

# Drowning, not

# waving...

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Community-based preschools  
after years of funding neglect.



NSW Children's Services Forum



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**Community-based preschools  
after years of funding neglect**

NSW Children's Services Forum  
March 2009

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**This report was produced by the NSW Children's Services Forum in March 2009.**

The report is based on a survey of community-based preschools conducted in September-October 2008.

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## About the NSW Children's Services Forum

The NSW Children's Services Forum is comprised of state-wide, not-for-profit community based children's service organisations. The Forum aims to:

- promote the role of not-for-profit children's services;
- advise governments on the quality, range and provision of children's services; and
- engage in regular dialogue with other stakeholders in children's services.

Members include:

- Australian Community Children's Services (NSW Branch)
- Early Childhood Australia (NSW)
- Community Child Care Cooperative Ltd (NSW)
- Contact Inc
- Community Connections Solutions Australia
- Council of Social Service of NSW (NCOSS)
- Ethnic Child Care, Family & Community Services Co-operative Ltd
- KU Children's Services
- Lady Gowrie Child Centre
- Local Government & Shires Association Children's Services
- Mobile Children's Services Association Inc
- NSW Montessori Association
- Network of Community Activities
- NSW Family Day Care Association
- Occasional Child Care Association
- Playgroup NSW Inc
- SDN Children's Services
- UnitingCare Burnside
- UnitingCare Children's Services

The NSW Children's Services Forum secretariat is run by the Council of Social Service of NSW (NCOSS). NCOSS is the peak body for the social and community services sector in New South Wales. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in NSW.

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## Executive Summary

The level and distribution of funding to community-based preschools from the NSW Government has been controversial. Funding increases have followed sustained campaigns and advocacy from preschools and peak bodies over a number of years.

In May 2006, the then Premier announced the four year, \$85 million Preschool Investment and Reform Plan that aimed to strengthen community-based preschools in NSW. At the time of the announcement the additional funding was welcomed but NCOSS and others warned that the additional \$30 million per year by the end of the process was insufficient to ensure preschools remained affordable and sustainable.

In September and October 2008, a questionnaire was placed on the internet and preschools emailed the link. 524 useable responses were gathered and analysed.

The survey gathered responses from large and small preschools in metropolitan and non-metropolitan areas, as well as preschools in high and low socio-economic areas.

The key findings of the survey are:

- Some preschools continue to make long-term changes to their operations (e.g. changes to opening hours, adjusting their size and extending the age range of children).
- Other preschools respond to financial difficulties by cutting expenses that affect quality (such as staffing levels and equipment costs) or running deficit budgets.
- Full daily fees have been increasing over a number of years.
- The average full daily fee will be around \$33.50 in 2009.
- Fees remain lower than this average in most non-metropolitan preschools and preschools servicing low socio-economic communities.
- Some preschools benefited from the new funding model.
- A large proportion of preschools received no increase or only a minimal increase.

The majority of preschools are pessimistic about their financial future.



## Introduction

Community-based preschools in NSW receive funding from the NSW Government through the Department of Community Services. This funding covers only part of the resources required to offer a quality preschool program. Community-based preschools raise other resources by charging fees and undertaking fundraising activities. Some may also receive funding from other government programs.

The level and distribution of funding from the NSW Government has been controversial. In 2002, following ten years of neglect of community-based preschools funding, the NSW Children's Services Forum made a decision to run a campaign in the lead-up to the NSW election of March 2003.

The Forum produced a paper titled *Who Sank the Boat: The impact of under-funding on community based preschools in NSW* which summarised the major issues faced by preschools at that time. The paper outlined the reasons why community-based preschools are important and should be better supported. At the same time, a number of regionally-based preschool groups conducted a grass-roots lobbying exercise. Letters and petitions from parents, public meetings and local demonstrations turned into the Preschools Alive campaign.

As a result of these actions, the then Minister for Community Services announced a one-off contribution of \$6m to preschools and promised to undertake a review of the affordability subsidy which assisted families on low incomes with preschool fees. The NSW Children's Services Forum was invited to nominate four members who represented peak organisations with a substantial preschool membership to a committee to provide advice on the review.

That review went through two stages – the first looked at the affordability subsidy, and the second, on the request of the NSW Children's Services Forum, took into account the broader funding context of preschools. At the end of the second stage a report was issued in which the only proposal was a redistribution of existing funds which would have resulted in 56% of services receiving reduced funding. That report's proposal was not supported by the peak representatives on the committee or by the Minister.

Three years later, in 2005, preschools were facing a deepening crisis. Fees were high and rising; children were being withdrawn from preschool or attending fewer days; and management committees were facing extreme pressure trying to meet the costs of running the preschool. At this time (mid-2005) the Preschools Working Party of the NSW Children's Services Forum decided to survey community-based preschools. The aim was to get a better understanding of the viability issues of community-based preschools in NSW. The report from that survey, *There's a Hole in the Bucket*, was released by the NSW Children's Services Forum in February 2006.

At that time, many NSW community-based preschools were actively campaigning for improvements to funding under the umbrella of "Children's Choice". This grassroots campaign was perhaps more extensive and more organised than the earlier Preschools Alive campaign.

In March 2006, the NSW Opposition announced that, if elected, it would provide a \$362 million funding boost over four years to help provide a better start for children in NSW. This promise included viability funding for new places and funding for capital.

In May 2006, the then Premier announced the four year, \$85 million Preschool Investment and Reform Plan that aimed to strengthen community-based preschools in NSW. At the time of the announcement the additional funding was welcomed but NCOSS and others warned that the additional \$30 million per year by the end of the process was insufficient to ensure preschools remained affordable and sustainable.

The first stage of the plan was an additional funding of \$8.3 million in emergency funding to around 400 preschools known to be under immediate financial pressure prior to the end of the 2005-2006 financial year.

In December 2006, the second stage was an additional allocation of \$17.6 million viability funding to 539 community-based preschool services for 2006-2007 and 2007-2008 for four types of assistance: operational funding, fee-relief funding, one-off capital improvement funding and service analysis and business development support.

The third stage was the introduction of a new Resource Allocation Model announced in June 2008 for the 2008-2009 financial year. Under the new model funding is based on the number of children attending the preschool and the average family income of the local government area in which the preschool is situated. Extra funding is provided for children from low income backgrounds, Indigenous children and children from culturally and linguistically diverse families. Mobile preschools and other centre based preschools in remote areas receive an additional loading. Those preschool services that would lose funding under the model were kept to the 2007-2008 funding level, effectively 'frozen' for the next five years, while those that gained under the model were funded to the model.

The fourth and final growth stage, to be implemented in 2009-2010, is to create 5,250 additional preschool places to accommodate 10,500 extra children attending two days per week. This may involve the better utilisation of existing licensed places as well as the creation of additional places.

It was in the context of this overall increase in funding and a new resource allocation model that the Preschool Working Party of the NSW Children's Services Forum was reconvened. The Preschool Working Party decided to follow-up on the 2005 preschool survey with the purpose of assessing the impact of the Resource Allocation Model on preschool fees and the ongoing financial viability of community-based preschools.

