supporting policy reforms

EYM organisations have supported the seamless and consistent implementation of a series of major reforms across the early years sector over the last ten years, including the implementation of the National Quality Framework, 15 hours for four-year-olds, new staffing ratios, No Jab No Play and Child Safe Standards.

Examples of these initiatives and the contribution of EYM organisations are outlined in Table 1 below.

With their integrated service delivery and local knowledge, EYM organisations alert government to issues arising in the sector, suggest solutions and advise on the formation of policy and regulatory change through their engagement on advisory and implementation groups, such as the EYM Strategic Partnership Forum and to support the implementation of the Early Years Reform Plan.

Table 1: Examples of government initiatives/policies and EYM contribution

Government initiative/policy	EYM contribution
Child Safe Standards	<ul style="list-style-type: none"> Comprehensive implementation of the standards across the organisation with leadership responsibilities clearly identified.
Early Childhood Agreement for Children in Out-of-Home Care	<ul style="list-style-type: none"> Supporting the engagement of children in out-of-home care in kindergarten and advocating for their participation.
Early Childhood Reform Plan	<ul style="list-style-type: none"> Development and delivery of locally relevant integrated services Building networks across the sector eg with MCH, playgroups and schools Quality implementation plans for school readiness funding.
Family Violence reforms	<ul style="list-style-type: none"> Implementation of respectful relationships initiative.
Marrung Education Plan	<ul style="list-style-type: none"> Active engagement of Koorie children and their families in three- and four-year-old kindergarten and supporting children to transition to school.
National Quality Framework	<ul style="list-style-type: none"> Played a leading role in the implementation of the framework Delivering higher quality against the National Quality Standards as compared to all other providers.
No Jab No Play	<ul style="list-style-type: none"> Consistent implementation of No Jab No Play Systematic education of parents about the importance of immunisation and where to access immunisation services.
Roadmap for Reform	<ul style="list-style-type: none"> Innovative approaches to keeping kindergarten places open for families and children in need through Pre-Purchased Places program. Working closely with local services to ensure engagement of Aboriginal children and children known to Child Protection, including through Early Start Kindergarten.

3.6 Integrated service provision

The Early Years Management Policy Framework recognises the value of EYM organisations providing a range of complementary and integrated services to their local community, such as long day care and occasional care, alongside kindergarten services. Integrated services provide a more seamless experience for parents and their children and build their connection to the service system.

“ Integrated services provide a more seamless experience for parents and their children and build their connection to the service system.”



CASE STUDY: Why integrated services matter

Pauline had three children aged 2, 4 and 8 and had recently moved to get away from a violent partner. Slipping into depression, Pauline found it difficult to re-establish herself and meet the needs of her family. After a referral by ChildFirst, a family services worker visited Pauline. With her personal history of child protection, Pauline was reluctant to get involved. With persistence, relationships were built and the 4-year-old attended kindergarten, and the 8-year old was able to attend outside hours school care. Pauline and the two-year old started coming to playgroup and she has begun to develop some friendships. Without the co-location of services, Pauline would not have developed the trust which led her to get the support she and her family needed.

3.7 Effective partnerships

EYM organisations participate in municipal early years planning and initiatives which improve the delivery of services in a local area, such as Best Start partnerships. Among other activities, EYM organisations may contribute to:

- improving enrolment processes
- addressing gaps in service provision
- raising public awareness of services and their benefits
- local learning and literacy programs
- developing models of service
- implementing health and wellbeing initiatives.

EYM organisations facilitate the ability of teachers and educators to participate in professional networks and develop relationships across the service system such as family and children's services and early intervention services to meet the needs of complex families and children engaged in their services. This can happen at both a systems level, such as family and children's services network meetings as well as in relation to specific families or children.



CASE STUDY: **Benefits of EYM partnerships**

We have identified a number of services in our catchment with higher populations of children from Aboriginal and Torres Strait Islander backgrounds. Together with the Koorie Engagement Support Officer from the Department of Education and Training and the Aboriginal Best Start Facilitator from the local Aborigines Cooperative, we are supporting our educators to work through a cultural safety checklist and are making concrete changes to ensure our services are welcoming. We surveyed families to measure their satisfaction with our services and how culturally welcoming they were prior to this work starting and are looking forward to finding out the difference this has made to families. The learnings will also help spread the knowledge of cultural safety to our other services.

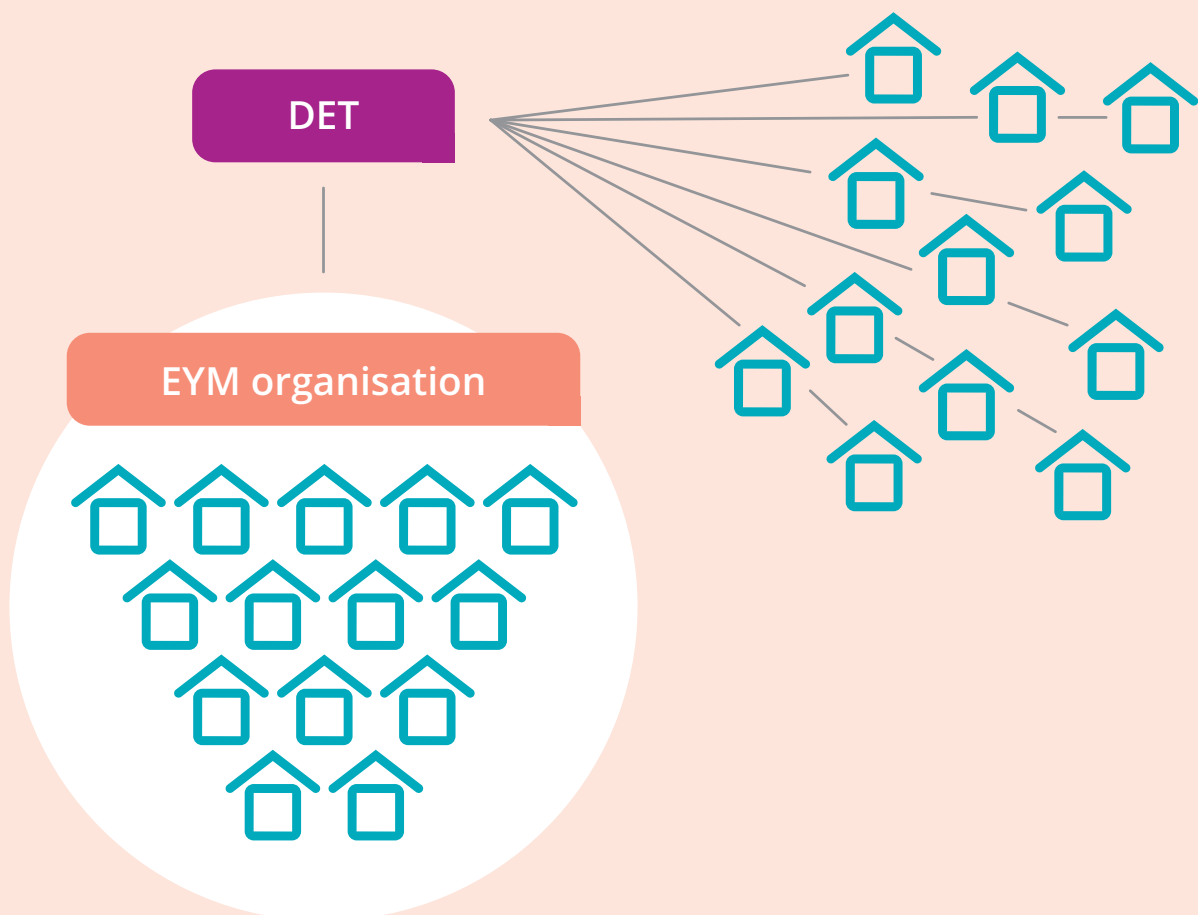
3.8 Simplifying government administration and reducing risks

EYM organisations support DET by reducing the number of relationships that the department has a contractual relationship with (Figure 3). The burden on the State Government to maintain oversight of kindergarten services is further reduced by higher quality service provision of EYM organisations.

