

## Education Report: Parameters for co-designing a funding model with Playcentre Aotearoa

<b>To:</b>	Hon Chris Hipkins, Minister of Education Hon Tracey Martin, Associate Minister of Education		
<b>Date:</b>	27/09/2019	<b>Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1207116
<b>Drafter:</b>	Cara des Landes	<b>DDI:</b>	s 9(2)(a)
<b>Key contact and number:</b>	Siobhan Murray	<b>DDI:</b>	
<b>Messaging seen by Communications team:</b>	No	<b>Round robin:</b>	Yes

s 9(2)(a) OIA

### Purpose of report

This paper asks you to:

- **agree** to the broad parameters for co-designing a funding model with Playcentre Aotearoa to feed into a Budget 2020 initiative.

### Summary

1. In late 2018 and early 2019 the Ministry consulted on a proposal in the draft Early Learning Strategic Plan to co-design an appropriate funding model with Playcentre Aotearoa. At the early learning strategy session on 26 June 2019, you directed the Ministry to begin work on a Budget 2020 initiative to support playcentre sustainability.
2. Playcentre is a type of parent-led service that has specific requirements for supervision, ratios and group size. Playcentre Aotearoa is the national body representing all playcentres.
3. Enrolments in playcentre have been dropping over the last 17 years. This can likely be attributed to an increased scarcity of parent time due to increasing female labour market participation. The recent introduction of a new qualification has placed higher demands on parents' time.
4. Playcentre Aotearoa have told us that the organisation is financially unsustainable and project that they will have a deficit of \$8.1 million by 2021. They contend that 24% of playcentres are at risk of closing, the majority of which are in rural areas.
5. The Ministry has been aware of sustainability issues for some time. Playcentre Aotearoa's concerns have more recently been driven by costs associated with hiring paid adults in the role of person responsible in the absence of appropriately qualified volunteer parents. Playcentre Aotearoa estimate that 62% of all sessions are now run

by at least one paid adult as person responsible. Sixteen percent of all sessions are run by one paid person responsible and one further paid adult.

6. Playcentre Aotearoa are requesting an increase to funding rates, a grant towards a 10 year property review and a minimum funding model for rural centres.
7. As part of the proposed Budget initiative, we seek your agreement to consider increasing funding rates to alleviate Playcentre Aotearoa's financial pressures. [REDACTED]

8. [REDACTED]

9. We request you indicate whether to discuss funding for a condition assessment of Playcentre Aotearoa properties as part of the Budget bid. This is likely to lead to further funding being requested in due course to address any property issues discovered as a result of the assessment.

10. [REDACTED]

### Recommended Actions

The Ministry of Education recommends you:

- a. **agree** that the proposed Budget initiative to support Playcentre Aotearoa sustainability will consider:
- i. increasing existing funding rates to alleviate Playcentre Aotearoa's financial pressures

Minister of Education **Agree / Disagree**

Associate Minister of Education **Agree / Disagree**

ii. [REDACTED]

- b. **indicate** whether the proposed Budget initiative should consider a grant for a 10 year property review

Minister of Education **Agree / Disagree**

Associate Minister of Education **Agree / Disagree**

s 9(2)(f)(iv)

### Proactive Release Recommendation

- d. **agree** that this this Education Report is not released at this time because the information it contains is Budget sensitive.

Minister of Education **Agree / Disagree**

Associate Minister of Education **Agree / Disagree**

Tipene Chrisp  
Acting Associate Deputy Secretary  
Education System Policy

27/09/2019



Hon Chris Hipkins  
Minister of Education

5/10/19

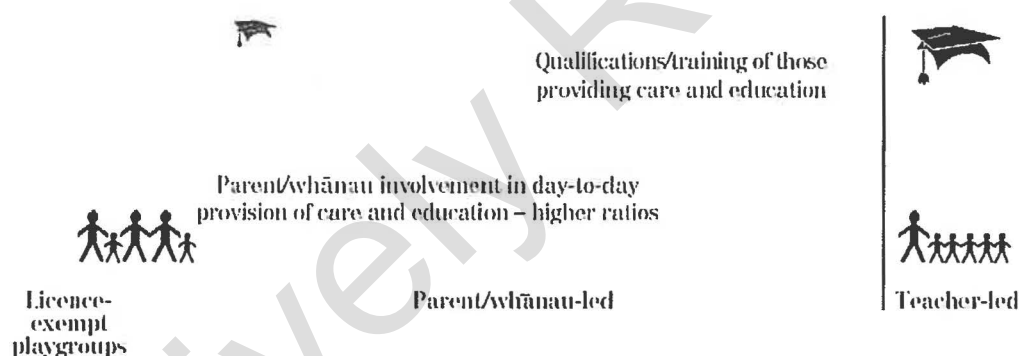
Hon Tracey Martin  
Associate Minister of Education

