

## SLIDE

### Free ECE – 20 Free Hours for 3 & 4 Year Olds Presentation to Parents

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#### What we are going to cover tonight

- The Basics
- The Essentials
- The Details
- One-on-One

#### The Basics

- What is Free ECE?
  - Government policy
- Why Free ECE?
  - Greater access
  - Strong foundation for learning
- Who is Eligible?
  - 3 & 4 year olds from their 3<sup>rd</sup> birthday til their 5<sup>th</sup> birthday
  - 5 year olds (in some cases)

#### The Essentials

- Free 20 Hours
  - Up to 6 hours per day
  - Up to a maximum of 20 hours per week
- Funding
  - Based on the average cost across NZ of providing early childhood education to the minimum regulation standard
  - Services cannot charge any fees for Free ECE hours
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## NOTES

### Free ECE – 20 Free Hours for 3 & 4 Year Olds

We have tried to synthesize what is a very complex policy into a short presentation. Please bear with us, and if you have any questions, feel free to save them for the end.

Firstly, we will outline the basics of the government's Free ECE policy and how it has come about. Then discuss the various essential aspects of implementing Free ECE from a broad perspective, followed by the details of how the Trust proposes to implement Free ECE at City and Port Centres. Finally, we will break for morning tea/supper and Kim, Mel and I will each take a corner of the room and you can find out how this scheme impacts on you personally, and receive advice on how to make best use of your entitlement.

Free ECE is the government's attempt to get more children into quality early childhood education. The government's stated aim behind the policy to provide 20 hours free early childhood education was to encourage more children into early childhood education, providing the strong foundation for learning needed for school. All 3 & 4 year olds are 'eligible' for Free ECE, providing they are enrolled and attending a teacher-led service that offers Free ECE. Eligibility begins on your child's 3<sup>rd</sup> birthday, and ends on their 5<sup>th</sup> birthday (with some minor exceptions). Services that offer Free ECE must offer and provide it to all eligible children, and keep records to show evidence of this. Fundamental to the policy is the requirement that for those 20 hours, absolutely no fees are allowed to be charged, and no eligible child can be refused enrolment.

This all sounds well and good, and applaudable. Of course, whether all children can actually access the free 20 hours, is a whole different story. Without getting too political about it, many early childhood education services are struggling to find a way of making it work from a financial perspective and are opting not to offer Free ECE at their centres, particularly those with high overhead costs and high fees where the new funding rates don't even come close to recovering their costs. This particularly affects the larger cities, but there are centres even in Hawkes Bay that have indicated they will not be offering Free ECE.

It is important to understand that the 20 hours free, is not simply getting your first 20 hours of early childhood education for free. There is a specific formula. Free ECE provides for up to 6 hours per day, to a maximum of 20 hours per week, for each eligible child. For example, a child enrolled for 9 hours a day, can only ever get a maximum of 6 hours free per day, and only until they have used their full 20-hour allocation.

The extra funding to compensate centres that provide Free ECE put forward by the government is based on the average cost across the whole of NZ, and reflects the cost of meeting just minimum regulations for the provision of early childhood education. The rates were developed from a cost survey of the early childhood sector undertaken by the Ministry of Education last year. The minimum regulation standard does not allow for 'extras' such as mortgages, land leases and building rental agreements that may apply to a specific centre, provision of meals, sunscreen, extra teaching staff, support staff etc. Somehow, centres have to find a way of recovering those additional costs some other way, or opting out of the scheme altogether.

Of further concern, is that the government has not agreed to index the new funding to the cost of inflation. Therefore, centres lose considerable control over a large portion of their revenue, with no guarantees that it will go up year-to-year. Hence we feel we will need to review offering Free ECE on a year-to-year basis, so that we can ensure it still remains affordable.

## The Essentials continued...

- Fees
  - Fees can only be charged for the non-Free ECE hours a child is enrolled at the centre
- Donations/Optional Charges
  - Services can opt to request donations, &/or voluntary payments called 'optional charges'

So, we cannot charge fees for hours claimed as Free ECE. But we are able to charge fees for any hours that are not claimed as Free ECE funding. For instance, the child attending for 9 hours and who claims the full 6 hours of Free ECE that day, can be charged fees for the remaining 3 hours. In arriving at charging fees for these additional hours, we have been advised by the Ministry that we can't merely charge the 'difference' between our current fees and the extra government funding – nor are we allowed to increase our fees unreasonably (and the Ministry will be monitoring this), or increase fees specifically for 1 & 2 year olds to effectively subsidise Free ECE for our 3 & 4 year olds. Many centres throughout the country until recently thought they could do this, and are now having to reconsider whether they can afford to offer Free ECE.