A recent example of this is in the implementation of school readiness funding where Kindergarten Improvement Advisors worked with EYMs on the development of plans for multiple service sites to deliver high quality plans.

In addition, the evidence of the higher quality of services provided by EYMs suggests that they are better able to manage risks and therefore provide safer services with better outcomes for children, the staff who work in them and ultimately for government.

Figure 3: EYM organisations ensure quality multi-site service provision, alleviating DET of administration and quality oversight of smaller kindergartens



4. Challenges and strategies

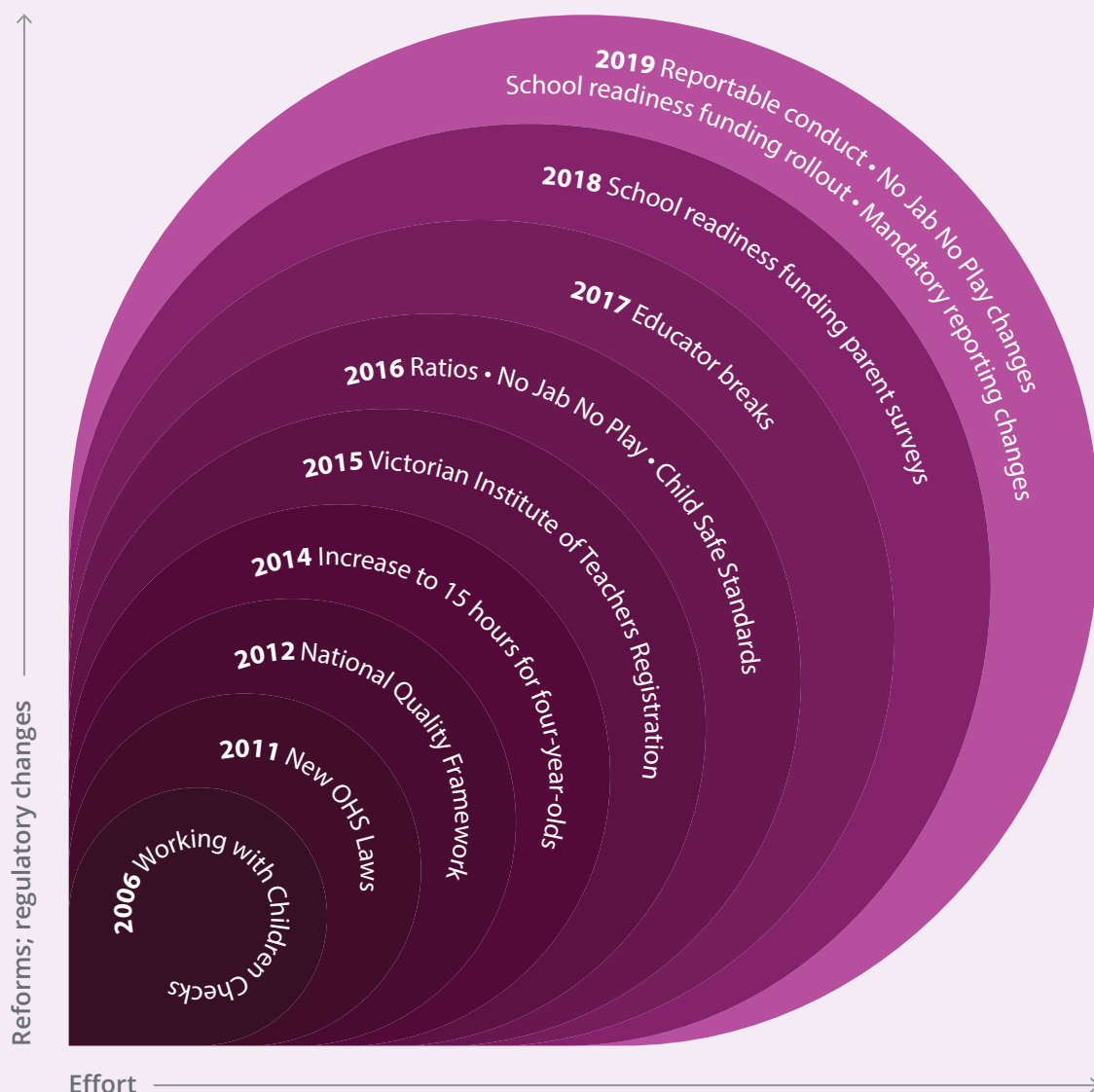
There are a range of factors which have come together to create a challenging environment for EYM organisations where their viability is at risk and management strategies are no longer effective.

4.1 Cumulative impact of reforms

Since the commencement of the EYM model, services have had increasing responsibilities. The implementation of reforms such as the

National Quality Framework, 15 hours for four-year-olds and changes to ratios have resulted in a net increase in work effort over time, which has not been recognised in the funding model. The impact on EYM organisations of the increased requirements under a static funding model are illustrated in Figure 4. 2019 will see the implementation of the Reportable Conduct Scheme, changes to No Jab No Play, the continued rollout of school readiness funding and new requirements around mandatory reporting adding further pressure to EYM stability.

Figure 4: Cumulative impact of reforms and regulatory change



4. Challenges and strategies (continued)

4.1 Cumulative impact of reforms (continued)

Current EYM funding only covers the basics. If new reforms are expected these need to be appropriately funded to ensure strong governance and leadership in early childhood education and care.

EYM organisation

Providing integrated services across multiple funding sources also adds to organisational complexity. Many EYM organisations also offer long day care and have had the additional demands of the roll-out of the Commonwealth Child Care Subsidy (CCS). There are ongoing challenges for services with the CCS as responsibility for determining whether someone meets the activity test rests with services providers and many families with unstable work require a re-assessment of their activity each week.

4.1.1 School readiness funding

The most recent reform to commence being rolled out is school readiness funding. Preparations to implement the funding commenced in 2018 with the first stage of the roll-out covering approximately one-third of all Victorian kindergarten services.

Fifty percent of survey respondents have been allocated school readiness funding in 2019. Of these 83 percent indicated that the funding was insufficient for staffing and administration costs with the percentage administrative allowance of, in many cases, just one percent. In addition, some organisations in the remaining 17 percent of respondents indicated that they had not been advised what funding they could expect which in turn affects their capacity to plan staffing to accommodate the additional work.