## **Survey Method**

A questionnaire was developed asking about location, size, attendance, costs, fees, services provided, changes to services or programs resulting from financial difficulties, and any funding changes under the Preschool Investment and Reform Plan's new Resource Allocation Model. Preschools were given the opportunity to comment generally on the viability of individual preschools. The questionnaire was drafted by members of the NSW Children's Services Forum Preschool Working Party (the questionnaire is at appendix 1).

The questionnaire was placed on the internet using the Survey Monkey website (<http://www.surveymonkey.com>). A link to the survey was emailed to preschool services using the membership mailing lists of peak organisations. There were 755 preschools funded by the Department of Community Services in 2008-2009.<sup>1</sup>

Responses were collected between 24 September 2008 and 31 October 2008. Survey Monkey recorded 572 responses of which 524 were useable. 47 responses were removed because they were either blank, too incomplete to be of use or duplicates. Another response was removed because the response indicated the service was a long day care centre.

The data was downloaded from the Survey Monkey website and loaded into a FileMaker database. Analysis was undertaken by Dev Mukherjee, Senior Policy Officer at NCOSS and reviewed by the Preschools Working Party.

## **About the Preschools Surveyed**

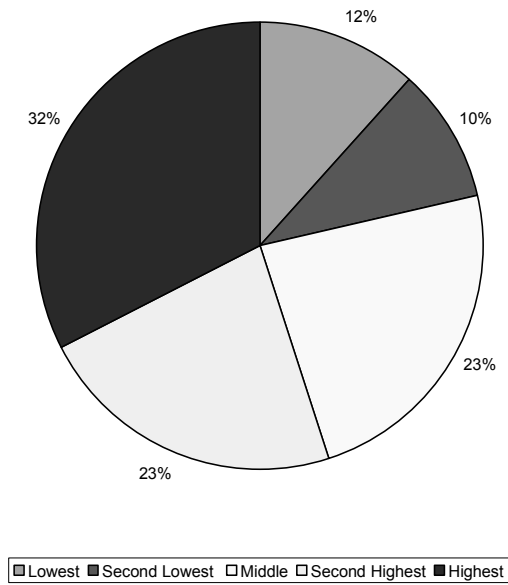
### **Location**

Preschools were asked to indicate the local government area in which their preschool was situated. Of the preschools surveyed 265 nominated a local government area within the metropolitan areas of the Newcastle, the Central Coast, Sydney (including the Blue Mountains) and Wollongong. A similar number, 251, indicated they were in local government areas outside the above metropolitan areas (see appendix 2 for details of metropolitan and non-metropolitan area). Eight responses did not indicate their location.

### **Socio-economic Status**

Based on the local government area, the socio-economic status of a preschool's community can be obtained from the Australian Bureau of Statistics. Using the Index of Relative Socio-economic Disadvantage,<sup>2</sup> the NSW Local Government Areas were divided into quintiles (fifths) of socio-economic status. Of the preschools surveyed almost one third (32%) were located in the local government areas of the highest quintile of socio-economic status. Only 12% were located in the areas of the lowest quintile of socio-economic status.

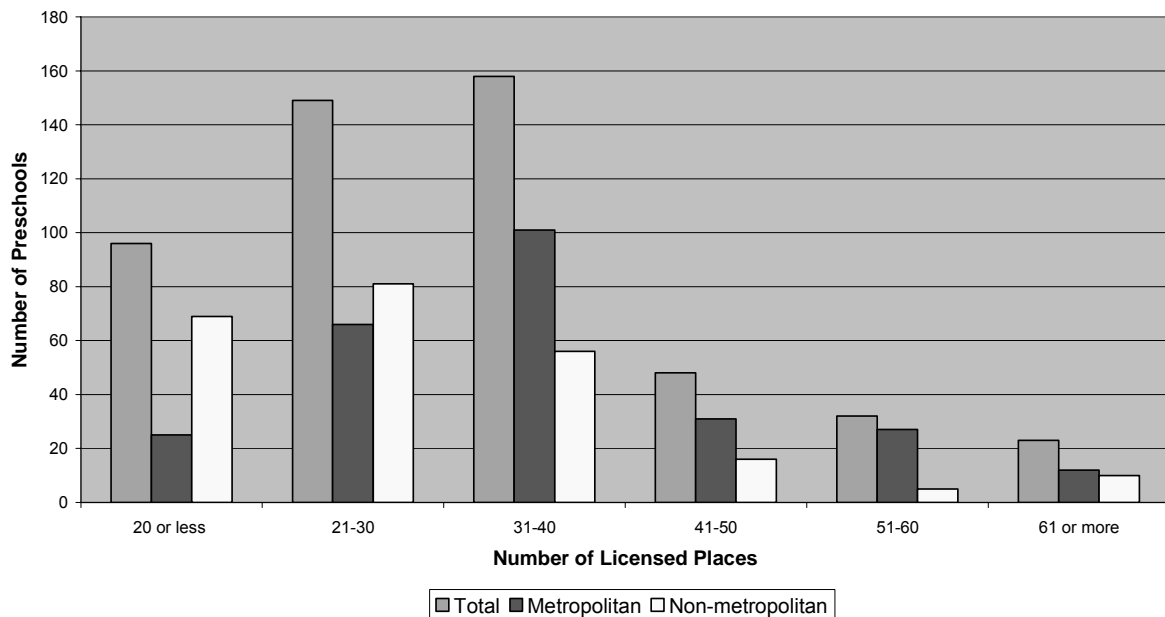
### Preschools by Socio-economic Status



### Size

Preschools were asked to nominate the number of places for which the service was licensed each day. The largest proportion of preschools (31%) reported the number of licensed places as being 31 to 40 place preschools, with a very similar proportion (29%) being 21 to 30 place preschool. Nineteen percent of the preschools surveyed were small, 20 or fewer licensed places.

### Number of Licensed Places



The smaller preschools tended to be located outside the metropolitan areas, 72% of small preschools (20 or less licensed places) reported being in the non-metropolitan areas.

### Management structure

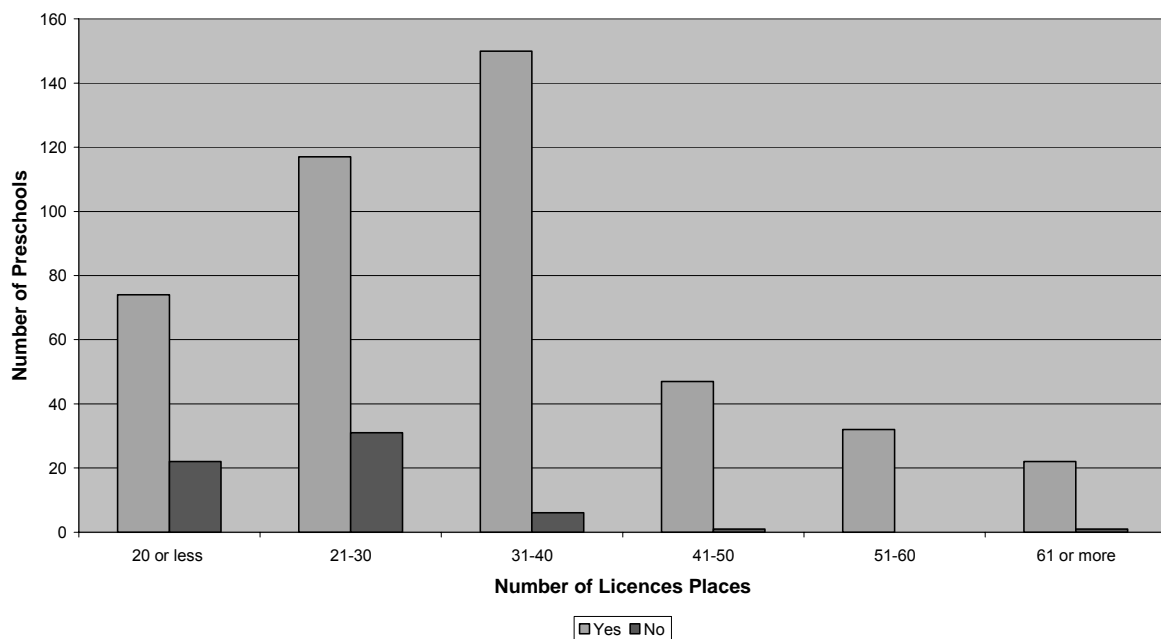
The majority of preschools 374 (72%) reported as being stand-alone services with management committees (161 in metropolitan areas and 207 in non-metropolitan areas). The next largest group 132 (26%) reported being auspiced by a larger organisation (97 in metropolitan areas and 34 in non-metropolitan areas). Only 11 (2%) reported being auspiced by local government (4 in metropolitan areas and 7 non-metropolitan areas).