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## Background

1. Playcentre is a parent-led early learning service that has been in operation since 1941. Playcentre Aotearoa is the service provider<sup>1</sup> of the 420 playcentres currently licenced. In June 2019, Playcentre Aotearoa was formally ratified as the single body representing all playcentres. Previously playcentres were part of 32 associations, each of which was a service provider.
2. As playcentre is an 'excluded service' under the Education (Early Childhood Services) Regulations 2008 (the Regulations), it is exempt from the requirement that 50% of staff must be qualified teachers. However, playcentres must meet all other requirements in Regulations for centre-based services.
3. The 2004 review of the regulatory framework leading to the introduction of the current Regulations outlined the intention of 'parent-led' services. The Review suggested that, while parent-led or whānau-led services were exempt from the teacher registration targets, they were still able to provide quality using an alternative mix of qualified adults and ratios. This quality continuum is shown in Figure 1 below.

**Figure 1: Quality continuum between teacher and parent-led service types**



4. This mix is reflected in Early Childhood Education (ECE) Funding Handbook requirements, rather than the Regulations and Licensing Criteria. The Handbook contains the following requirements for each playcentre session:
  - a maximum adult:child ratio of 1:5, with children under the age of two and a half needing to be accompanied by a parent
  - multiple adults with playcentre qualifications in attendance at all session times
  - no more than 30 children in attendance.
5. These requirements are also part of Playcentre Aotearoa's constitution. However, Playcentre Aotearoa's constitution specifies further requirements that are not Ministry rules, such as:
  - a child may attend only one half-day session a day, and cannot attend more than five half-day sessions per week

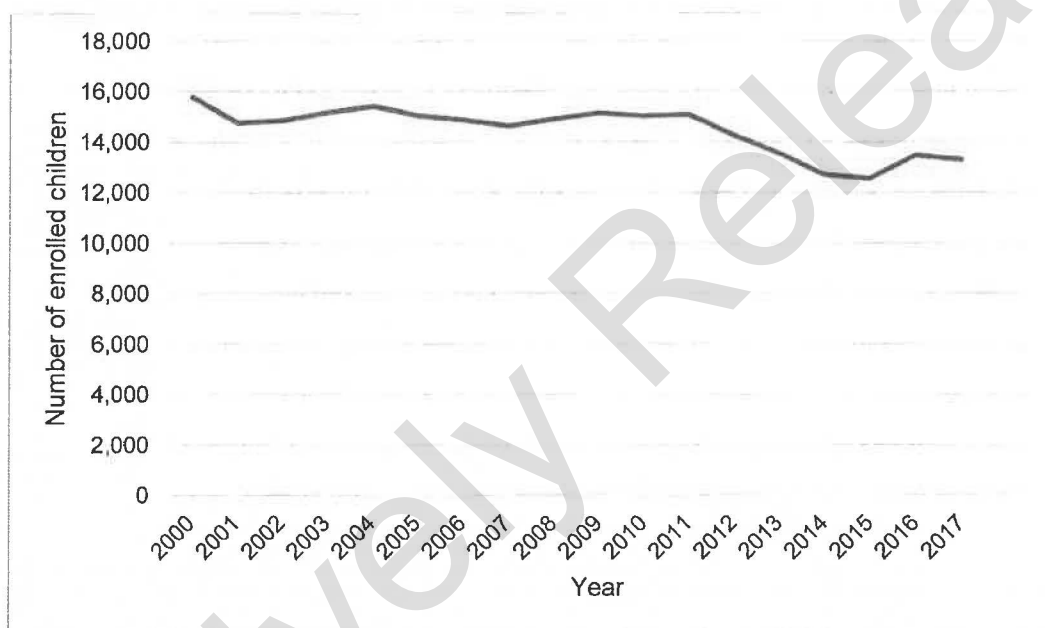
<sup>1</sup> The service provider is the body that operates centres, and is legally responsible for meeting regulatory requirements.

- playcentres must participate in Playcentre Aotearoa's adult education programmes.
6. Playcentres are also distinguished from centre-based teacher-led services by receiving lower funding rates. This reflects their lower input costs (mainly due to reliance on parent volunteers).