CASE STUDY:

Absorbing the increased costs of educator breaks

As of 1 October 2017 it became a requirement that educator to child ratios be maintained. This means that equivalently qualified staff must be on hand to cover breaks, such as a lunch break i.e. a bachelor-qualified teacher must be replaced by an equivalently-qualified teacher. Prior to the change, Certificate III educators may have covered the time period. The new requirement was implemented with no additional funding to cover the costs of the higher wages of more highly qualified staff. Whilst it is possible to apply for a waiver, there are additional administration costs to ensure that either the break is appropriately covered or a waiver is in place. The result is additional costs of increased wages and administration to be absorbed by EYM organisations.

The implementation of new reforms add increased pressure and unpaid hours.

EYM organisation

There is enormous sector support for the objectives of school readiness funding, however the feedback on its implementation was overwhelmingly that it is causing significant additional strain on resources and is taking a toll on staff.

The Department is increasing its expectations around what we can provide without funding to support it.

EYM organisation

4.2 Annual EYM funding grant

The current annual funding grant is \$10,232 per annum. The inadequacy of the grant is a major cause of financial difficulties in services.

We are running bare bones and the EYM grant covers less than half of our costs.

EYM organisation

One hundred percent of survey respondents agreed that the grant is insufficient to cover the costs of early years management, such as wages. Over 90 percent of respondents estimated that the funding gap was more than \$5,000 per annum (the highest option provided in the survey). Alarming many EYM organisations reported that EYM functions cost them between 100 – 200 percent more per kindergarten site than the funding provided.

It costs us approximately \$20,000 extra annually to manage each service.

EYM organisation



CASE STUDY: School readiness funding

Our service is located in some of the areas where school readiness funding is being rolled out for the first time. The funding injection to these services is a very exciting development and we are pleased to be a part of it. So far, we have had to allocate someone full-time for six weeks to overseeing the development of plans for the expenditure of this funding and other staff have also been heavily involved. We want to do the best by the services, the children and the preschool community but the one percent of the total funding for administration has long since been spent. To date we don't know what the accountability requirements to DET for the expenditure will be and how much more time we will need to allocate to implement the plan and account for the expenditure.

4. Challenges and strategies (continued)

4.2 Annual EYM funding grant (continued)

Key survey results

- 100 percent of EYM organisations say that the annual EYM grant is insufficient.
- Over 90 percent of respondents estimated the funding gap to be more than \$5,000 per annum (the maximum option available on the survey).
- Many organisations report that that EYM functions cost them between 100-200 percent more funding per site than they receive.

4.3 Strategies for viability

EYM organisations have been using a range of strategies to maintain their viability through the challenges of underfunding including:

- varying the amount of per capita funding to cover administration costs
- strategies to generate income or other means to address the gap within the organisations, such as cross-subsidisation
- strategies to reduce overheads, including reducing investment in leadership and development of staff.

4.3.1 Per capita funding

Kindergartens are primarily funded through per capita funding i.e. an annual grant for each eligible child enrolled in a kindergarten program in the year before school. Just as community kindergartens use funding to cover costs of administration, such as bookkeeping, the per capita grant is used to some extent by EYM organisations. There is, however, significant confusion about whether or not an administration component of the per capita grant funding can be used by EYM organisations to cover costs. Nearly one-quarter of respondents were either

unsure if they used an administrative component or unaware that it was possible to use it. In other cases, it is not possible for per capita funding to contribute to operational costs for that site because it operates at a deficit.

The administration component from the per capita grant used by us is difficult to calculate as most of our services operate at a loss.

EYM organisation

4.3.2 Strategies to cover the funding gap

Strategies identified by survey respondents to cover the funding gap are outlined below.

Increased parent fees: seventy percent of survey respondents indicated that they had increased parent fees to cover the costs of early years management. Many organisations, however, expressed concerns about the impact of increased fees and the potential for children to be excluded from attending kindergarten.

Unless funding is increased the fees paid by families will continue to increase as operational costs rise.

EYM organisation

The EYM grant covers approximately 40% of the cost and that means either a reduction in service to kinder/staff or increase in fees which impacts on families.

EYM organisation

Derive revenue from other sources:

seventy percent of survey respondents derive revenue from other sources, including:

- fundraising: many made mention of the role of parent committees fundraising to cover costs of service delivery, which over time has increased the burden on them

We rely on fundraising by families to help cover the shortfall between the EYM grants and the operational costs.

EYM organisation

- investments: however in this environment of low interest rates few organisation have the capital reserves required to generate the necessary income to cover the gap.

Applying for grants and supplements:

including teacher supplement and professional development grants.

Relying on parent organisation:

- drawing on the financial reserves of the parent organisation
- some local government-operated EYM organisations relied on council budget to contribute additional funding to cover service delivery costs including staff wages. Additionally, other costs such as cleaning, minor repairs, consumables as well as coordination and administration were covered by council. Other local government-operated EYM organisations indicated that they were expected to cover these within their budget and consequently operated at a loss, which was then covered by council.



CASE STUDY:

The role of parent fees

Parent fee increases have enabled us to implement government reforms and cover additional/increasing overheads, program, staffing, administration and management costs and also to ensure that we maintain a small surplus each year to preserve a buffer for the years we may have low enrolments and to, if possible, generate some investment income. Between 2011 and 2019 fees have increased a total of 170% from \$170 per term to \$457 per term. We do not charge concession card holders parent fees. Some sites have low numbers of children and low numbers of fee paying families, so essentially we still have some services running in a deficit and those services are effectively subsidised by others.

CEO, EYM organisation

4. Challenges and strategies (continued)

4.3 Strategies for viability (continued)

4.3.3 Strategies to reduce expenditure

Strategies to reduce expenditure outlined by survey respondents are outlined below.

Reduced investment in staff and education program:

- 21 percent of survey respondents agreed that they had reduced their investment in the professional development of staff
- 17 percent of survey respondents had reduced their investment in education program and practice.

Reducing cost of wages or other overheads:

- reducing above award payments to educators
- employing less experienced staff
- relying on volunteer effort of staff working unpaid hours to implement government reforms
- reducing costs in management of staff including wages and work time
- parents volunteering to clean kindergarten facility.

Reviewing services:

- streamlining quality improvements and cost savings which would drive sustainability, for example, integrating long day care and kindergarten and alignment of systems such as quality, payroll, and enrolment and through merging of EYM organisations. Many organisations stated that they had reached the limit in achieving cost savings using these approaches
- capping service numbers and group sizes and rotating models of service. Two organisations are undertaking a project to evaluate their service models and financial viability as the parent organisations can no longer fund the deficit
- closing services, which are no longer viable e.g. three-year-old programs.

We can not continue to cross-subsidize the EYM program into the future: either funding is increased or support services are decreased.

EYM organisation

4.4 Additional factors impacting viability

Broader contextual factors are causing a range of indirect and direct costs affecting the viability of early years management.

4.4.1 Workforce issues

One of the most significant factors impacting the viability of early years management relates to workforce. The increased complexity of families combined with regulatory demands is impacting on the health and wellbeing of teachers and educators. EYM organisations report that more hours of unpaid work are being provided by staff in kindergartens. Some services also report an increase in sick leave being taken. Stressed staff require more EYM organisational support, including roster changes; administration; and supervision.

Some EYM organisations have been forced to reduce above-award payments to educators as well as strip away other benefits, which flies in the face of attracting and retaining a qualified and skilled workforce. Recruitment and orientation of new staff can become all-consuming tasks as highly skilled staff are lost. Shortages of applicants increase the time and effort seeking a satisfactory employee.