### University trained teachers

The survey asked preschools whether or not they employed a university-trained, degree qualified, early-childhood teacher. The overwhelming majority, 456 services (88%), answered in the affirmative. However, there were still 64 preschools that did not. This is roughly the same proportion (12%) of preschools without a university trained early childhood teacher as found by the 2005 survey.<sup>3</sup> Of those that did not employ a university-trained, early-childhood teacher 17 were metropolitan preschools and 45 were non-metropolitan preschools.

Size of the preschool is a critical factor in the employment of university trained teachers. The current *Children's Services Regulation 2004* states that children's services which are licensed for 29 or fewer places are not required to employ a qualified teacher. This regulation is reflected in the responses from preschools, where 22% of preschools licensed for 30 places or less did not employ a university trained teacher. The majority of small preschools indicated that they exceeded the requirements of the Children's Services Regulation.

University Trained Teachers



Some of the preschools that are required to employ a qualified teacher indicated that they did not employ a university qualified teacher. These preschools may still be meeting the requirements of the Children's Services Regulation 2004 by employing teachers educated at the former colleges of advanced education.

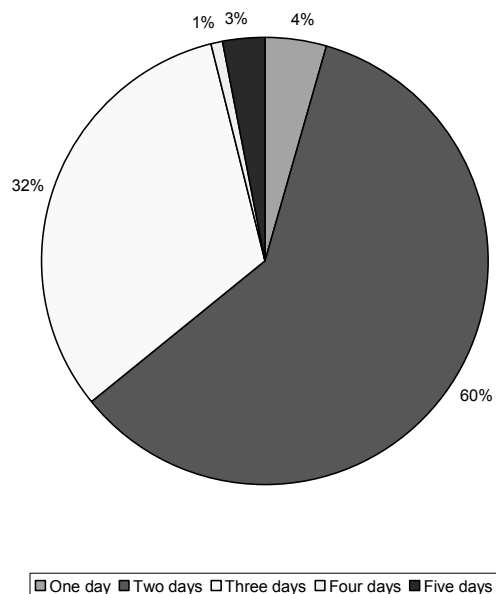
### **Ages and attendance of children**

The 2005 survey found that the majority of preschools did not cater for children aged two to three years.<sup>4</sup> It was stated at the time that this was not an unexpected finding because preschools are designed to provide programs to children in the year prior to school. In contrast, the 2008 survey found that 364 of the preschools surveyed did cater for younger children in some way. Only 125 preschools did not cater for two to three year olds (35 did not answer the question).

However, days of attendance for two to three year olds continue to appear more limited than for four to five year olds, with many preschools having fewer places and/or restricting attendance of younger children to one or two days a week.

Preschools were asked for the average number of days per week a child attended in the year prior to starting school. The overwhelming majority of preschools (60%) indicated that children attended an average of two days per week, while 32% indicated three days a week. Only a very small number of preschools had children attending 1, 4 or 5 days a week on average in the year prior to school. This reflects that many preschools operate on a two day/ three day pattern. It may also reflect a significant demand from parents for three days a week preschool for their children for those that can afford it.

**Average Days Attended in the Year Prior to School**



The new Resource Allocation Model funds preschools for children up to two days per week. No additional funding is provided if a child attends three or more days. This could have significant consequences for the preschools with significant three days per week attendances. One preschool commented:

*The current 2 day/ 3 day pattern may have to change.*

Another stated that:

*We are concerned that we are not meeting the needs of our families by following the new Docs guidelines. i.e. 2 days per week for children.*

The Resource Allocation Model encourages preschools to adopt a 2 day/2 day/1 day model. There is limited value in having a child attend for one day a week for forty weeks per year.

The Resource Allocation Model also appears to run counter to the Commonwealth Government's election commitment of universal preschool access for 15 hour per week, 40 weeks per year in the year before school.

### **Additional services offered**

Many preschools offer a range of other programs or services to children in their communities. Out of 524 preschools surveyed, 282 reported offering more than a preschool program:

- 195 preschools offered early intervention services for children with special needs;
- 78 ran parenting/family programs;
- 40 offered occasional care services;
- 63 offered playgroups;
- 44 ran health programs; and
- 64 ran other sorts of programs.

This is very similar to the 2005 survey which found that out of 452 preschools, 248 offered more than a preschool program.

- 165 preschools offered early intervention services for children with special needs
- 44 offered parenting/family programs
- 73 offered occasional care services
- 35 ran playgroups
- 32 ran health programs
- 151 ran transition to school programs; and
- 11 ran other sorts of programs.

It should be noted that these categories of services and programs were not closely defined in the survey but reflect the views of the preschools completing the survey as to the nature of the service provided.

### **Changes due to financial viability issues**

A majority of preschools responding to the survey indicated that viability issues had resulted in changes to their programs over the last two years. However, there was a low response rate to this question. Out of the 368 preschools that did respond, 237 (64%) responded in the affirmative. This is a smaller proportion than in the 2005 (70%). In the 2008 survey, the majority (124) of those that indicated they had made changes were located in non-metropolitan areas as was the case in the 2005 survey.

