



# Kindergarten funding model review

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**Submission presented by Kindergarten Parents Victoria**

**October 2011**

## **Introduction**

Kindergarten Parents Victoria (KPV) is the peak organisation representing the voice of parents in quality early childhood education for Victorian children. Our membership represents over 1,200 early education and care providers such as independent kindergartens, cluster managers, long day care services, integrated services and local governments. We advocate for quality early childhood education for over 200,000 children and their families.

Our vision for the strategic development of early childhood education that reflects the intrinsic value of family and community involvement includes six core elements:

- education for life
- universal participation
- excellence and innovation
- a cohesive service system
- involved community
- responsive and flexible

Over the past 20 years, KPV has worked with parents, kindergarten committees of management, government and other key stakeholders and peak bodies in the early childhood services sector to ensure that Victoria is leading the way in the provision of quality early childhood services to children, and these services are accessible and affordable for families.

Our collaborative approach to advocacy and service development has ensured that KPV is working alongside organisations such as the Victorian Council of Social Services (VCOSS), Gowrie Victoria, FKA Children's Services, Municipal Association of Victoria (MAV), Australian Education Union, Early Childhood Intervention Association, Noah's Ark, Playgroup Victoria, Community Childcare Victoria, WorkSafe Victoria, Monash University and Berry Street to provide a unified voice for change and development. KPV is a well respected organisation within the early childhood education sector, ranked highly for its commitment, professionalism and expertise on all matters relating to early childhood services.

## **About this submission**

KPV welcomes the opportunity to present this submission on behalf of its members, to the kindergarten funding model review undertaken by Deloitte Access Economics for the Department of Education and Early Childhood Development.

This submission is informed by input from several independent kindergartens and cluster managers who provide services across Victoria. The diverse range of services whose views are summarised in this submission include rural, regional and metropolitan services, large and small services and a mix of services offering programs for 4 year old and 3 year old children.

The responses are set out against each question provided in the questionnaire, and strengthened through the two appendices, one setting out an example of how the current per capita funding, subsidies and supplements would work in three different scenarios, each employing staff at different levels, and the other, setting out an extract from the 2010-2011 budget for five independent kindergartens. KPV is grateful to members who provided input to shape this submission.

What is evident from our consultations with our members is that the current funding model is dated and has failed to keep up with the administrative and program demands placed on services, particularly with the introduction of the government's reform agenda. The impact of this gap is felt by both independent kindergartens and cluster managers alike.

KPV hopes that this review by Deloitte Access Economics will pave the way for a full review of the pricing structure for kindergarten and cluster management services in Victoria, and hopes that the government will work in collaboration with the sector to determine a funding model that reflects the true costs of providing services in the current environment. This is critical for the viability of the services in the sector and to meet the government's aspirations to make high quality early childhood education and care accessible and affordable for all Victorian children.

KPV also hopes that this review will pave the way for an ongoing price review process for early childhood services to ensure that the funding remains responsive to the needs of the community and is sustainable for services.

## Question 1

**Overall, does Victorian Government funding provide services with the capacity to deliver high quality and affordable kindergarten programs to all children? What changes would you suggest?**

“Quality outcomes for children are more likely when competent, qualified staff interact with small groups of children in enriched environments<sup>1</sup>”.

- The current approach to funding kindergartens on a per capita basis is seen by many services as insufficient, and not providing them with the capacity to deliver a high quality kindergarten consistent with the expectation of what quality means, and yet keep it affordable to all children and families.
- The current funding model is biased towards larger group sizes, and disadvantages kindergartens with smaller groups and rural services where enrolments fluctuate significantly from year to year. Under the current funding model, where the viability of services depends heavily on maintaining enrolments, it becomes difficult to plan and deliver quality services.
- Services in general rely heavily on fees and fundraising to make up the difference between the current government funding and the costs of operating the service. As increasing regulatory and compliance costs are imposed on services as a result of the government’s reform agenda, the costs to services will increase. Increasing the fees for families may no longer be a viable option for many services to meet the shortfall, due to the flow on impact with families on low incomes, and families that do not meet the threshold for income support.