We are allowed, however, to request donations or a type of voluntary payment called 'optional charges' on top of Free ECE funding to cover the extra services we provide, above and beyond the minimum regulation standards. School fees are similar to this. In our specific case, we provide meals & catering, higher than minimum teacher:child ratios, additional support staff, sunscreen, amongst other things. We also pay a land rental on both our properties, as we don't own them. None of these things are effectively covered by the government's extra funding, so we can seek donations to help cover their cost.

The rules for optional charges mean that we would have to obtain agreement from parents, and can't penalise parents who don't agree to pay (although parents that do commit to voluntary charges can be forced to pay). As you can imagine, relying on voluntary payments is simply bad business, and far too risky. Plus, we cannot afford for our administration staff to spend their precious time chasing parents for these costs, and also felt it would be impossible (if not embarrassing) to differentiate children who may have paid for a particular extra service from those that had not – effectively creating an underclass of children that haven't paid for and therefore don't receive the 'extras'. Can you imagine the teachers having to patrol that! Alternatively, parents that did pay would subsidise those that didn't. As a Trust, we felt that if we had to rely on voluntary payments to make the scheme affordable, then we would not offer Free ECE at our two centres.

Some centres are choosing instead to drop their 'extra' services – considering no longer providing meals, possibly making staff redundant – in order to make Free ECE affordable. However, these 'extras' are all things that we hold very dear, and which I am sure you all fully appreciate and would not wish to see dropped. Again, we decided as a Trust, that we would not offer Free ECE if it meant we had to lower our quality of service in order for it to be affordable.

Given our not-for-profit status and our low costs compared with the major cities, we have calculated that we can just break even without the need to drop our quality of service or institute voluntary charges, and therefore have opted to offer Free ECE to our families for this coming year. Having said that, we do retain the option of seeking voluntary payments in the future, if Free ECE looks to become unaffordable, or simply opting out of the scheme at a later date. Essentially, this is a bit of a leap of faith, but we were very keen to offer our families all the financial savings of Free ECE if we could, and we feel we can without disrupting the special character of our centres (with only minor changes to our enrolment policy which I will outline later).

To understand how Free ECE funding works, we need to explain government funding of early childhood education briefly. At present, we receive government funding in the form of an hourly rate for each child (whatever age) up to 6 hours per day to a maximum of 30 hours a week. The fees we charge parents covers the difference between our government funding revenue, and our total expenditure. We are a not-for-profit organisation, so run our finances pretty close to break-even, with a small annual surplus as contingency and for long term capital expenditure projects, such as major building refurbishments, additional resources, ongoing professional development for staff etc.

The way we see Free ECE working at our centres is as follows:

- No optional charges.
- No increase in fees.
- Charging for non-Free ECE hours for 3 & 4 year olds on a proportional basis.
- Requiring children attend a minimum of 6 hours per day.

The first two I have covered, and are self-explanatory – it is merely status quo for all children under 3 years of age, and for those children that do not opt to take up Free ECE hours. The third aspect, which affects fees for those claiming Free ECE for their children, needs some explanation. As does the change to our enrolment policy to require all children to attend a minimum 6 hours per day.

As we currently use a daily and weekly rate system of charging fees, without setting up a whole new set of fees, the only sensible option is to charge additional hours as a proportion of the daily rate.

What this means is that you will pay for the proportion of the day that your child attends the centre that is not claimed as Free ECE. Take the child that attends for 9 hours. If they claim their full entitlement of 6 hours free, they will have to pay 3/9ths of the daily fees for the additional 3 hours they attend the centre. For a part-time child (Child X), this will be 3/9ths of the \$33 daily rate (= \$11). For a fulltime child (Child Y), this will be 3/9ths of \$30 based on the weekly rate of \$150 (= \$10).

## The Details

- Government Funding
  - Current funding
  - Free ECE funding
- Donations/Optional Charges
  - None proposed at this stage
- Fees
  - Remain the same for children under 3 years, and for non-Free ECE children
  - Free ECE children will be charged for additional hours on a proportional basis

### Proportional Fees Example

- Child X attends 9 hours on a Monday, and claims the full 6 hours of Free ECE
- Child Y is fulltime and attends 9 hours on a Monday, and claims the full 6 hours of Free ECE

Child X	Enrolled and attends free	6 hours	No Fee
		9 hours	Fees 3/9ths of \$33 =
		3 hours non-free	\$11 fee

Child Y	Enrolled and attends free	6 hours	No fee
		9 hours	3/9ths of \$30 = \$10
		3 hours non-free	fee

### Fees Example continued...

Child Y – by the end of Wednesday, they only have 2 hours Free ECE remaining.