The following table outlines the kinds of changes preschools have made. Many preschools have had to make a number of changes to maintain viability. For example, one preschool wrote:

*We have been in operation for more than 30 years and have made some difficult decisions particularly in regards to staffing several years ago (restructured from 40 to 39 place, extended operating from 9-3 to 8.30-3.30).*

Many preschools have made significant changes to their operations with an entrepreneurial flair in an effort to maintain viability. For example one preschool wrote:

*Seven years ago we were a 60 place community-based preschool providing educational programs for children 3-5 year-olds, 40 weeks per year. Due to budget deficits and increasing costs and to meet the needs of working parents we converted 20 places to Extended Hours attracting the Child Care Benefit. This increased our finances, covering the losses sustained in the remaining 2 preschool rooms. This allowed us to keep fees as low as possible and make preschool affordable to all families. Although this room helped keep us financial for a number of years, we were aware that in 2006 only 50% of children in Kindergarten at our local public school had attended preschool. Looking at these figures and our empty waiting list we knew we needed to act and make some changes within our centre to increase numbers, and increase our income by other means. In 2006 we introduced a Supported Playgroup in the hope that new families would join and eventually feed into our preschool programs. Three years ago we made considerable changes to increase our viability. We introduced early intervention to help cover costs on the days where one room was unable to open due to low numbers. Viability funding received for 2007-08 allowed us to reduce our fees significantly to increase our numbers, to allow children to attend at least 2 days the year prior to school. It also increased numbers in our 3 year-old room to make opening 3 days viable.*

**Changes to preschool service or program due to financial viability issues**

	<b>Metropolitan Preschools (No.)</b>	<b>Non- metropolitan Preschools (No.)</b>	<b>Total Preschools (No.)</b>
Reduce licensed places	4	7	11
Cut equipment costs	86	87	173
Shorter opening hours	4 12 16		
Expand age range	13	19	32
Cut teacher position(s)	9	15	24
Run deficit budgets	49	51	100
Cut staff training & development	31	68	99
Longer opening hours	17 27 44		
Reduce overall staffing	24 32 56		
Other	24 36 60		

Preschools have taken two approaches to their financial difficulties. One is to restructure the operations of the preschool including reducing the number of licensed places, changing opening hours and the age range of children. These are long terms structural changes that may take some time to have an impact on the preschools

financial position, if they work at all. The other approach includes the short term options of cutting expenditure on equipment, staff and training. Some of these changes can have an effect on the quality and safety of the preschool service.

One of the purposes of the Preschool Investment and Reform Plan was to strengthen community-based preschools in NSW. It is concerning that during the period of the first two stages of the Plan, preschools were making changes to their services or programs likely to either seriously undermine the stability and capacity of the preschool as a viable organisation or to undermine the quality of the program offered at the centre. One local government auspiced preschool wrote that:

*Without continued and increased financial assistance from the state, Council's ability to continue to provide a high quality education and care program is at risk.*

## **Preschool Full Daily Fees**

Preschool fees remain a vexed issue for the management of community-based preschools. "What is a fair fee for parents to pay" and "what will happen if fees increase" remain fundamental questions that relate to the ongoing viability of preschools. As one preschool said:

*It is a constant juggle to maintain the fees at a level that families can afford to ensure the preschool remains full and therefore remains viable. Many parents have talked about how hard it is to meet the costs of sending their children to preschool; however, (they) make the choice and cut corners in other areas of the family budget to ensure their child has this experience before going to school.*

Preschools were asked to indicate their full daily fee for 2006 and 2008. It should be noted that the following is based on the full daily fee and that many preschools offer lower fees to disadvantaged and low income families. Preschools were asked about these reduced fees but the diversity of systems of reduced fees was not adequately captured by the questionnaire making any analysis impossible.

### **Increase in full daily fees from 2006 to 2009**

Between 2006 and 2008, average<sup>5</sup> daily full preschool fees rose from \$28.40 to \$31.70 per day, an increase of 11.5%.

A large proportion of preschools had already determined their fees for 2009 at the time the survey was conducted (October 2008). Preschools were asked what their fee increase would be for 2009. Of those that had decided, over a quarter (25.4%) had decided not to increase fees in 2009. Despite this, the average fee was again higher at \$33.50 per day, an increase from 2008 of 5.7%. The significant increase is a result of over one-third (33.9%) of preschools deciding to increase their fees by \$2 per day.

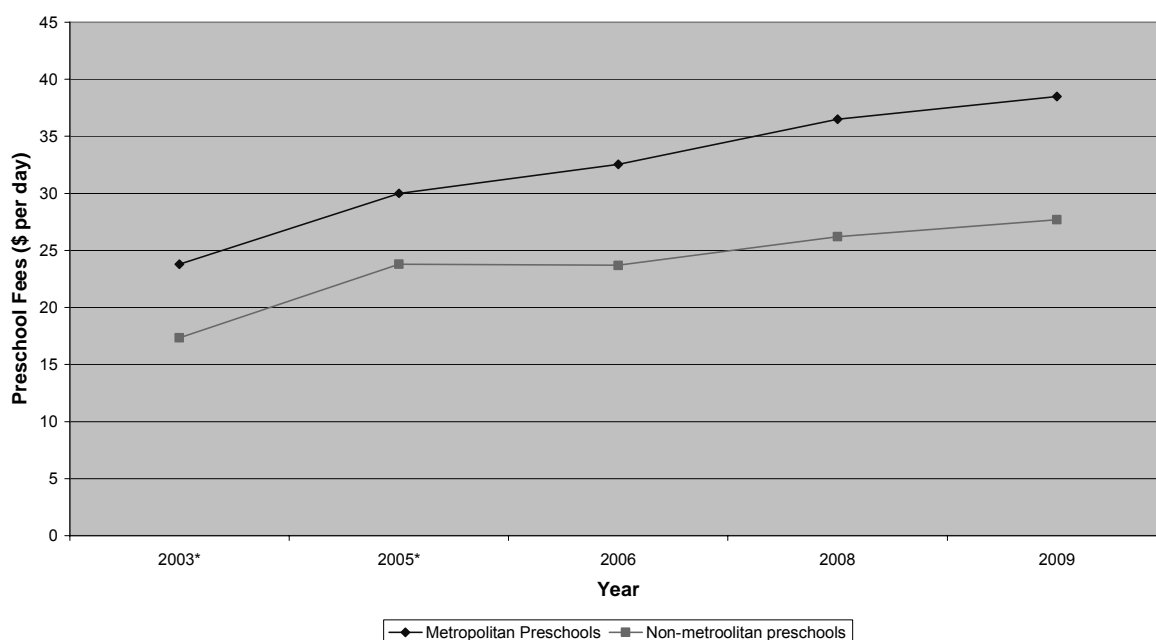
### **Preschool Fees by Location**

The survey found that non-metropolitan preschools tended to charge lower fees than their metropolitan counterparts. The same result was found in the 2005 survey.<sup>6</sup> Between 2003 and 2005, in metropolitan preschools average daily fees increased from \$23.80 to \$30.00 an increase of over 25%. In 2006, average daily fees in

metropolitan were \$32.55, rising to \$36.50 in 2008. The average daily fee for metropolitan preschools has been calculated at \$38.50 for 2009.

In non-metropolitan NSW, preschools the average daily fee rose from \$17.35 in 2003 to \$23.80 in 2005, an increase of over 21%.<sup>7</sup> In 2006 the average daily fee of non-metropolitan preschools was roughly the same as in 2005 at \$23.70. This could be due to the NSW Government’s announcement of the Preschool Investment and Reform Plan and funding of \$8.3 million in emergency payments. However the average daily fee rose to \$26.20 in 2008, an increase of 10.5% over those two years. In 2009, the average daily fee has been calculated at \$27.70 for non-metropolitan preschools.

