

There's a hole in the bucket



Challenges for NSW community-based preschools

NSW Children's Services Forum

February 2006

**This report was produced by the NSW Children's Services Forum in February 2006.
It was circulated in draft form in December 2005.**

The report is based on a survey of community-based preschools conducted in July-August 2005.

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Introduction

In mid-2005, the Preschool Working Party, which is part of the NSW Children's Services Forum, developed and distributed a survey to all community-based preschools in NSW. This report, *There's a hole in the bucket*, details the findings from the survey.

The Preschool Working Party includes representation from the Council of Social Service of NSW (NCOSS), KU Children's Services, Country Children's Services Association of NSW (CCSA), Mobile Children's Services Association, Community Child Care Co-op, Uniting Care Children's Services Forum. It also has support from the Independent Education Union.

The NSW Children's Services Forum represents community-based peak and state-wide children's services organisations in New South Wales.

Background to the survey

In 2002, following 10 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.

It produced a paper titled *Who Sank the Boat: The impact of under-funding on community-based preschools in NSW* which summarised the major issues facing community-based preschools. It 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, including those on the Central Coast, in Lismore and in the Illawarra, 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 this combined lobbying, the Minister for Community Services announced a one-off contribution of \$6m to preschools and promised to undertake a review of the Affordability Subsidy which assists families on low incomes with the costs of preschool fees. The Children's Services Forum was invited to nominate four members who represented peak organisations with a substantial preschool membership.

The review has now been through two stages – the first looking simply at the affordability subsidy, and the second, at the request of the Forum, taking into account the broader funding context for preschools. At the end of Stage 2, a report was issued in which the only proposal was a redistribution of existing funds. With 56% of services to lose funds, the report's proposal is not supported by the peak representatives on the committee or by the Minister.

It is now almost three years since the promise of the review, and preschools are in deepening crisis. Fees are too high and still rising; children are dropping out or attending fewer days; management committees are tearing their hair out trying to meet the costs of running the preschool; and the NSW Government is taking no responsibility for the situation but simply trying to put the onus onto the Commonwealth Government by labelling preschools as "child care".

This is the context in which the NSW Children's Services Forum decided to survey community-based preschools in mid-2005. The aim was to get a better understanding of the viability issues for community-based preschools in NSW. By generating some data of our own, we hope to convince the Department of Community Services and the NSW Government that they really need to address the viability issues for community-based preschools.

Survey Method

The two critical questions we hoped to answer were:

- do preschools have sufficient funding to operate a quality program for children?
- what is the impact on children, families and services when they don't?

A two-page survey was developed asking questions about location, size, attendance, costs, fees, services provided, changes to services or programs resulting from financial difficulties, and giving the opportunity to comment generally on the viability of individual preschools. The survey was drafted by NCOSS with additional questions and some suggestions made by members of the NSW Children's Services Forum Preschool Working Party.

The survey was distributed to over 800 services using a combined mailing list, and 452 valid responses were received. Five surveys were excluded: one returned survey was too incomplete, two received no DoCS funding and two belonged to centres that had become long day care centres.

122 centres were licensed for 20 or less places; 72 for 21-25 places; 53 for 26-30 places; 139 for 30-40 places; 34 for 40-50 places and 32 for more than 50 places. 208 were in metropolitan areas and 244 in non-metropolitan areas. We believe this makes the survey credible in terms of its representativeness, both in terms of size and location.

This response rate was exceptionally high – almost 60% of community-based preschools in NSW sent back the form – in itself an indication that the problems they are facing are real and causing great concern.

Data was collated by staff from KU Children's Services – we would particularly like to thank Ronda King for compiling the surveys.

What preschools said:

"Parents are finding the cost increasingly difficult to meet and no doubt we will lose children for this reason."

"It's getting more and more expensive each year to run the preschool at a high quality without raising fees too much each year."

"This year our treasurer on the management committee is a business analyst and has projected that within two years our fees need to increase to \$37.00 per day in order to break even. This budget projection allows only minimal amounts for equipment and maintenance, so realistically our fees will need to increase more than this to cater for any 'unexpected' cost increases.

Key findings

While not surprising to those working in the early childhood area, the results of the survey are none the less shocking.