“ *The increased complexity of families combined with regulatory demands is impacting on the health and wellbeing of teachers and educators.”*



CASE STUDY: Workforce pressures

Workforce is a major issue for our organisation. In 2018 we have had to recruit 183 out of approx 300 positions. There are huge pressures on staff, particularly in rural areas which are causing mental health issues. Many are leaving the profession entirely and others are moving into primary school teaching as the remuneration, job security and support structures are significantly better. The constant need to recruit staff and orient them to their work is detracting from our desire to embed quality practices.

We have already commenced recruitment for 2019 with 64 positions being advertised and to date have had no applications for six of these. The majority of roles are Diploma positions.

Rural EYM organisation

“ *Whilst there is a degree of empathy for the cumbersome nature of DET payment processes delays of eight months and more, reported anecdotally and in survey responses, create an additional financial pressure which could be avoided.”*

4.4.2 Demographics factors

Local demographics also influence the sustainability of the EYM model:

- the Kindergarten Fee Subsidy provided by DET often does not cover the balance between the per capita funding and local operating costs so in areas where there is a higher proportion of parents with a health care card, there is a financial shortfall
- cost of living pressures mean some parents struggle to pay fees resulting in increased fee relief and an increase in fee collection processes.

4.4.3 Changing demand for services

In addition, there are factors which are affecting demand for services:

- people moving from middle suburbs to outer areas where there is more affordable housing
- a number of organisations reported that the inflexibility of the kindergarten model is becoming more difficult to sell to parents, particularly in light of increasing parent fees
- increasing privatisation of the sector providing, at times, a more attractive option for families which can afford the higher fees.

4.4.4 Cost of infrastructure

Infrastructure costs are also increasing for a variety of reasons including:

- declining infrastructure, particularly in older suburbs and rural areas has made services less attractive options and increased maintenance costs
- rate capping by councils is leading to increased rental costs
- costs of IT infrastructure are a significant burden on organisations.

4.4.5 Timing of funding

A factor which contributes additional stress to EYM organisations is delayed transfer of agreed funding to EYM organisations. Whilst there is a degree of empathy for the cumbersome nature of DET payment processes delays of eight months and more, reported anecdotally and in survey responses, create an additional financial pressure which could be avoided.

5. Addressing the impacts of long-term underfunding

The consequences of underfunding EYM organisations are significant with the real potential for reduced quality of early childhood education and care in Victoria.

Issues include:

- crisis of financial viability and confidence of EYM organisations
- risks to the effective and consistent implementation of government policy, including the roll-out of school readiness funding and three-year-old kindergarten
- risk to the implementation of the EYM model
- impacts on the quality of children's early education
- adverse impacts on workforce attraction, development and retention
- detrimental impacts on the participation of children
- loss of parental and community engagement.

This section summarises the impact of underfunding and outlines recommendations to address each of these issues.

5.1 Crisis of financial viability and confidence

The effects of long-term underfunding are putting the entire system of early years management, the leading platform for delivery of high quality education and care services, at risk. An astounding 66 percent of survey respondents considered that without an increase in funding, they could only continue to provide services for less than 2 years with over 33 percent estimating that they could continue for less than 12 months. Only 17 percent of services saw themselves as able to continue to provide early years management beyond the next five years.

“An astounding 66 percent of survey respondents considered that without an increase in funding, they could only continue to provide services for less than 2 years with over 33 percent estimating that they could continue for less than 12 months.”

“EYM organisations surveyed are pessimistic about the future of early years management, ranking on average a 3.38 out of 10 on a scale ranging from very pessimistic (zero) to very optimistic (ten).”

Any further pressure to improve quality, increase programs and increase staffing will see the organisation in increased financial difficulty.
EYM organisation

Unsurprisingly, whilst there were a range of perspectives, on balance, EYM organisations surveyed are pessimistic about the future of early years management, ranking on average a 3.38 out of 10 on a scale ranging from very pessimistic (zero) to very optimistic (ten).

The limited funding for early years management is of great concern and is unsustainable.
EYM organisation

The result is concerning given the challenges ahead for the sector, in particular operationalising school readiness funding and the roll-out of three-year old kindergarten and supporting the associated large investment in infrastructure.

To address the chronic funding short-fall, and to provide immediate stability to the sector, it is recommended that EYMs be able to apply for once-off funding grants of up to \$250,000.

RECOMMENDATION 1:

EYM organisations have immediate access to an interim sustainability payment of up to \$250,000 to stabilise service provision.

To ensure a sustainable EYM service system, the annual EYM funding grant should be doubled to better reflect the work effort of EYM functions.

RECOMMENDATION 2:

The annual EYM grant is increased by a minimum of 100 percent to \$20,500 per kindergarten site to reflect the work effort of EYM functions.

5.2 Effective implementation of government policy

Putting reforms into effect has incurred additional overheads for EYM organisations, mostly in the form of additional staff hours, and often in combination with unpaid overtime by staff dedicated to providing quality services. Upgrades to IT programs and infrastructure to capture associated data also add to expenses. Overheads are usually higher initially as the transition takes place followed by ongoing implementation costs.

The capacity of EYM organisations to absorb any further additional costs (and of their staff to provide any further voluntary overtime) has been reached. The true costs of future reforms must be funded to ensure confidence that they can be implemented and bring about the outcomes they are designed to deliver.

“ *The capacity of EYM organisations to absorb any further additional costs (and of their staff to provide any further voluntary overtime) has been reached.*”

5.2.1 Implementation of school readiness funding

School readiness funding is a current example where the costs of implementation are inadequately funded. Expenditure of discretionary funding requires planning, implementation, monitoring and acquittal and to date the planning phase, as indicated earlier, has already absorbed what for many organisations worked out to be one percent funding for administration.

Options for more accurately reflecting the cost of funding to administer school readiness funding include:

- benchmarking the administration component of comparable programs such as Family Violence Flexible Support Packages, Integrated Family Services and Flexible Support Packages from the Department of Health and Human Services, which all have higher rates of funding for administration.
- flat rate of funding which recognises the work effort involved in the development of a plan, coordination of menu items/allied health services etc and acquittal.

Underfunding the administration of this critical initiative will lead to poorer planning, monitoring and accountability for use of the funding. EYM organisations are eager to see that the funding has maximum impact for the children it is designed for. Realistic funding to EYM organisations will deliver these benefits and ultimately lead to long-term cost-savings to government.

RECOMMENDATION 3:

In the roll-out of reforms, DET (or the responsible agency) include a budgeted allocation for implementation by EYM organisations, which reflects transition and ongoing operational costs, and costs of associated infrastructure.

RECOMMENDATION 4:

DET review the funding to EYM organisations for administration of school readiness funding to reflect actual work effort.

5. Addressing the impacts of long-term underfunding (continued)

5.2.2 Implementation of three-year-old kindergarten

There are significant risks to the long-wanted expansion of kindergarten to three-year-olds given the vulnerability of the sector.

The organisation is unable to increase in size without a significant impact on the budget, including when thinking about the introduction of three-year-old kindergarten.
EYM organisation

As indicated, significant investment is needed to stabilise EYM function and ensure it is significantly robust and able to fully support the roll-out including:

- supporting staff to upskill and attract increased workforce participation
- contributing advice on the extensive infrastructure program which will see 785 new kindergartens built and 170 existing services expanded
- growing their organisational capacity to deliver expanded services
- marketing three-year old kindergarten to the community.