**Average Preschool Fees by Location**



\* Source for 2003 and 2005: There’s a Hole in the Bucket. (Also note that no data is available for 2004 and 2007)

### Preschool Fees by Socio-economic Status

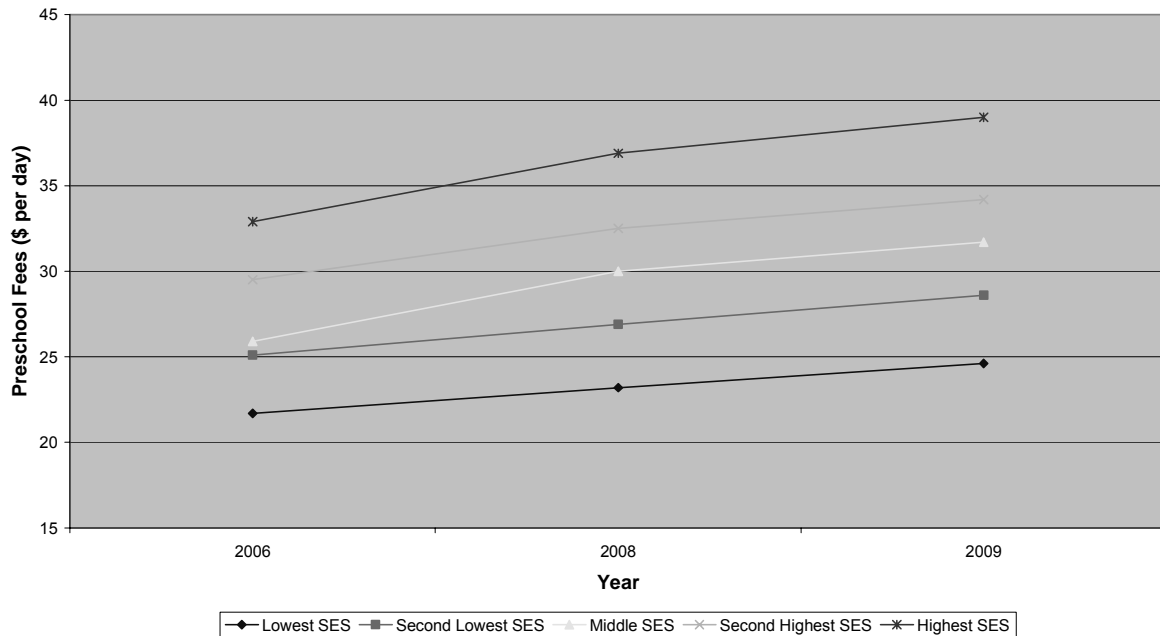
Based on the Index of Socio-economic Disadvantage, the change in average preschool fees according to the socio-economic status of preschool communities has been calculated. Average daily fees in all socio-economic groups increased from 2006 to 2008 and again in 2009. Average daily preschool fees in low socio-economic areas continue to be less than average daily fees in higher socio-economic areas.

Between 2006 and 2008, average daily preschool fees in the highest socio-economic areas rose by 10.8% compared to 6.3% in the lowest socio-economic areas. However, the increase in average daily preschool fees between 2008 and 2009 is a larger proportional increase in the lowest socio-economic areas, 5.7% compared to 5.3% in the highest socio-economic areas. The average daily fee increase from 2008 to 2009 in the lowest socio-economic areas was \$1.40 per day compared to \$2.05 in the highest socio-economic areas.

Many preschools indicated that they were concerned about the impact of rising fees on parents and children’s attendance patterns. For example one preschool said:

*Our fees are already high, so in five years time the preschool will be too expensive for most of our families. Even now children are only attending one day, instead of 2 or 3 due to high fees.*

**Average Preschool Fees by Socio-economic Status**



Another was concerned about low-income families in the area:

*Many low income families can not access the centre due to high fees and limited reduced fees funding. In addition to this families with one income are unable to attend or only attend one day as fees are high.*

One possible result of increasing fees is a downward spiral of enrolments, as one preschool put it:

*To remain viable, we must continue to increase our fees, so a few more families leave us or do not enrol because fees are 'too expensive' and therefore our enrolments decrease and so we must increase fees and the spiral downwards continues.*

## **2008/2009 NSW Government Funding**

The new Resource Allocation Model was introduced from 1 July 2008. Preschools were asked if they had received an increase in funding for the 2008-2009 financial year. Of those that answered this question (357 preschools), 45% indicated that they did receive a funding increase, while 55% indicated they did not. Official figures presented to the NSW Legislative Council's Budget Estimates Committee stated that 52% of NSW preschools received a funding increase in 2008-2009 while 48% had their funding held at the 2007-2008 level.

The significant difference between the official figures and the survey could be in part a result of preschools being more motivated to complete the survey if they did not receive a funding increase. In addition, preschools may have defined a funding

increase differently to the NSW Department of Community Services. For example, one preschool indicated that they:

*... received \$132 [per year] increase in funding. We do not consider it an increase as we no longer receive a CPI increase. We would be counted in the Government's publicity as a service receiving an increase.*

Preschools that did receive a funding increase may have an increase lower than they would have expected if the funding was indexed in the normal manner of government funding programs. For others the increase was not high enough to make a significant difference and cost cutting will still be needed:

*A 4% increase will not allow the centre to make fees more affordable. We will need to continue to cut costs in areas such as equipment. [We] are committed to trained and qualified teachers in our centre. So unlike other operators we will not be making cost savings in this area.*

For some the increase provided much needed relief and reduced pressure of fees:

*Due to the increase in funding, we will be able to continue to operate successfully as we have in the past without changing the quality, increasing fees or reducing the staff qualifications and numbers, which we would have been forced to do otherwise for 2009. We are very grateful for the funding increase and all breathed a sigh of relief!*

One preschool explained what might have happened if it did not receive a funding increase:

*Previously our budget covered wages (but no crib break), insurance, cleaning and basic running costs. It did not cover equipment and repairs, staff training, broadband, crib break and adequate clerical support. If we had had no increase in funding [our] fees would be around the \$40 [per day] mark to cover these essential costs and meet our OH&S responsibilities.*

Non-metropolitan preschools seem to have benefited more from the new resource allocation model compared to their metropolitan counterparts. Of the non-metropolitan preschools that responded to the question, the majority (56%) indicated they did receive an increase in funding. A minority (34%) of metropolitan preschools indicated they received a funding increase.

A greater proportion (55%) of preschools in the lowest socio-economic areas indicated they received a funding increase compared to preschools in the highest socio-economic areas (33%).