The survey found that:

- 25% of respondents were running deficit budgets
- Average fees had increased in metropolitan areas by 26% over two years (now \$29.98 per day)
- Average fees had increased by 22% in rural areas (now \$21.13 per day)
- 70% of services would need to further increase fees next year if they did not receive additional funding
- 70% of preschools had been forced to make a number of changes that compromise the quality of the service. These included:
 - cutting down on early childhood trained teachers (10% of services);
 - cuts to training and professional development opportunities (30 % of services);
 - skimping on equipment (55% of services)
 - reducing their overall staffing (19%)
- 41% of respondents received less than 35% of the cost of running the preschool from DOCS
- Only 12 (2.6%) preschools said that children attended on average for five days a week. 56.8% indicated average attendance of two days a week.

What preschools said:

"We are concerned about the impending wage rise and meeting it financially."

"Attempting to keep fees low so ALL children can have access to preschool education."

"Government funding does not cover staff wages, insurance and general operating costs."

"We believe that EVERY child should be entitled to at least two free days of preschool in their year prior to school. This is what the government should be paying for at the very least."

The results in detail

Question 1: Funding Source

451 preschools received some funding from the Department of Community Services and one did not.

Question 2: Location

208 (47%) preschools were located in metropolitan areas and 244 (55.2%) in non-metropolitan areas. This strong response from rural and regional areas may reflect the greater difficulty in which they find themselves, or the prevalence of community-based preschools in rural towns and villages.

Question 3: Management structure

348 preschools were stand-alone services with management committees (118 in metro and 230 non-metro); 12 were auspiced by local government (11 in metro); 91 were auspiced by a large organisation and for one service the management structure was unknown.

Question 4: Funding as a percentage of running costs

58 services were unable to calculate the answer to this question. 76 respondents (66 metro and 10 non-metro) said that their funding was less than 25% of the running costs. 107 said that it was between 25-35%, 137 said the funding covered 36-50% of the running costs and 74 said the funding was over 50% of the running costs.

On the whole, services in metropolitan areas said that the funding was a smaller percentage of the running costs than non-metropolitan-based services. This could be influenced by at least four factors – the higher costs associated with rents in metropolitan areas, the fact that metropolitan services can often charge higher fees than rural services, the fact that we know funding between services is historically differential¹, and the fact that some rural services have received a rural loading or top-up funding.

The survey also confirms that fees are lower in rural areas therefore percentage of funding from the Department of Community Services will be proportionately higher. It should also be noted that services in rural areas are also more likely to be running deficit budgets.

It should be noted that funding from DoCS now comes as a global budget which means some services are unable to calculate the difference between base funding and their affordability subsidy for low income families as it is no longer clearly identified on the DoCS Service Agreement.

¹ DoCS Funding Analysis and Impact Report

Question 5: Trained teachers

The survey asked preschools whether or not they employed a university-trained, degree-qualified, early-childhood teacher. Whilst it was encouraging to note that 395 services replied in the affirmative, there were still 41 non-metro preschools and 15 metro preschools that did not employ a teacher. Moreover, the survey did not ask the question in such a way that we could determine whether or not every *class* was led by a teacher.

Given that the research tells us that the qualifications of the staff are key determinants of quality, along with parental expectations that preschool provides a predominantly educational experience for children, the presence or not of qualified teachers is critical to defining the notion of preschool itself. Is a preschool 'a preschool' where there is no qualified teacher?

The survey also fails to pick up the reasons for the absence of qualified teachers in the 56 preschools. Anecdotally we know that some preschools have dropped their qualified teacher as a means of making the budget go further. Others, particularly in rural areas, may have been unable to recruit an early childhood teacher. However there may be other reasons.

Question 6: Number of licensed places

The number of licensed places for preschools survey ranged between the following.

- 122 centres were licensed for 20 or less places
- 72 for 21-25 places
- 53 for 26-30 places
- 139 for 30-40 places
- 34 for 40-50 places
- 32 for more than 50 places.

Question 7: Ages and attendance of children

The majority of preschools did not cater for children aged two to three years. 244 preschools in non-metro areas averaged only 155 two to three year olds per day as against 5,237 three to five year olds. In metro preschools the average was 200 two to three year olds per day as against 6,644 3-5 year olds. This is not an unexpected finding given that preschools are specifically designed to provide programs to children in the year, sometimes two years, prior to school. Days of attendance for two to three year olds also appeared to be much more limited than for 3-5 year olds.

The pattern of attendance for all children was picked up in question 13, which asked for the average number of days per week a child attended in the year prior to starting school.

A massive 56.8% of responses stated that children attended an average of two days per week; 31% said three days a week and only 2.6% (12 preschools in total) indicated that children were attending preschool five days a week. 20 preschools said that children attended one day per week and nine indicated an average of four days per week.

The concern about these figures is that if fees go up and parents reduce days, because they cannot afford the fees, the majority will be reducing their child's attendance to one day per week. This will significantly impact on the educational outcomes for these children.