Building projects require EYMs to contribute many hours assisting with planning and project control and has many costs including new equipment purchases, playground establishment costs and staff set-up costs.

EYM organisation

A new model of funding needs to also take into consideration the implementation of three-year-old kindergarten. Section 6 of the submission will examine what is need in a new model in more detail.

5.3 Implementation of EYM model

5.3.1 Take-up of additional kindergartens

The capacity of EYM organisations to take on new kindergartens has been significantly hampered by underfunding and the resulting program deficit.

Community-based services which are struggling financially due to governance issues, declining enrolments or challenges of failing infrastructure are most often the services which approach EYM organisations. Following the transition many of these services may remain marginal despite their value to the local community and improvements to quality and governance.

Fifty-two percent of survey respondents either do not plan to take on any additional kindergartens over the next 12 months (26%) or were uncertain about taking on new sites (26%). Only 29 percent of EYM organisations indicated that they planned to take on new sites. Apart from geographic constraints, time and resources were factors in the decision, alongside the concerns about the additional and increasing financial risks.

The financial viability of services is a key in the decision [to take on a new service] – we have an oversupply of services that do not break even financially so this adds to the overall EYM deficit.

EYM organisation

“ Fifty-two percent of survey respondents either do not plan to take on any additional kindergartens over the next 12 months (26%) or were uncertain about taking on new sites (26%).”

5.3.2 Lack of clarity re long-term direction

All children deserve to access high quality services, regardless of how their service is managed or administered. Research tells us that children's long-term outcomes are dependent on the quality of the services provided (PricewaterhouseCoopers, 2014; Fox and Geddes, 2016). The EYM model has been founded on delivering quality education, supporting children to develop to be the best they can be and to be ready for school; the assessment and ratings of EYM organisations demonstrate this.

Feedback from EYM organisations is that without a stronger policy direction from the DET, which would also see sustainable services transitioning, the EYM model will continue to struggle. When early years management was established, it was based on a recognition that almost three-quarters of kindergarten cluster management organisations provided early years services in addition to kindergarten. The EYM Policy Framework describes the long-term vision to 'extend the platform beyond the management of kindergarten services' and 'the move towards achieving a more integrated and sustainable service system into the future' (page 6, DET, 2016). However there has not been any further communication about the role EYMs should play across kindergartens more generally or how the integration of the sector will take shape. The lack of clarity about the long-term direction of early years management is contributing to dampening sector confidence about the model.

The result of these combined pressures mean that many EYM organisations are unable to take on new services, particularly services which are struggling and could cause increased financial pressure. This reluctance could put at risk the government's vision for early years management and the agenda for its greater presence.

Unsurprisingly, major factors which would positively influence the decision to take on new sites were an increase to the annual EYM grant, followed by an increase in the start-up and transition grants.

“ *The lack of clarity about the long-term direction of early years management is contributing to dampening sector confidence about the model.”*

RECOMMENDATION 5:

The growth of EYM model is supported by increased funding of the transition and start-up grants and that the role of these payments be considered in a revised funding model.

RECOMMENDATION 6:

DET provide a clear policy direction for the future of early years management including its role in kindergarten management and the integration of early years services.

5.4 Impacts on the quality of education

Governance and leadership is the cornerstone of a quality environment for children's learning and development. As illustrated by the ACECQA data in Figure 2, governance and leadership is a strength of EYM organisations. ELAA's survey results indicate that these results could have been further improved with appropriate funding, with:

- 87 percent of survey respondents agreeing that limited funding resulted in a decreased investment in management and leadership
- 39 percent of survey respondents agreeing that the limited funding had resulted in a reduced focus on the quality of service provision.

The survey responses speak to both the constraints EYM organisations operate within and their capacity to deliver quality across all National Quality Standards.

5. Addressing the impacts of long-term underfunding (continued)

5.5 Risks to quality, thriving workforce

As a result of fiscal constraints 61 percent of respondents in the ELAA survey had also reduced their investment in staff development and support. This combined with the aforementioned reduction in above award payments to educators and a practice of recruiting educators who are the least experienced, is creating a risk of a spiralling decrease in workforce capability.

Retention of early childhood staff is enhanced when there is a sense of belonging, supportive leadership and professional development. Conversely, challenging policy contexts, lack of funding and disparity of wages and conditions currently in EYM organisations create disincentives for early childhood teachers and educators to stay in the sector (Irvine et al, 2016).

“ The challenging policy contexts, lack of funding and disparity of wages and conditions currently in EYM organisations create disincentives for early childhood teachers and educators to stay in the sector.”

With poor retention; low rates of entry and completion of qualifications, in particular diploma qualifications (ACECQA, 2018b); and the approaching expansion of the sector, a workforce strategy is urgently needed. EYM organisations have much to contribute to shaping a quality, thriving workforce, including through supervision, support, mentoring and networking.

The ability to attract and retain a high quality ECEC workforce is reaching critical point; the lack of quality graduates and lack of graduates across all levels of qualifications will result in a workforce shortage within the next 5 years unless there is a significant shift in pay and conditions in the sector.

EYM organisation

RECOMMENDATION 7:

DET develop a workforce strategy to attract, train and retain high quality early childhood teachers and educators which recognises an expanded role for EYM organisations.

“ As a result of fiscal constraints 61 percent of respondents in the ELAA survey had also reduced their investment in staff development and support.

5.6 Affordability and children's participation

The capacity of parents to pay kindergarten fees varies significantly depending on their financial circumstances. Whilst the Kindergarten Fee Subsidy provides important assistance, many families who are struggling financially are not eligible.

The introduction of three-year-old kindergarten will place additional pressure on parent committees to fundraise to cover the costs of vulnerable families who do not meet the State Government criteria for support.

EYM organisation

Many EYM organisations are cognisant of the community-capacity to pay and are not able to increase parent fees leaving them to cover a deficit. Where organisations have increased fees, there is often an increase in the number of parents defaulting on payments with the consequences that children most in need end up not attending the service. The Kindergarten Fee Subsidy is also often lower than the costs of service provision leaving an unfunded gap.

RECOMMENDATION 8:

The Kindergarten Fee Subsidy is increased to reflect the actual cost of the funding gap, the demographics of the community and the capacity of parents to pay fees.

5.7 Risks to parental and community engagement

Parent advisory groups are increasingly being asked to fundraise to cover the costs of direct service provision, including covering the costs of unpaid parent fees. Parents are also asked to contribute in other ways to reduce overheads, such as participating on a roster to clean facilities. The pressure to contribute and the very real risks of not achieving fundraising target is a disincentive to participation.

At least one EYM organisation has not been transitioning parent committees to parent advisory groups as incorporated associations are more likely to be successful when applying for grants and the EYM organisation is dependent on the grants to maintain the service.

Government reforms are implemented at a cost to direct support to our services and communities.

EYM organisation

RECOMMENDATION 9:

DET examine the extent to which parent advisory groups are fundraising or otherwise covering the costs of service provision.