### Factors impacting playcentre sustainability

7. Figure 1 shows that playcentre enrolments dropped from 15,808 to 13,326 enrolled children over the last 17 years, a decline of 16%. The graph excludes 2018 data as changes to the way in which attendance was recorded has made it incomparable with previous years.<sup>2</sup>

Figure 2: Playcentre enrolments 2000-2017



8. There appear to be two key factors impacting on playcentre enrolments.

#### Parents have less time to participate

9. The long-term downward trend in enrolments likely reflects increased scarcity of parent time, due to increasing female labour market participation. To enrol their children in playcentre, parents need to have time available to both attend sessions and undertake study towards an ECE qualification.
10. Playcentre Aotearoa has also stated that as families have become smaller, parents invest less time in playcentre. This, in turn, likely lessens parents' interest in undertaking study.

<sup>2</sup> Prior to 2018, playcentres filed paper-based returns which collected the number of children who should attend the playcentre during the return week. In 2018, with the shift to electronic forms, playcentres reported actual attendance and not projected attendance.

### **The new playcentre qualification framework has created barriers to enrolment**

11. Playcentre Aotearoa sets requirements around parental involvement in their adult education programme. Recent changes to this programme as a result of NZQA's Targeted Review of Qualifications may exacerbate the downward trend in enrolments.
12. In 2017, NZQA undertook a targeted review of ECE qualifications, including Playcentre Aotearoa's then Level 6 Playcentre Diploma in Early Childhood and Adult Education. The review aimed to make ECE qualifications more general and flexible for learners.
13. As a result of the review, Playcentre Aotearoa redeveloped their education programme to meet the requirements of the New Zealand Certificate in Early Childhood Education and Care (Level 4). This change reflected Playcentre Aotearoa's view that the qualification levels of adults working in playcentre needed to be lifted. Playcentre Aotearoa also wanted more parents to gain a work-ready qualification.
14. The study load has increased significantly under the new qualification regime. While Playcentre Aotearoa's old qualification comprised 190 credits, it was broken down into six courses with each course recognised for Student Achievement Component (SAC) funding. Data from 2013 showed that the majority of parents chose to limit their study to the first course, amounting to 5 credits at Level 3. Very few parents chose to complete the entire 190 credit qualification.
15. While their new Level 4 ECE qualification also comprises shorter courses, the shift to a lower level qualification has meant that SAC funding is more at risk if parents do not complete the full qualification. This means there is increased expectation that parents undertake the full 60 credit qualification, amounting to 15 hours of study per week across 40 weeks.
16. Due to a request from Playcentre Aotearoa, the minimum qualification needed by the person responsible will also increase to a minimum Level 4 ECE qualification by the end of 2020. This means the old Course 3 will no longer be recognised.<sup>3</sup>
17. At the time Playcentre Aotearoa requested this change, the Ministry raised concerns that the new requirement would be overly onerous for many parents, but supported the change on the understanding that Playcentre Aotearoa had consulted its membership. Playcentre Aotearoa expressed confidence that parents would still enrol for the new qualification.
18. Overall, these changes have meant that playcentres increasingly expect parents to undertake a full Level 4 ECE qualification. If parents are unable or unwilling to study, it is likely that they feel unable to enrol their child.

### **Playcentre Aotearoa's financial situation**

19. We met with Playcentre Aotearoa recently and were told that the organisation is financially unsustainable, with a projected deficit of \$8.1 million by 2021. Playcentre Aotearoa is reviewing its own structures to achieve greater efficiencies. However, they have said that certain centres are under particular pressure. They have identified 24% of centres for closure over 3 years, with the majority of them in rural areas.
20. Sustainability issues for Playcentre Aotearoa are not new. Playcentre Aotearoa has raised concerns regarding their financial sustainability several times in the last 10-15 years. Budget 2006 allocated approximately \$4 million over four years to enable

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<sup>3</sup> Course 3 was part of the Level 6 Playcentre Diploma and comprised 20 credits at Level 4.

playcentres to employ paid staff in order to reduce the volunteer workload on parents. Despite the funding, the Ministry noted in 2014 that enrolments in playcentre were at a ten year low [METIS 843539 refers].