Questions 8-13: Fees and subsidies

One of the fundamental problems facing community-based preschools is the issue of fees. “How much is it fair to ask parents to pay towards the cost of preschool?”, and “what will happen if we raise the fees again?” are the two questions that consistently confront management committees. Answering these two questions is critical to resolving the issue of preschool viability.

When asked about their daily fees, there was a clear difference between metro and non-metro services. In metro preschools, fees had risen from an average of \$23.82 two years ago to \$29.98, an increase of 25.8%.

In rural and regional NSW, preschools had kept their fees lower. There are probably a range of reasons for this but a key one in the survey comments is the impact of the drought in NSW which is limiting families’ capacity to pay higher fees. The average daily fee has risen in rural NSW from \$17.34 two years ago to \$23.82 in 2005, an increase of 21.8%.

40% of metro preschools and 37% of non-metro preschools had already made the decision that they would need to increase fees in 2006. A further 7.5% of respondents were undecided. More regional and rural preschools (11%) than metro preschools (3.8%) had decided not to increase fees.

The survey also asked preschools to tell us how many of their children were in receipt of the affordability subsidy and the average fee that they then paid. The responses to this question highlighted the current level of inequity in the distribution and inadequacy of affordability subsidies.

In rural and regional preschools, the lowest fee paid by families in Tier One of the subsidy (income <\$20,355) was \$2.60 per day (in 1 preschool) and the highest fee for this group was \$34.50 per day. The average daily fee for the 2,505 children in Tier One (non-metro) was \$10.17.

In metro areas, the lowest Tier One fee was \$1.00 (1 preschool) and the highest fee was \$35.60. The average Tier One fee (metro) for 1255 children was higher overall than the non-metro at \$12.28 per day.

A similar picture emerges for children in Tiers Two and Three. Tier Two sets an income eligibility level between \$20,356 and \$27,476. In non metro preschools the average daily fee for 961 children was \$11.88 (with individual fees ranging from a low of \$2.60 to a staggering high of \$47.75!). In metro preschools there were 412 children in Tier Two paying an average of \$12.49 per day (ranging from \$2.00 per day to \$34.05 per day).

Eligibility for Tier Three falls between incomes of \$27,477 and \$40,794. For the 1626 eligible children in this category the average fee was \$13.92 in non-metro areas and \$15.17 in metro preschools.

Some services found it difficult to tell us how many eligible children were missing out on a subsidy altogether. A total of 65 preschools did not know, although 353 felt that every eligible child was getting the subsidy. A further 34 preschools identified that children were missing out.

The detailed information on the impact of subsidies on fees indicates that many families, ostensibly benefiting from a subsidy, are receiving only a small reduction in fees. However, it also indicates that many preschools that are managing to keep fees low for low-income families are doing so at a cost, as the next section demonstrates.

Question 14: The impact of viability issues on preschools and their programs

A large majority of preschools responding to the survey indicated that viability issues had resulted in changes to their programs over the last two years. Out of the 452 preschools that responded, 131 metro preschools and 188 non-metro preschools acknowledged that they were in this position – this represents 70.5% of respondents.

The following table outlines the kinds of changes preschools have made. It indicates changes that are likely to either seriously undermine the stability and capacity of the preschool as a viable community organisation, or to undermine the quality of the program offered at the centre. For the most part, they are options that should be unacceptable. It is also clear that non-metro services have kept fees lower by cutting parts of their program and/or using up their reserves.

Some of the changes listed as ‘other’ included cutting other budget areas, cutting the special needs teacher, increasing fundraising, having parents carry out maintenance, cutting cleaning services, restructuring, amalgamating with long day care services and changing from a parent-managed committee to auspicing by a large organisation.

Changes to service delivery	Metro	Non-Metro
Reduce licensed places	9	17
Run deficit budget	48	95
Cut equipment costs	95	152
Cut staff training & development	37	100
Shorter opening hours	4	4
Longer opening hours	26	38
Expand age range	14	38
Reduce overall staffing	26	61
Cut teacher positions	13	32
Other	23	44

Question 15: Additional services

Despite their financial difficulties, many preschools offer a range of other programs/services to children in their communities. Out of 452 preschools, 248 offer more than a preschool program.

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

It seems that there is potential here to build on the work of existing preschools in ways that need not detract from, and indeed may support and enhance, their main purpose. However, it is difficult for many preschools to even think about other options when the main struggle is to keep the doors open.