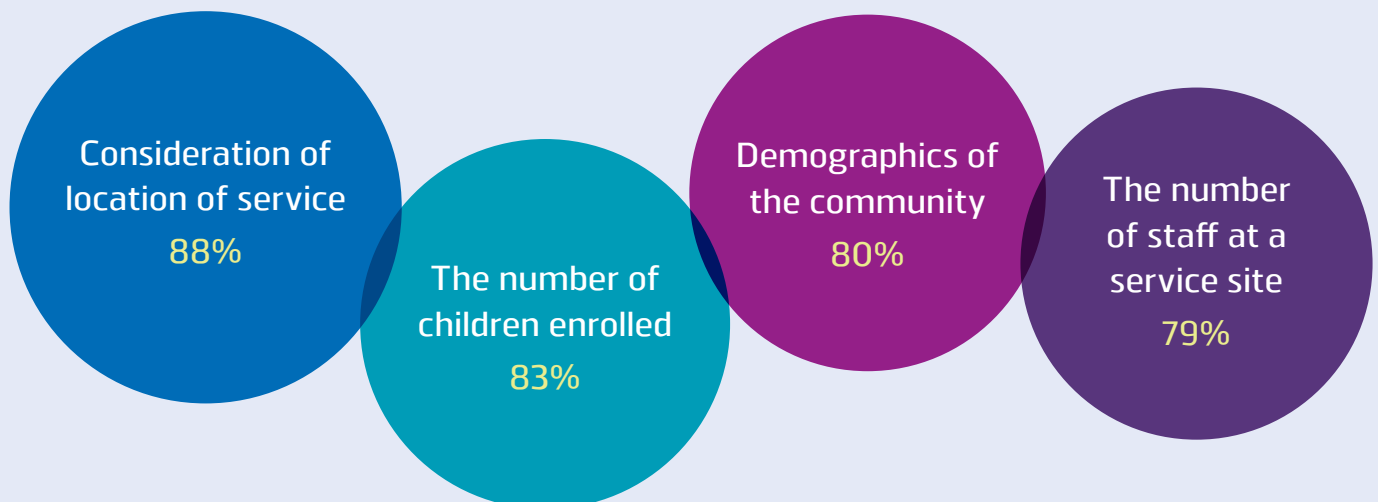
6. Towards thriving early years management services

The current EYM funding model is one size fits all and does not take into consideration the size of the service, the local market conditions and demographics.

In light of the challenges to early years management outlined in this submission a review and redevelopment of the funding model is urgently needed. A new funding model needs to take into consideration:

- future direction/growth of early years management
- increased focus on integration of early years services
- roll-out of three-year-old kindergarten in both sessional and long day care programs.

In the ELAA survey EYM organisations were asked to rank elements which should be considered in the development of a revised funding model. The following elements received a very high ranking (75% or more):



Other elements which rated highly (between 65 – 75%) were:



Other factors to be considered in a new funding model include:

- time allowance for staff meetings across geographic areas
- recognition of areas where growth is not possible
- greater clarity around what the minimum expectations are in relation to funding
- prioritisation of areas for focus, for example through Service Improvement Plans
- ensuring that the model is focussed on collaboration across the service system and not competition between EYM organisations
- verification of demographic data
- the contribution EYM organisations make to supporting infrastructure planning, project control and associated costs
- costs of IT infrastructure.

Estimates are that, for long-term survival, NFPs need a profit margin of four to five percent, i.e. slightly above inflation. A more sophisticated and mature outlook is required by the sector and governments about the need for community organisations to be able to make a profit and re-invest in their services. 'NFPs working in complex and uncertain environments will require more profit to offset risk, as will those with ambition to grow' (page 7, Australian Institute of Company Directors, 2016).

Introduction of a best practice funding model would provide more certainty to service providers, further improve quality outcomes, and ensure the viability of the EYM model. The new model of funding should be monitored and periodically reviewed to validate that it is meeting the objective of the sustainability. In addition, sector confidence should also be measured.

RECOMMENDATION 10:

DET, in partnership with ELAA and EYM organisations, develop a new funding model for EYM.

As highlighted in Section 4, providing greater certainty to EYM organisations about the timing of transfer of committed funding will also enable them to better plan.

RECOMMENDATION 11:

DET transfer agreed funding to EYM organisations in a timely manner to enable services to plan financially.



7. Conclusion

Community organisations need to have a strong financial foundation to be able to provide leadership and support the implementation of reforms (Australian Institute of Company Directors, 2016).

The survey results, summarised in Figure 5, are an indication of a service system in crisis.

“ *A sustainable early years management sector will deliver a robust implementation of the expansion of kindergarten to all three-year-old children in Victoria with quality education provided by a supported and engaged workforce.”*

Figure 5: Key findings from the ELAA survey of EYM organisations

Key survey results

Funding

- 100 percent of EYM organisations agree that the annual EYM grant is insufficient.
- Over 90 percent of respondents estimated the funding gap to be more than \$5,000 per annum (the maximum option available on the survey).
- Many EYM organisations report that an increase of 100 – 200 percent to the annual EYM grant is needed to cover costs.
- Over 80 percent indicated that the one percent administration funding for school readiness funding was insufficient.

Impacts

- 52 percent do not plan to or are uncertain whether they will take on any additional kindergarten sites in the next 12 months.
- Over 85 percent have decreased their investment in management and leadership.
- 60 percent reduced their investment in staff development and support.

Future of early years management

- 66 percent considered that without an increase in funding, they could only continue to provide services for less than two years with half of these services (33 percent) estimating they could continue for less than 12 months.
- EYM organisations are pessimistic about the future of early years management, ranking on average a 3.38 out of 10 on a scale ranging from very pessimistic (zero) to very optimistic (ten).

The limits of strategies to address underfunding in the current model have been reached and the capacity to continue to absorb or otherwise fund the deficit is no longer sustainable. The effects of long-term underfunding are putting the system of early years management, the leading platform for delivery of high quality education and care services, at risk.

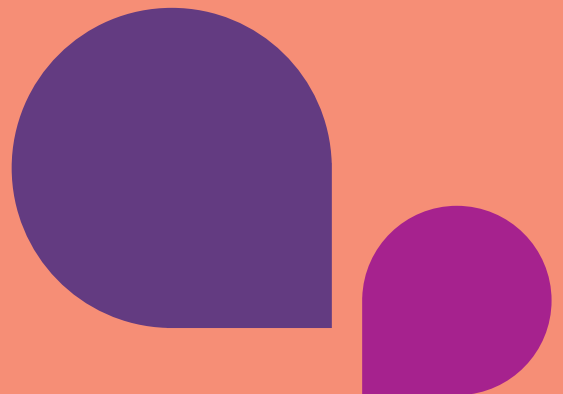
The development of a new funding model is needed which takes into account:

- the future of early years management
- increased focus on integration of early years services
- roll-out of three-year-old kindergarten in both sessional and long day care programs.

EYM organisations want to be well-placed to support the State Government to achieve the reform of the early years including implementation of school readiness funding and three-year-old kindergarten as well as supporting the infrastructure development program.

A sustainable early years management sector will deliver a robust implementation of the expansion of kindergarten to all three-year-old children in Victoria with quality education provided by a supported and engaged workforce. Without a strong foundation, the risks to the reform agenda will grow and erode the gains made to children's preschool education over the past ten years.

ELAA and the CEO Group make the following recommendations to address the issues raised in the submission and look forward to working with the State Government and the Department of Education and Training to ensure the vision of quality early childhood education is realised for every child.