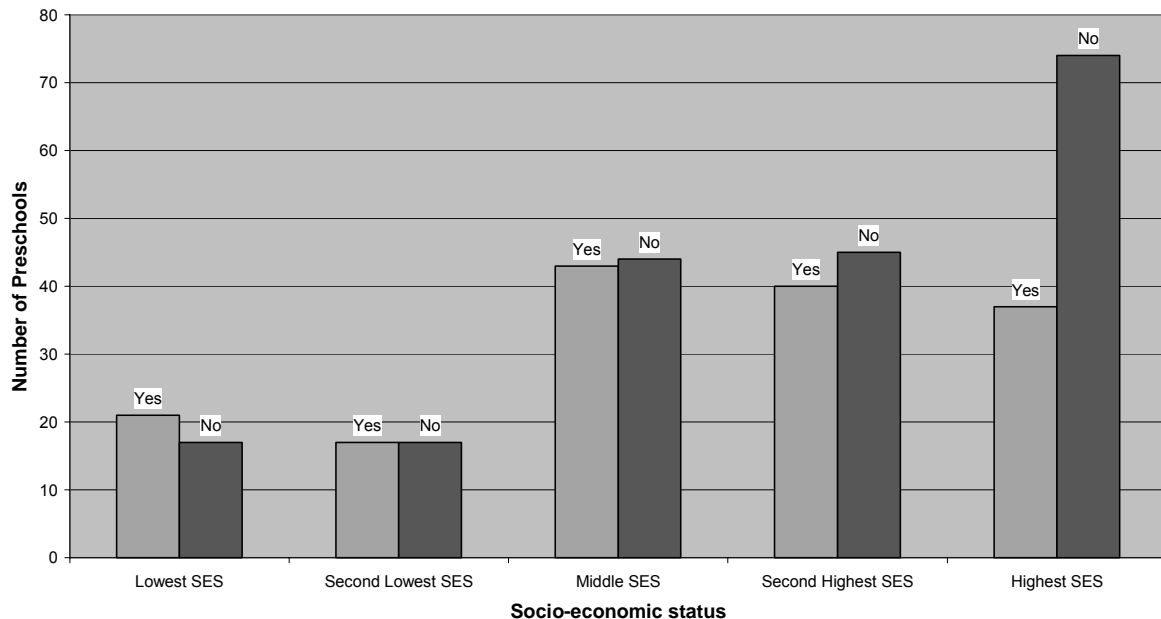
Many preschools indicated that they want the NSW Government to again increase funding to community-based preschools. However, many recognised that this was unlikely given the current state of the NSW Government's finances. A possible solution to the limited state government funding was offered by a significant number of preschools. These preschools argue that their families should be able to claim the Child Care Benefit and/or the Child Care Tax Rebate that are available to parents with children in long day care or other forms of care. Many preschools claimed that parents were shifting to long day care because of these subsidies even though they preferred the preschool approach. For example, one said:

*The obvious difference between rebates available to parents in long day care and preschool is very distressing, as parents are being forced to access long day care when this is not their first preference.*

Indeed some preschools have moved to the long day care model in full or in part in order to allow parents to receive the Child Care Benefit and/or Child Care Tax Rebate. One preschool indicated:

*We are in the process of changing to long day care in 2009.*

**Funding increase in 2008-2009 by SES**



## Financial Situation in 2013

Preschools were asked to indicate their expectations of the future. Did they expect to be financially better or worse off in five years time (at the end of the period when funding would be held at the 2007-2008 level)? Of the 353 preschools that answered the question, 70% indicated that their preschool would be significantly or slightly financially worse off in five years time. This expectation was more pronounced amongst metropolitan preschools (77%) compared to non-metropolitan preschools (61%).

Three quarters (75%) of the preschools in highest socio-economic areas indicated they would be significantly or slightly worse off in 2013 compared to 55% of preschools in the lowest socio-economic areas.

Many preschools appeared to have a negative expectation of their financial future due to the uncertainty of the Resource Allocation Model. For example, one preschool said that:

*There is great deal of uncertainty regarding exactly what financial changes there will be for our particular service.*

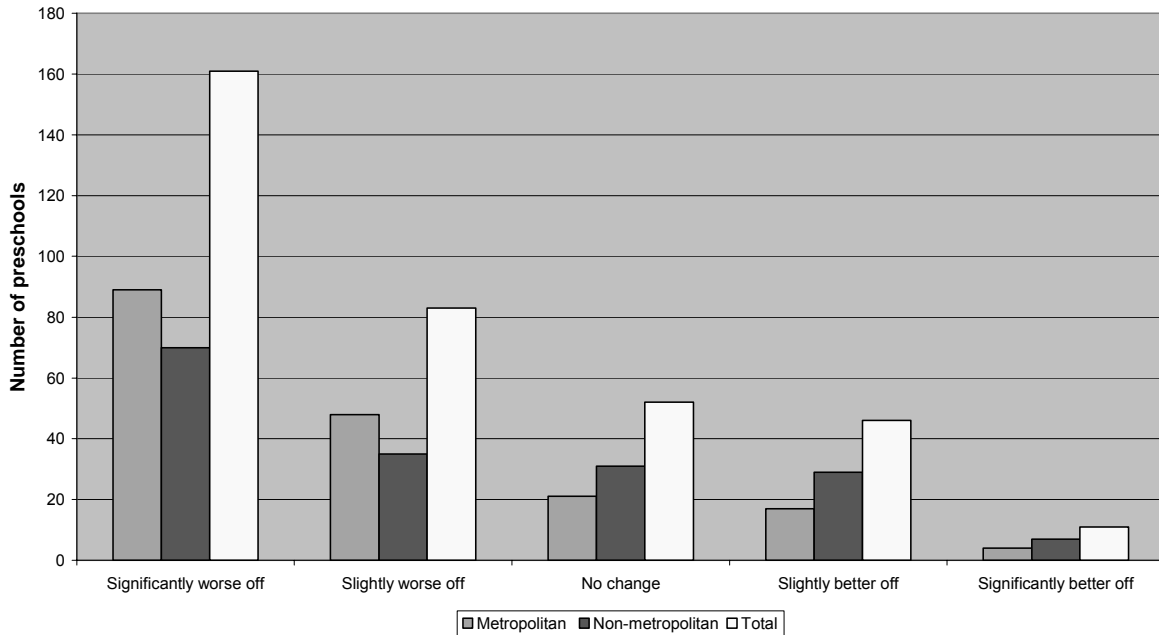
Another said:

*Our preschool is in an isolated area; due to this our numbers fluctuate from one year to the next.*

One preschool highlighted the consequences of having their funding frozen for five years:

*[We] will keep putting up fees each year to maintain resources. [The preschool] provides a lot of extra services and this may suffer: a special education teacher and two special aides, plus kitchen assistant 6 hours a week on special needs. We are worried that we might not be able to maintain the level for children with additional needs.*

**Expected Financial Situation in 2013**



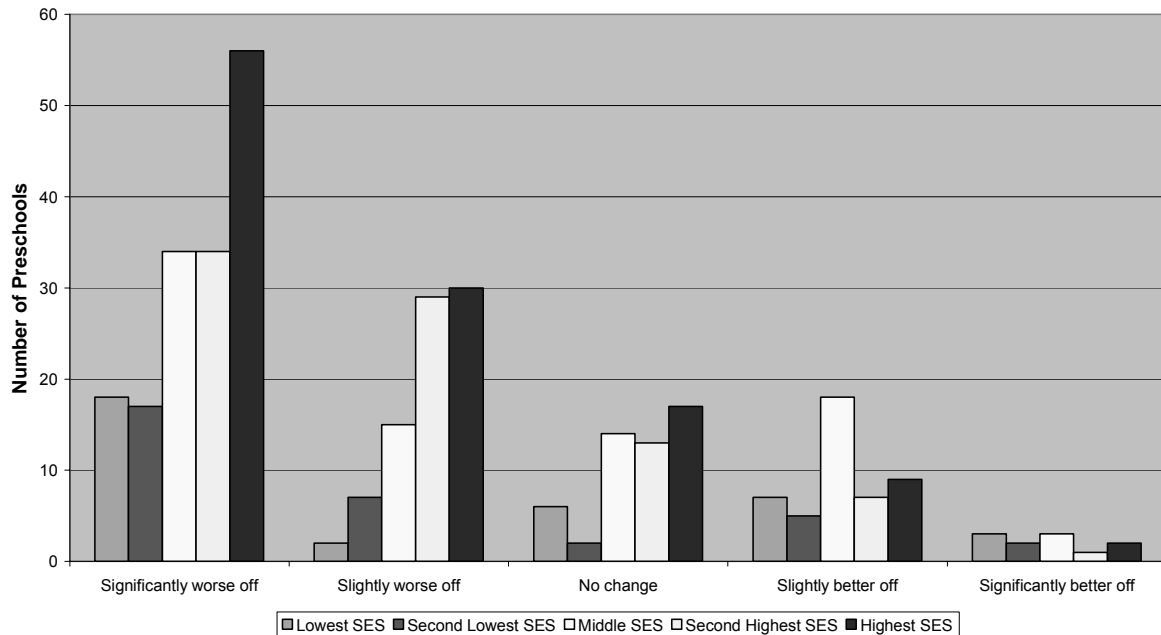
Another reason for the negativity might be the current global economic crisis and, in rural areas, the ongoing drought. A mobile preschool providing services in rural and remote communities said that:

*Our enrolments in some of these areas are quite low, possibly due to the financial hardship that many of our farming families are presently experiencing. These conditions are likely to continue over the next few years due to the overall economic downturn and changes to preschool funding which will affect the viability of preschools in rural areas.*

A small proportion (16%) of preschools believed that they would be significantly or slightly better off in the future. One commented that:

*The preschool opened in 2001... [but] received no DoCS funding. In recent years we got a small amount of funding for 6 extra positions. This funding increase [as a result of the Resource Allocation Model] brings us in line with the other centres operating in the area and will mean we can reduce the necessary fundraising and reduce fees.*

### Expected Financial Situation in 2013 by SES



Some preschools are making changes to their operations in an attempt to improve their financial position:

*This preschool will increase our utilisation rate by changing our enrolment pattern for 2010 so that we have 105 children using the service per week instead of 84. We have also increased our age range to cater for 2 year olds if we cannot get enough children across the week who are older. We have also requested a change in our opening hours to take effect in 2009 in the event our [opening] hours no longer suit the consumers of our service.*

The increase in the number of children attending preschool two days per week is what the Resource Allocation Model was meant to achieve. However, while this plan may suit this particular preschool, not all preschools would be in a position to make these changes successfully. For example, many preschools would face an ongoing increase in the administrative burden associated with the changes for which financial support is not available. Some preschools may have difficulty in recruiting the additional qualified teachers. Many preschools also have physical limitations on their ability to expand.

For some others the changes are not so positive:

*We will have to close one day a week next term and are looking at employing TAFE qualified staff only. We will have to close 2 days a week in 5 years*

For some hard decisions will have to be made about their ongoing viability. A number of preschools indicated that they will be considering closure if things don't improve.

## **Australian Government Funding**

Currently, the Australian Government has no direct role in funding preschools or subsidising the fees paid by parents. Many of NSW community-based preschools surveyed indicated that they hoped the Australian Government's election commitment to universal access to a 15 hour preschool program for every child in the year before school would translate into financial support for their preschools. The Australian Government will provide funding of \$270 million over five years to NSW to meet this commitment. While it is unclear at the time of writing how the additional Australian Government funding will be distributed in NSW this commitment to universal access could not be met without community-based preschools playing a significant role.

The Australian Government's support for children's services includes subsidies for fees paid to long day care and family day care. These subsidies come in the form of Child Care Benefit (CCB) and the Child Care Tax Rebate.

### **Child Care Benefit**

Child Care Benefit is a means tested payment that assists families with the cost of approved child care. Approved child care is care provided by a service provider that participates satisfactorily in the Australian Government funded quality assurance system. Most long day care, family day care, before and after school care, vacation care, some occasional care and some in-home care are approved child care providers. NSW community-based preschools are not Australian Government approved child care providers (they are licensed by the NSW Government).

Many preschools indicated that they saw access to the Child Care Benefit for their parents as a significant contribution to their ongoing financial viability.

For example:

*A lack of CCB for parents has meant some have had to choose Long Day Care over Pre-school.*

*CCB rebate should be available for parents at registered centres. This would allow for adequate increases of fees charged to clearly reflect the expenditure required to run the centre, instead of continually decreasing budget items.*

### **Child Care Tax Rebate**

The Child Care Tax Rebate is a 50% fee rebate that assists parents who are working, studying or training with their out of pocket child care costs. Families can receive up to \$7500 a year for each child in approved care and it is not means tested.

As with child care benefit, many preschools considered that their parents should be entitled to the Child Care Tax Rebate:

*We would also like to see families using community preschools able to access the tax rebate available to families using long day care.*

For preschools parents to be eligible for the Child Care Benefit and/or the Child Care Tax Rebate the community-based preschools would have to become approved child

care providers. Under the current conditions this means changing to a long day care model.

However, the community-based preschools that advocate access to the Australian Government subsidies for their parents also want to maintain their service as a preschool. The preschools want to retain the preschool model in terms of hours of operation, attendance, terms and holidays so that preschools offer a choice to families. Therefore access to Child Care Benefit and/or the Child Care Tax Rebate would require a significant extension to the operation of these fee subsidy schemes.

## **Conclusion**

This survey collected a reasonable sample of community-based preschools in NSW, although the sample may be biased towards those preschools that did not significantly benefit from the Government's Preschool Investment and Reform Plan (PIRP). Included in the sample were large and small preschools in metropolitan and non-metropolitan areas, as well as preschools in high and low socio-economic areas.

Despite the NSW Government's injection of funding in the first two phases of the PIRP into community-based preschools, preschools continue to make long-term and short-term changes to address their viability though some indicated that the funding had benefited their financial position.

The majority of preschools surveyed decided to increase fees for 2009, only 25% did not. The full average daily fee will be around \$33.50 in 2009. However, fees remain lower than this average in most non-metropolitan preschools and preschools servicing low socio-economic communities.

Some preschools benefited from the new Resource Allocation Model in that they received a significant increase in their 2008-2009 funding. A large proportion of preschools received no increase or only a minimal increase. For those that have not benefited or received only a marginal increase in funding, there are ongoing concerns about the viability of preschools in the future.

Many preschools are making changes to their service in an attempt to maximise their funding under the Resource Allocation Model. For example, some preschools are changing from a 2 day/3 day attendance pattern to a 2 day/2 day /1 day attendance pattern as the third day is not funded under the Resource Allocation Model.

Overall, the majority of preschools are pessimistic about their financial future. Many are considering changing their service to include a long day care component or reduce the services offered. A small group indicated, without being prompted, that they will be forced to consider closing their doors within the next few years. Another small group have significantly benefited from the new Resource Allocation Model of funding and are positive about the future. However, it appears that the funding increase under the PIRP has been insufficient to ensure all preschools remain affordable and sustainable.

Many preschools advocated for an increase in NSW Government funding. However, there is widespread support for parents in community-based preschools to be eligible

for the Australian Government's Child Care Benefit and/or the Child Care Tax Rebate. It is to be hoped that additional funding will come from the Australian Government's commitment to universal preschool access as well as from the NSW Government.