Question 16: Capacity to maintain existing services/programs

The preschools were asked directly if they would be able to maintain the existing range of services/programs if the only funding they receive over the next two years is indexation (this year's indexation was 2.6% for DoCS funded services). Only 25% of metro preschools and 23% of non metro believed they could sustain current levels of service provision. 130 metro preschools (63%) and 167 regional and rural preschools (68%) said they could not. A further 45 preschools were uncertain whether this would be sufficient or not.

Those who were fearful about the impact of not receiving additional funding identified the following consequences:

- 34 would reduce the number of licensed places
- 63 would reduce programs
- 32 would consider changing to long day care services
- 190 would cut staff training and development
- 81 believed that families would reduce their hours
- 231 would cut down on equipment
- 10 would shorten opening hours
- 46 would lengthen opening hours
- 55 would cut their early childhood qualified teacher positions
- 26 would expand the age range
- 147 believed that families would leave the service
- 318 would increase fees
- 114 would reduce the overall staffing, and
- 37 believed there would be other unspecified consequences.

Question 17: The impact of other children's services on preschools

Given the lack of consultation with community-based preschools during the expansion of the Department of Education and Training preschool provision over 2004/5, the Forum was interested to see if preschools felt any concern about the opening of new services in their locality.

Again the results were not surprising. Twenty-one metro and twenty-one non-metro preschools felt they had been affected by the opening of new Department of Education and Training preschools. Given that there are only 21 new DET preschools across the State, this means that on average 2 community-based preschools have felt the impact of the opening of 1 DET preschool.

Private long day care centres have also had an adverse effect on community preschools, with 174 indicating an impact – 76 in metro regions and 98 in regional and rural areas. Other children's services, 29 in metro and 29 in non-metro regions, have also had an impact on preschools responding to our survey.

Competition from DET preschools that are almost free and long day care centres through which families can claim fee relief via the child care benefit and now the 30% rebate, will continue to play havoc with the ability of preschools to fully utilise places and to offer a commensurate program at an affordable fee level. Parental choice that has often seen preschools favoured in the past is now tempered by the need to consider affordability first.

What preschools said:

"Families on low incomes struggle to pay the reduced fees and can only afford to send their child one day per week."

"We will close over the next 18 months unless a review of preschool funding is completed."

"A local public school proposed a DET preschool which would significantly impact on our viability if it went ahead."

"We desperately need greater funding to ease financial pressure on parents from increased fees and fundraising."

"Preschools wanted and needed by the community, someone needs to take responsibility, don't make excuses, see the value and give adequate funding to operate."

Question 18: Other comments about the viability of their preschool

More than half the respondents (243 out of 452) provided concluding remarks about the viability of their preschool. The resounding message is that preschools desperately need more funding to remain affordable for families and to continue to offer high quality programs. The comment "Preschools are desperate for extra funding to stay competitive and survive" summarises this key message. Seven services said that without additional funding, they were likely to close in 2006 or 2007. These were small services in rural and regional NSW.

The comments referred to a wide range of issues affecting service delivery. Here is a summary of the major issues and challenges identified by community-based preschools.

Competition from long day care services that offer more generous fees subsidies, particularly where new private centres has opened up in the area

- "This area has on oversupply of commercial long day care which will threaten the viability of many centres."
- "Parents often want our preschool but are forced to choose LDC for the subsidy"
- "Three long day care centres will be opening in the area soon which will affect us."

Competition with DET preschools that offer preschool at minimal costs

- "Battling for numbers every year, mainly because of DET preschool in same street."
- "Our viability has been jeopardised because of the high number of private centres, DET preschool in close proximity and parity requiring CCB which is not available to them."

A heavy reliance on fundraising to remain viable

- "the amount of time spent by parents and staff fundraising is unacceptable."
- "fundraising has become an important factor in keeping our doors open. We are the only easily accessible early childhood service in our isolated community."
- "We wouldn't survive if parents didn't fundraise between \$10,000 and \$20,000 a year."

Families leaving or unable to access the service because the fees are too high

- "Drought has severely impacted on our service with loss of numbers as parents can no longer afford preschool"
- "Preschool is becoming a service for the rich. The price of the service excludes many families."
- "We made a decision to increase our fees two years ago by \$9.00 per day, this was a large increase and meant some families couldn't afford to use the centre."
- "Parents unable to access as much preschool as they need. It is governed by lack of money."

The need to upgrade facilities, due to the age of facilities and/or new regulatory requirements, but with no cash to do it

- "The deterioration of our current facilities and non-existence of capital works funding is impacting heavily on our future operation."
- "The facilities are now needing major maintenance to comply with regs and OHS standards, will need renovation over next two years."