For further information and to discuss this submission contact:
David Worland, *Chief Executive Officer* – dworland@elaa.org.au
Lisa Minchin, *Advocacy and Grants Lead* – lminchin@elaa.org.au

Recommendations:

Eleven steps for a sustainable early years management model

- 1 EYM organisations have immediate access to an interim sustainability payment of up to \$250,000 to stabilise service provision
- 2 the annual EYM grant is increased by a minimum of 100 percent to \$20,500 per kindergarten site to reflect the work effort of EYM functions
- 3 in the roll-out of reforms, DET (or the responsible agency) include a budgeted allocation for implementation by EYM organisations, which reflects transition and ongoing operational costs, and costs of associated infrastructure
- 4 DET review the funding to EYM organisations for administration of school readiness funding to reflect actual work effort
- 5 the growth of EYM model is supported by increased funding of the transition and start-up grants and that the role of these payments be considered in a revised funding model
- 6 DET provide a clear policy direction for the future of early years management including its role in kindergarten management and the integration of early years services
- 7 DET develop a workforce strategy to attract, train and retain high quality early childhood teachers and educators which recognises an expanded role for EYM organisations
- 8 the Kindergarten Fee Subsidy is increased to reflect the actual cost of the funding gap, the demographics of the community and the capacity of parents to pay
- 9 DET examine the extent to which parent advisory groups are fundraising or otherwise covering the costs of service provision
- 10 DET, in partnership with ELAA and EYM organisations develop a new funding model for early years management
- 11 DET transfer agreed funding to EYM organisations in a timely manner to enable services to plan financially.

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Appendix 1: EYM sustainability survey

What is this survey about?

ELAA has received feedback from member Early Years Management (EYM) services that increasingly long-term sustainability is a major concern. One of the priorities of the ELAA EYM CEO Group is to address this issue. The purpose of this survey is to gather data from EYMs to inform ELAA's advocacy.

Whilst EYMs provide a range of services across the early years, this survey is focusing only on the funding and management of kindergartens, in particular the Annual EYM grant, the Start-up grant and the Transition grant. In addition, questions are asked about the implementation of School Readiness Funding, the roll-out of three-year-old kindergarten and what a revised funding model for EYMs should consider.

This survey is to be completed by the person who strategic oversight of this aspect of early years management at the service and will take approximately 10 minutes to complete. Only one survey per EYM organisation is to be completed.

All information provided will remain confidential and used only as de-identified data, unless otherwise agreed. If you have any queries, please contact Lisa Minchin, Advocacy and Grants Lead on LMinchin@elaa.org.au.

About your EYM service

* 1. Does your EYM operate in

- ☐ metropolitan Melbourne area regional/ rural area
- ☐ both metropolitan Melbourne and regional/ rural areas

* 2. How many kindergarten sites does your EYM organisation manage in total?



* 3. Do you provide EYM services to:

- ☐ stand alone kindergarten programs
- ☐ kindergarten programs in a long day care setting
- ☐ both stand alone kindergarten programs and kindergarten programs in a long day care setting

Annual EYM funding

* 4. EYM organisations receive an Annual EYM grant of \$10,232 in 2018-19 for each kindergarten site. Please select the statement below which most closely reflects your organisation's experience.

- ☐ The Annual EYM grant funding is insufficient to cover the costs of providing early years management.
- ☐ The Annual EYM grant funding covers the costs of providing early years management.
- ☐ The Annual EYM grant funding more than covering the costs of early years management.

Impact of Annual EYM grant

5. What do you estimate the funding gap is between the Annual EYM grant and the cost of providing EYM?

- ☐ Up to \$500
- ☐ \$500 - \$1,000
- ☐ \$1,000 - \$2,000
- ☐ \$2,000 - \$3,000
- ☐ \$3000 - \$5,000
- ☐ More than \$5,000
- ☐ Other (please specify)

* 6. Assuming you could only rely on the Annual EYM grant to manage existing kindergarten sites, how long do you estimate your service could continue to provide EYM services if there were no increase in the Annual EYM grant funding?

- ☐ Less than 12 months
- ☐ 1-2 years
- ☐ 3-5 years
- ☐ more than 5 years

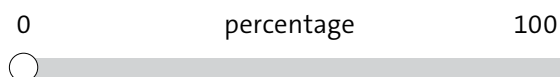
7. Please provide any additional comments you would like to make about the Annual EYM grant and the sustainability of EYMs below.

Per capita grant funding and EYM administration

* 8. Please select the statement which best reflects your service's understanding of the role of the administration component of the per capita grant funding:

- ☐ We use an administrative component of the per capita grant to fund EYM functions
- ☐ We do not use the administrative component of the per capita grant to fund EYM functions
- ☐ I am unsure whether we use an administrative component of the per capita grant to fund EYM functions
- ☐ I was unaware that we could use a proportion of the per capita grant to fund EYM functions

* 9. Approximately what percentage of the per capita grant do you allocate towards EYM administration?



10. Please provide any additional comments you would like to make about the role of the administration component of the per capita grant funding below.

Impact of funding limitation

*** 11. What strategies is the organisation using to ensure the viability of early years management? *Select all that apply.***

- ☐ Derive revenue from other sources
- ☐ Reduced investment in the professional development of staff
- ☐ Reduced investment in education program and practice
- ☐ Increased parent fees
- ☐ Not applicable
- ☐ Other (*please specify*)

12. Please provide any additional comments you would like to make on the strategies your organisation has used to ensure the viability of early years management.

13. In your view, what are the impacts of the limited funding for EYM services? *Select all that apply.*

- ☐ Decreased investment in management and leadership
- ☐ Reduced investment in staff development and support
- ☐ Reduced focus on the quality of service provision
- ☐ Not applicable
- ☐ Difficulties implementing government reforms. *Please specify*

*** 14. Please rank the following issues in order of their impact (or likely impact) on the viability of your early years management service. The number 1 issue will have the biggest impact.**

- ☐ Aging infrastructure
- ☐ Demographic factors such as location of service and socio-economic status
- ☐ Workforce issues
- ☐ Competition from other providers affecting demand
- ☐ Cumulative impact of reforms

15. Please provide additional comments you would like to make about the impact of issues on the viability of EYM funding.

Impact on expansion of early years management

*** 16. Does your EYM organisation plan to take on new kindergarten sites over the next 12 months? Select the option that best reflects your organisation's current position.**

- ☐ Yes, we plan to take on new sites
- ☐ We may take on new sites
- ☐ I am uncertain as to whether we will take on new sites
- ☐ We will not be taking on any new sites

Factors impacting take-up of new services

17. What type of kindergarten programs would your EYM service be most likely to take on in the next 12 months?

- ☐ stand alone kindergarten programs
- ☐ kindergarten programs in a long day care setting
- ☐ stand alone kindergarten programs and kindergarten programs in a long day care setting
- ☐ Other (please specify)

18. Please provide any comments about why you would prefer to take on stand alone kindergarten programs or kindergarten programs in a long day care setting.

*** 19. What would assist your EYM organisation to take on new kindergarten sites? Please rank in importance, 1 being the most important.**

- ☐ An increase to the Annual EYM grant
- ☐ An increase to the Start-up grant
- ☐ An increase to the Transition grant
- ☐ Promotion of the benefits to independent kindergartens
- ☐ Additional information and resources for independent kindergartens
- ☐ Additional information and resources for EYMs

20. Please provide any additional comments you would like to make about what would assist your organisation to take on new kindergarten sites.