21. While the decrease in numbers has affected the overall size of playcentre, sustainability issues appear to be mainly driven by the costs associated with hiring paid qualified adults in the absence of appropriately qualified volunteer parents. This move towards a more professional model markedly alters their cost structure and fundamental operating model. As Ministry subsidies have gone towards paying for staff, it has become apparent to Playcentre Aotearoa that the former associations have not had funding to maintain their building stock.
22. Playcentre Aotearoa estimate 62% of all sessions are now run by at least one paid adult who mainly act as the person responsible in place of a parent. Sixteen percent of all sessions are run by one paid person responsible, and one further paid qualified adult to meet funding requirements. It is likely that that playcentres are hiring from a pool of parents who hold lower level playcentre qualifications. This is because only seven percent of playcentres are meeting quality rate criteria,<sup>4</sup> which requires adults on duty to hold higher levels of qualifications.
23. To address sustainability issues, Playcentre Aotearoa has, among other things, requested the following.
  - an increase to funding rates, including 20 hours ECE
  - a grant towards a 10 year property review
  - a minimum funding model for rural centres.

#### **Playcentre funding in the Early Learning Action Plan**

24. In late 2018 and early 2019, the Ministry consulted on a proposal in the draft Early Learning Strategic Plan to co-design an appropriate funding model with Playcentre Aotearoa. The proposal was based on a broad understanding that Playcentre Aotearoa was facing increasing financial pressure. Sixty-seven percent of those surveyed agreed with the proposal.
25. At the early learning strategy session on the Plan in June, you indicated that we should proceed with developing a Budget 2020 initiative for playcentres. When we met with Playcentre Aotearoa representatives after the strategy session, we informed them of your expectation.
26. The draft Early Learning Action Plan has subsequently retained an action that the Ministry co-design a funding model with Playcentre Aotearoa.

#### **Funding model parameters**

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27. Before engaging further with Playcentre Aotearoa, we seek your agreement to the broad parameters to guide the work with them.

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<sup>4</sup>Playcentres must meet minimum supervision requirements at each session by having two to three adults with prescribed mixes of playcentre qualifications present. In order to receive quality funding rates, these adults need to hold mixes of higher level playcentre qualifications or an ECE teaching qualification.

28. Choosing to not provide additional funding would likely to lead to more playcentres closing. Nonetheless, we also consider that funding cannot entirely mitigate the decline in enrolments due to external factors impacting on parent willingness to be involved.

29. The key parameters we seek your direction on are expressed below as options. We consider that these options are not mutually exclusive and you may wish to direct us to explore all or some of these areas:

- increase funding rates over and above any general cost adjustment

- [REDACTED] s 9(2)(f)(iv) OIA

- grant towards a property review

- [REDACTED] s 9(2)(f)(iv) OIA

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**Increase funding rates over and above any general cost adjustment for the sector**

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**Grant towards a property review**

35. Playcentre Aotearoa has also indicated the desirability of a grant towards a review of their property over a 10 year period. Following amalgamation, Playcentre Aotearoa has become the owner or lessor for over 400 individual properties. They request funding to undertake a condition assessment of these properties to collect up to date information on their condition and potential need for repair, to allow them to strategically budget and plan for property maintenance.

36. We seek your agreement as to whether you wish for this to be discussed with Playcentre Aotearoa as part of a Budget bid. It is not yet clear how much funding Playcentre

Aotearoa are expecting. When the Ministry considered a similar exercise for the 700-900 early learning services on our land, we estimated it would cost \$1 million.

37. The current system funds early learning services at a flat rate for all costs, including property maintenance. There is a risk that if additional funding is provided to playcentre, other service types will request additional funding for similar discrete costs. Such a review is likely to lead to further funding being requested in due course to address any property issues discovered as a result of the assessment.

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42. Alternatively, additional funding to address this issue could be considered as part of work on increasing funding rates. This would mean that the onus would be on Playcentre Aotearoa to ensure that enough funding is directed to individual rural playcentres to keep them sustainable.

#### Creation of a general parent-led service type

43. The 2004 review of the regulatory framework considered the possibility of services being deemed 'parent-led' based on such structural or generic aspects, rather than affiliation to a particular philosophy, such as playcentre. However, the term is not directly defined in Regulations. Rather, both playcentre and kōhanga reo are categorised as an 'excluded service', which means they cannot then be 'teacher-led' services.
44. A generic definition would enable services other than playcentres under the auspices of Playcentre Aotearoa to apply to be recognised as parent-led. This would enable them to receive parent-led funding rates if they meet requirements and be exempt from meeting the 50% qualified teacher requirement.
45. This option could be considered in the future should demand for parent-led ECE increase.

## Next steps

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46. Following your feedback, we intend to meet with Playcentre Aotearoa again in early October and discuss the detail of changes to the funding model within the parameters you set. Playcentre Aotearoa have also asked to meet with us shortly to discuss their imminent restructure.
47. We will report back to you in mid-November with our findings to help confirm the content of initial Budget templates due to Treasury in early December 2019.