Parents valuing the service and wanting the choice of preschool for their children

- “We have noticed that parents ‘want’ a preschool program even if the hours don’t suit.”
- “Families frequently comment on wanting choice re preschool and long day care.”

The struggle for services to maintain their current level and quality of programs

- “We are trying to fight to maintain teachers in all groups!”
- “Concerns with increasing operational costs vs staffing (qualified)”

The struggle for services to maintain their important role supporting children with additional needs

- “We want to provide the best possible service for all children and children with special needs. Our special needs funding doesn’t cover the wages to staff the program.”

Conclusion

The results of the survey confirm that there is a widespread and deepening crisis in the community-based preschool sector. Fees are rising and are already out of reach for many families. At a time when the value of early childhood education is clearly demonstrated in international research, the results of the survey are alarming.

It is clear that community-based preschools are caught in a catch-22: trying to maintain the principles of access, equity and quality but with diminishing support in real terms from the State Government.

As one service provider asks, “how many corners can you cut and still provide a good service?” Others expressed concerns about access and viability: “If fees increase, families may only be able to afford one day a week or none!” and “We have cut back on so many things over the past 6-8 years, time is running out for us as a community-based preschool.”

This survey demonstrates that community-based preschools are in urgent need of increased funding from NSW Government.

Survey of community-based preschools in NSW

This survey aims to gather information on the affordability and financial viability of community-based preschools. The data collected will be used to help lobby for improved funding for community-based preschools in NSW. Please return the survey by 12 August 2005.

1. Do you receive any funding from the NSW Department of Community Services (DoCS)?

Yes No

If you answered yes, please proceed with this survey.

2. Where is your service located?

Metro (Newcastle/Syd/Wollongong)

Non-metro NSW

3. What is the management structure of your preschool?

Stand-alone preschool with management committee

Auspiced by Local Government

Auspiced by a large organisation

4. What percentage of the total cost of running your preschool is provided by DoCS?

Less than 25%

25-35%

36-50%

Over 50%

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

Yes No

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

licensed places per day

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

	Mon	Tues	Wed	Thurs	Fri
2-3 year olds					
3-5 year olds					

8. What is your full daily fee? \$

9. What was your full daily fee 2 years ago? \$

10. Will you be increasing fees next year?

Yes No

11. How many children receive an affordability subsidy to assist with the cost of preschool?

Tier 1 <\$20,355 _____ What is the fee per day? _____

Tier 2 \$20,356-\$27,476 _____ What is the fee per day? _____

Tier 3 \$27,477-\$40,794 _____ What is the fee per day? _____

Total number of children _____

12. How many eligible children are missing out on receiving an affordability subsidy?

children

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

days per week

14. Have you had to make any changes to the service/program because of financial viability issues over the past 2 years?

Yes No

If yes, what changes have you made? (tick as many as apply)

Reduce licenced places Run deficit budget

Cut equipment costs Cut staff training & development

Shorter opening hours Longer opening hours

Expand age range Reduce overall staffing

Cut early childhood teacher position(s)

Other _____

15. Do you provide services in addition to a preschool program?

Yes No

If yes, please tick,

Early intervention for special needs children

Parenting/family programs Occasional Care

Playgroups Health programs

Transition to school program

Other _____

16. Will your service be able to maintain its current programs if you only receive the usual indexation to your existing funding over the next 2 years?

Yes No

If no, what will be the impact of no additional funding?

Reduce licensed places Cut programs

Change to long day care Cut staff training & development

Families cut hours Cut equipment

Shorten opening hours Lengthen opening hours

Expand age range Families leave service

Increase fees Reduce overall staffing

Cut early childhood teacher position(s)

Other _____

17. Has your service been affected by the opening of:

a DET preschool

a private long day care centre

other children's services

18. Do you have any other comments to make about the viability of your preschool?

Thank you for completing this survey.

Please return it no later than 12 August 2005 by fax to 02 4782 4425 or 02 9281 1968

or by post to NSW Children's Services Forum Preschools Working Group, C/- CCSA, PO Box 118, Katoomba 2780.

For more information on the plight of community-based preschools in NSW, please see:

Who sank the boat?: the impact of under-funding on community-based preschools in NSW

NSW Children's Services Forum, December 2002.

Why preschools are important for every child

NSW Children's Services Forum, September 2005.

These reports are available on the following websites:

Country Children's Services Association of NSW - www.ccsa-nsw.asn.au

Council of Social Services of NSW (NCOSS) - www.ncoss.org.au