Early Years Reforms

*** 21. What funding do you think your organisation will need to provide an early years management service for three-year-old kindergarten? *Select all that apply.***

- ☐ Start-up funding for each site
- ☐ Annual EYM grant for each site
- ☐ Travel allowance for EYMs
- ☐ Other (*please specify*)

22. Please provide any additional comments you would like to make about the role of early years management, its sustainability and the implementation of three-year-old kindergarten.

*** 23. Has your service been allocated school readiness funding as part of the rollout in 2019?**

- ☐ Yes
- ☐ No

School Readiness Funding

*** 24. The funding to EYMs to administer school readiness funding has been set at one percent of the allocated funding. Based on your experience to date, is this level of funding:**

- ☐ insufficient for the staffing and administration costs
- ☐ about right
- ☐ more than sufficient to cover the costs of staffing and administration
- ☐ I am uncertain about whether this will cover our costs or not.

25. Please provide any additional comments you would like to make about the funding to EYMs to administer school readiness funding.

Funding Model

*** 26. What elements should be considered in the development of a revised funding model of early years management. Select all you think should apply.**

- ☐ Location of service sites (metropolitan/ regional/rural)
- ☐ Demographics of community at service sites
- ☐ Number of children enrolled at a service site
- ☐ Number of staff at a service site
- ☐ Short-term funding to implement a change
- ☐ Demographics of those enrolled at the service
- ☐ Number of programs
- ☐ Other (please specify)

27. Please provide any additional comments you have about revising the funding model of early years management.

Sector Confidence

*** 28. How confident are you about the future of early years management?**

- ☐ Very pessimistic
- ☐ Pessimistic
- ☐ Neutral
- ☐ Optimistic
- ☐ Very optimistic

29. Please provide any comments you have about the future of early years management.

Contact Details

Thank you for your Participation

*** 30. Please provide the following contact information so we can follow-up with any queries:**

Name

Organisation

Email Address

Phone Number

Thank you for completing this survey. The collated and de-identified responses will inform ELAA's advocacy including a submission on the sustainability of early years management to the Victorian Government and a State Budget Submission.

Members can stay in touch with ELAA's advocacy work through our CEO Group meetings and the monthly Advocacy email update. Members and supporters can also stay in touch through ELAA's E-news and Preschool Matters Magazine.

Appendix 2: The evolution of kindergarten management

1990s	State Government was meeting the full salary and related costs of preschool centre staff and contributing to the running costs of centres
1994	Funding re-structured to: <ul style="list-style-type: none"> • per capita grant for each eligible child enrolled in a preschool. • 20% reduction in funding to preschool and increased fees to parents.
2001	<p>Kirby and Harper Review identified three key issues:</p> <ul style="list-style-type: none"> • System of funding of preschool education • Roles, responsibilities, liabilities and workload on parent committees • Salary and employment arrangements and career structure of teachers and assistants <p>Outcomes: wide-ranging reforms including:</p> <ul style="list-style-type: none"> • Changes to program delivery and funding arrangements • Improved working conditions and wages for teachers (with little change for assistants) • Funding agreements with local government and group employers to employ preschool staff, with employers paid for administration and for costs of relief staff.
2003	<p>Kindergarten cluster management introduced to:</p> <ul style="list-style-type: none"> • reduce the administrative and management burden on kindergarten committees • strengthen the management and delivery of kindergarten programs • provide kindergarten employees with professional employment arrangements.
2007	<p>KPMG review of kindergarten cluster management:</p> <ul style="list-style-type: none"> • 44% of kindergartens were managed under cluster arrangements. • Effective functioning of cluster management limited by funding, resources and lack of organisational infrastructure • Ongoing viability issues caused by workforce and infrastructure • Limited promotion of cluster management • Lack of flexibility of the model for the range of early childhood services • The cluster management grant increased by 26% in 2007-08 to \$7,000 per location.
2008	Strengthened kindergarten cluster management policy framework and monitoring arrangements introduced
2013	<p>Deloitte Review (never released)</p> <ul style="list-style-type: none"> • Anecdotal feedback, partially supported by data, that economies of scale are among the benefits of kindergarten cluster management • 58% of kindergartens under cluster management incorporated; economies of scale are less fully realised when incorporation is retained • Costs higher for clusters in rural areas where the average service size is larger • Proposed a model of funding that recognised a base rate plus loadings for rurality, average service size and potentially cluster size.
2016	Introduction of Early Years Management with the draft policy and outcomes framework, and operating guidelines.

Appendix 3: Early Years Management Funding Overview

Grant type	Purpose	Payment details	Amount 2018/19
Annual Early Years Management grant	For each kindergarten location managed by an Early Years Management organisation that offers a funded kindergarten program, for the management and coordination of the service.	Annual payment subject to price indexation. Paid on a monthly basis in accordance with the service agreement.	\$10,232
Start-up grant	For any new kindergarten location added to an Early Years Management organisation, to assist service providers with the cost of integrating the new service into the Early Years Management organisation.	Paid as one-off lump sum payment on commencement of funding.	\$3,070
Transition grant	In some cases, complex issues related to financial and industrial matters are not clearly understood or declared at the time of a service transferring to an Early Years Management organisation. This grant is available to support the considerable effort and cost for an Early Years Management organisation to resolve these issues.	One-off payment. Early Years Management organisations may apply for the grant up to six months after the service has been approved to transition into their organisation.	\$3070
Establishment grant	For newly established and approved Early Years Management organisations to support the establishment of strong internal governance practices.	Paid as one-off lump sum payment on commencement of funding.	\$5,000

Source: Department of Education and Training, 2016c; DET website accessed October 2018
(<https://www.education.vic.gov.au/childhood/providers/funding/Pages/kinderfundrates.aspx>)

About ELAA

Early Learning Association Australia (ELAA) is a peak body which works in partnership with early learning providers and parents to deliver excellence in learning for every child. Our diverse membership base of over 1,100 service providers includes early years management organisations, independent kindergartens, local governments, long day care services, government and independent schools and out of school hours care programs.

Valued for our advocacy, ELAA also provides support and advice in the areas of governance, human resources/ industrial relations, enterprise bargaining, OHS and road safety education as well as a professional learning and development and an annual conference. ELAA works closely with Federal, State and Local Governments and collaborates with a diverse range of organisations and peak bodies from across the education and community sectors. Together with our members and partners, ELAA is an influential advocate for excellence in early childhood education for all children.

<https://elaa.org.au/>

About the ELAA CEO Group

The ELAA CEO Group is recognised by Commonwealth and State Governments as an influential voice in early childhood education policy and practice. Formed by executives and thought-leaders of early years management organisations within the ELAA membership, the CEO Group's overarching objective is to build a sustainable early childhood education service system which delivers increasing quality and improved outcomes.

Members of the group inform advocacy, strategic directions, and policy development and implementation. They also represent sector interests in consultative forums, such as on the implementation of the Early Childhood Reform Plan and the EYM Framework, and inform ELAA's projects. The current priorities of the group are advocating for a long-term commitment to two years of preschool, a thriving workforce and a sustainable sector.

<https://elaa.org.au/advocacy-research/our-groups/>





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