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Endnotes

<sup>1</sup> The Hon. Linda Burney MP, Minister for Community Services, indicated that there 390 Preschools received an increase in recurrent funding and 365 were held at their 2007/2008 recurrent funding levels (i.e. 390+365 = 755) in an answer to a question on notice regarding preschool funding at the Budget Estimates Committee.

<sup>2</sup> Australian Bureau of Statistics (cat no. 2033.0.55.001) Socio-economic Indexes for Areas, ABS Canberra.

<sup>3</sup> NSW Children's Services Forum (2006) *There's a Hole in the Bucket* p.8.

<sup>4</sup> *ibid* p.8.

<sup>5</sup> Note "average" refers to the "mean". Medians fees were also calculated and found to be little different from the mean fees.

<sup>6</sup> NSW Children's Services Forum (2006) *There's a Hole in the Bucket* p.9.

<sup>7</sup> *ibid* p.9.

## Appendix 1: Questionnaire

### 2008 Survey of NSW Community-based Preschools

#### 1. Introduction

Welcome to the 2008 New South Wales Preschools Survey being conducted by the NSW Children's Services Forum.

The NSW Children's Services Forum is comprised of state-wide, not-for-profit community based children's service organizations. The Forum aims to:

- promote the role of not-for-profit children's services;
- advise governments on the quality, range and provision of children's services; and
- engage in regular dialogue with other stakeholders in children's services.

This survey aims to gather information on the affordability and financial viability of community based preschools given the recent changes to funding arrangements by the NSW Government. The data collected will be used to help lobby for improved funding for community-based preschools in NSW.

This survey will be available on-line until 31 October 2008.

If you have any questions please contact Dev Mukherjee, Senior Policy Officer, NSW Council of Social Service ph 02 9211 2599 or email dev@ncoss.org.au.

#### 2. About your preschool

##### 1. How many hours is your preschool open per week?

- <15 hours       15-20 hours       21-30 hours       31-40 hours       >40 hours

##### 2. How many weeks is your preschool open per year?

- < 40 weeks       40-43 weeks       44-47 weeks       48-51 weeks       52 weeks

##### 3. In which local government area is your preschool located? (if you are uncertain go to the [NSW Department of Local Government website](#).)

##### 4. What is the management structure of your preschool?

- Stand-alone preschool with management committee  
 Auspiced by Local Government  
 Auspiced by a larger organisation

##### 5. Do you employ a university trained, degree qualified early childhood teacher?

- Yes  
 No

##### 6. Does your preschool provide services in addition to a preschool program?

- No  
 Yes (please indicate below the type of additional service)  
 Early Intervention for special needs children  
 Parenting/family programs  
 Occasional Care  
 Playgroups  
 Health Programs  
 Other

## 2008 Survey of NSW Community-based Preschools

### 3. Preschool size and attendance

7. What is your service's total number of licensed places per day?

8. By age of the child, how many children attend each day?

	Monday	Tuesday	Wednesday	Thursday	Friday
2-3 year olds	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4-5 year olds	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

9. On average, how many days per week does a child attend your preschool in the year prior to school?

- 1       2       3       4       5

10. On average, how many hours per week does a child attend your preschool in the year prior to school?

### 4. Fees and fee relief

11. What is your full daily fee?

12. What was your full daily fee two years ago?

13. How much will you be increasing your full daily fee next year?

14. What is/are your subsidised fee/s?

	\$ per day
Lowest subsidised fee	<input type="text"/>
Middle subsidised fee	<input type="text"/>
Highest subsidised fee	<input type="text"/>

15. What percentage of families with children in your preschool are low income families (earn less than \$40,000 per year or have a health care card)?

16. What percentage of these low income families pay subsidised fees (or receive fee relief)?

### 5. Financial Viability

17. Have you made any changes to your service/program because of financial viability issues over the past two year?

- Yes  
 No

## 2008 Survey of NSW Community-based Preschools

**18. If, yes to Question 17 what changes have you made?**

- |  |   |
|--|---|
| <input type="checkbox"/> Reduce licenced places                  | <input type="checkbox"/> Run deficit budget                 |
| <input type="checkbox"/> Cut Equipment costs                     | <input type="checkbox"/> Cut staff training and development |
| <input type="checkbox"/> Shorter opening hours                   | <input type="checkbox"/> Longer opening hours               |
| <input type="checkbox"/> Expand age range                        | <input type="checkbox"/> Reduce overall staffing            |
| <input type="checkbox"/> Cut early childhood teacher position(s) | <input type="checkbox"/> Other                              |

**19. Did your preschool receive an increase in funding for 2008/2009?**

- Yes  
 No

**20. If yes to Question 19 how much was the increase (as a percentage of funding)?**

Percentage increase |

**21. If no to question 19, by how much will your funding decrease in five years time if nothing changes? (Go to [NSW Department of Community Services](#) to calculate changes to your funding)**

Percentage decrease |

**22. Do expect your service to be financially better or worse off in five years time?**

- Significantly worse    Slightly worse off    No change    Slightly better off    Significantly better off

## 6. Final comments

**23. Do you have any comments to make about the viability of your preschool?**

## Appendix 2: Metropolitan and Non-metropolitan Local Government Areas

Metropolitan LGAs	Non-metropolitan LGAs	
Ashfield Alb	ury	Kempsey
Auburn Ar	midale Dumaresq	Kyogle
Bankstown Bal	lina	Lachlan
Baulkham Hills	Bathurst Regional	Leeton
Blacktown	Bega Valley	Lismore
Blue Mountains	Bellingen	Lithgow
Botany Bay	Berrigan	Liverpool Plains
Burwood Ber	rigan	Lockhart
Campbelltown Bla	nd	Maitland
Canada Bay	Blayney	Mid-Western Regional
Canterbury B	yron	Murray
Gosford Cabo	nne	Muswellbrook
Hawkesbury Cam	den	Nambucca
Holroyd Carratho	ol	Narrabri
Hornsby Centr	al Darling	Narromine
Hunter's Hill	Cessnock	Orange
Hurstville	Clarence Valley	Palerang
Kogarah Cobar		Port Stephens
Ku-ring-gai	Coffs Harbour	Queanbeyan
Lake Macquarie	Coolamon	Richmond Valley
Lane Cove	Cooma-Monaro	Shoalhaven
Leichhardt Coon	amble	Singleton
Liverpool	Cootamundra	Snowy River
Manly Cor	owa Shire	Tamworth Regional
Marrickville Deni	liquin	Tenterfield
Mosman Dubb	o	Tumbarumba
Newcastle Dung	og	Tumut Shire
North Sydney	Eurobodalla	Tweed
Parramatta G	ilgandra	Unincorporated NSW
Penrith	Glen Innes Severn	Upper Hunter Shire
Pittwater G	loucester	Wagga Wagga
Randwick G	oulburn Mulwaree	Wakool
Rockdale	Great Lakes	Walgett
Ryde	Greater Hume Shire	Warrumbungle Shire
Strathfield G	riffith	Weddin
Sutherland G	unnedah	Wellington
Sydney G	uyra	Wentworth
Warringah Har	den	Wingecarribee
Wollongong Has	tings	Wollondilly
Woollahra Ha	y	Wyong
Inv	erell	Young