Thursday	Enrolled	2 hours free (max 20 and attends hours free used) 9 hours	No Fee
		7 hours non-free	Fees 7/9ths of \$30 = \$23.33 fee
Friday	Enrolled	0 hours free	N/A
	and attends	9 hours	9 hours non-free
			Full daily rate applies = \$30 fee

Child Y - Total fees for the week =  $(\$10 \times 3) + \$23.33 + \$30 = \$83.33$ .

### The Details continued...

- Attendance/Booked Times
    - Minimum 6 hours attendance per day
  - Attestation
    - Attest 'Yes' on your enrolment form
- Allocation of your child's Free ECE hours

Now, for a fulltime child (or any child attending more than 3 days), their 20 free hours will run out before the end of the week, so they will pay progressively more fees once their 20 free hours has been used up, as I have indicated here, Child Y would pay 7/9ths of the daily fee on Thursday, and would pay for the whole day on Friday. The total weekly fee for Child Y would be \$83.33, instead of the current \$150 per week.

In essence, because all our children attend different times and days, this means that each of you will have different fees to pay to the person next to you, because it will depend on the number of days and hours your child attends the centre, and how many Free ECE hours you allocate to our centre. Hence at the end of this presentation we feel it important to be able to sit with you individually, and work through your particular situation, to provide you with advice on how to make the best of Free ECE for you. Luckily we have a sophisticated software system (called APT) that has been adapted in preparation for Free ECE that calculates this automatically, which will save Mel an awful lot of work!

New enrolment forms have been developed and will be given to all our families over the next couple of weeks. The new form includes a section where you confirm your enrolment days/times, whether you wish to receive Free ECE at our centres, and also includes some changes to the enrolment conditions to reflect that we offer Free ECE, and the 6-hour-a-day minimum attendance time. We have instituted a requirement for all our children to attend a minimum of 6 hours each day they are enrolled, as a way to ensure we maximise government funding each day. It simply becomes uneconomic to offer Free ECE if parents elect to send their children for any less than that, as we lose a child-place at the centre and have no way to recover any fees whatsoever.

In order to access your Free ECE entitlement, you will also be required to fill in an Attestation Form. This form should be filled in as soon as you can for those with children over 3 years of age as at 1 July this year. After that, as a child turns 3 years of age, you can also opt them into the scheme by filling in the Attestation Form at that time. This is really important. You will not be eligible for Free ECE unless Mel has received this form – it is your responsibility to do this – Mel won't be chasing these forms. However, if you don't, then things will continue as they currently do – you don't lose your enrolment - but your fees will remain the same.

One other thing we need to cover, is that you can allocate your Free ECE entitlement across other services as well, such as kindergarten or home-based care. You are able to split your entitlement. For example, if your child comes to one of our centres for 2 days a week, and attends kindergarten the other 3 days, you can split your Free ECE across both services to maximise your full 20 free hours. The Attestation Form requires you to show how you wish to allocate your Free ECE hours. This is to avoid parents 'double dipping' and claiming more than their 20 hour entitlement, and is a legally binding document.

We are aware that some local kindergartens and at least one home-based care provider, are telling parents they should allocate all their Free ECE hours to their service. You are not required to do that, and it may in fact be less financially beneficial to you personally. You will need to consider your options, and allocate your hours the best way to suit your family situation. If you are in this situation, our advice is to allocate as much of your Free ECE as you can to the most expensive service first, then any remaining hours left can be allocated to your other Free ECE provider. And of course, remember that not all services will be offering Free ECE.

### WINZ Subsidies

- Free ECE is optional – you are not required to take it up
- May be better off with the status quo – check with Mel or your case manager

Many of our families currently receive WINZ childcare subsidies. You will need to consider whether Free ECE is of benefit to you. You may be better off sticking with the status quo. Remember, you do not have to take up Free ECE if you don't want it. Lisa Young from WINZ is here to talk to any of you affected by this, if you wish to discuss your situation with her, or if you wish to make an appointment with her for another time.

## Where to from here?

- New enrolment forms
- Attestation forms
- Individual enquiries

Right, where to from here? As I have mentioned, new enrolment forms will be given to you in the next couple of weeks, and the Ministry of Education has released the Attestation forms for you to allocate your Free ECE hours, and we will have these available soon also. Everything will be ready to go on 1 July – so I urge you to fill in these forms as soon as you can if you wish to make use of the 20 hours free straight away from 1 July.

We hope this hasn't bombarded you with too much information. It has certainly vexed our minds for a number of months now – so we know it will be a lot for you all to take in.