On average, services currently charge annual fees of \$500-\$900 to meet the shortfall in funding. Some services estimate that fees for families may need to go up by as much as \$300-400 per year to meet the increased costs of operating their services. This would certainly put kindergartens out of the reach of many disadvantaged Victorian families, and in particular, impact on the accessibility of the kindergarten program for three year old children.

- Staffing costs are the single largest cost for any service, and an estimated 75 to 85 per cent of the total income of a service goes directly to employment of kindergarten staff. The funding provided by DEECD does not even cover staffing costs, and falls short by between 15 to 35 per cent depending on the enrolment numbers. The larger the group size, the smaller the shortfall amount. Many services, particularly the ones in rural areas and the ones with lower enrolments are not only in a situation where

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<sup>1</sup> ACER, 2006, Alison Elliot, Early childhood education, Pathways to quality and equity for all children, p31

they are making up the 35 per cent shortfall in salary costs, they are also having to raise funds to meet the direct and indirect costs of service provision. Some services raise more money than they receive from DEECD to keep their service viable.

- The current per capita funding is inflexible, and does not take into account the needs of children who require additional support causing concern for many services. The lengthy process for obtaining KISS funding and current eligibility criteria make it difficult for children requiring additional support to access kindergarten.
- There is also a general level of concern regarding the ability to deliver 15 hours of kindergarten from 2013 under the universal access program with current levels of funding. The new child/staff ratio of 1:11 will mean that many services will need to cap their group sizes at 22 (with 2 staff). Any increase in group size will necessitate the employment of additional staff members, and consequently additional cost.
- The qualifications, skills and knowledge necessary to support a kindergarten teacher to run a high quality programme are not feasible with current rate of funding. To employ and keep the experienced teachers, services feel that their workload needs to be reduced. Career pathways for early childhood teachers are limited compared to their counterparts in primary teaching, and many teachers believe they are given very little respect. The pedagogical leadership and support provided to teachers in the primary and secondary education system is lacking in the early childhood setting, which results in early childhood staff working in an environment with very little peer support and in many instances working in isolation. This is particularly true for services in rural and remote communities. This has a huge impact on retaining early childhood teachers in this field, a finding that is supported by a recent AEU survey of early childhood teachers.
- Services feel that the funding model is dated and does not address the constant government policy changes of recent years, hence needs to be reviewed to make it more realistic and reflect the actual costs of providing services.

### **Recommendations**

It is recommended that the government consider the following to alleviate the problems faced by services under the current funding model:

- The introduction of a base level of funding to cover full staff costs, and a per capita grant amount that realistically reflects the costs of providing the service, allowing for fluctuations in enrolments, particularly in rural areas

- Funding for an extra assistant for services which have children with additional needs, or a flexible funding mechanism which will enable services to easily access additional support for children who require such support
- Increase the HCC subsidy to eliminate the gap between the subsidy and actual running costs
- Increase funding to meet increased contact time with children required under the universal access program
- Factor into the funding model the increased workload on staff due to the introduction of increased compliance, and reporting frameworks.

## Question 2

**The early childhood teacher supplement provides additional funds to services that employ an early childhood teacher classified at Level 2.2 or above. Is this an effective way of meeting the cost of employing a more experienced early childhood teacher? What else should be considered?**

As stated in response to question 1, the funding provided by DEECD does not adequately cover the costs of employing qualified and experienced staff, with services meeting as much as 35 per cent of the employment costs from their own resources. Many services have indicated to KPV that:

- the supplement is an effective way to fund services for the cost of employing a more experienced early childhood teacher. However, there are concerns regarding
  - the **process for accessing the supplement** - which is based on an annual application cycle creating an administrative burden on services; and
  - the **quantum of the supplement**, which does not cover the full costs of providing increased salaries and benefits for experienced teachers. Please refer to Appendix A for a demonstration of how the subsidy fails to meet the actual costs of employing the teacher at higher levels. The higher the level at which the teacher is employed, the greater the differential between the subsidy amount and the actual costs of employing the teacher.
- funding administrative positions to meet the increased demands of compliance that currently falls on the experienced teachers needs to be considered as part of the supplement (or revised funding model). This is considered by many services as a good strategy to retain experienced staff.
- DEECD funding for experienced teachers should be on par with the pay scales for teachers, and should be fully funded.
- The current processes for validation from one level to the other are so onerous, that many experienced teachers do not undertake this process. For some teachers the very small increase in their salaries (estimated at \$20 per week) as a result of validation to a higher level is not sufficient incentive to undertake the process. So basing the subsidy on the classification level of the teacher is considered by some to be an ineffective way of meeting the costs of employing an experienced teacher
- Under the new regulations, the qualifications required for employment as an assistant has also increased, a consideration that needs to be reflected in future funding of kindergarten services, if experienced assistants are to be retained in the sector.

Suggestions and alternatives put forward by the sector include:

- Funding for administration staff to release the administrative pressure on experienced teachers
- Supplements for assistants in recognition of the expectations regarding higher qualifications
- Parity for experienced teachers with primary teachers to encourage and improve staff retention
- Current supplements for employing experienced teachers should include all additional employment costs, professional development and training expenses
- Fully fund the additional costs for qualified teachers; not just a subsidy
- Simplify the paperwork that is required to claim the supplement should be replaced with automatic allocation of funds based on data submitted by the centres to DEECD
- Provide more accessible information to services about the availability of the supplement and the application process.

### Question 3

**Do current funding arrangements provide appropriate support for children experiencing disadvantage?**

### Question 4

**Is the kindergarten fee subsidy (which supports eligible children to attend a kindergarten program free of charge or at minimal cost) an effective way of making kindergarten programs more affordable? What challenges (if any) does this create?**

### Question 5

**Is the subsidy appropriately targeted? This is, is it appropriate that eligibility is primarily based on the holding of a Health Care Card?**

- Current funding arrangements do not provide appropriate support for children experiencing a disadvantage, and fails to recognise the additional demands that are then placed on teachers and kindergarten staff. The current funding guidelines place restrictions on eligibility to access the subsidy, placing the burden of meeting the unfunded additional support on kindergartens.

Many children requiring additional support are attending services without support, particularly with increased contact hours. This in turn places a greater work load on current staff. With the additional administrative tasks relating to attending meetings, support groups, report writing etc, there is less time for planning the program for children with additional needs and a greater demand on the time allocated to them.

- The sector is also concerned about the inadequacy of KISS funding. As one service stated, *“the funding process for children with high needs is too stringent. Only giving funding under KISS criteria prevents many children from accessing funding, even though they are just as worthy. At such a young age, there are many children who don’t have a formal diagnosis of their condition-it may take 6 months of waiting for appointments and referrals or more”*.
- While fee subsidy is considered an effective way of making the kindergarten program more affordable to vulnerable families, it is not appropriate to determine eligibility based primarily on the holding of a Health Care Card (HCC) as it is done currently. The conditions for access to a health care card and pension card exclude some families who genuinely experience a disadvantage from accessing fee subsidies. The system is discriminatory for these *“the working poor”* families. Access to other sources of funding to support these families is also limited, compounding their

exclusion further.

- Subsidies currently available to health care card holders and pension card holders does not cover additional costs such as the costs for an incursion/excursion, placing a burden on services to find the resources through their own efforts, e.g., fees/fundraising.
- On the other hand, there are concerns regarding the equity of the current system for fee-paying parents. Subsidies in many cases are less than the fees they charge parents, as a result of which fee-paying parents feel that they are subsidising children on a health care card through their fees. In kindergartens which have a very high proportion of children who receive a subsidy, the burden to raise funds to keep the fees affordable for the other families is huge.
- There are grave concerns for the adequacy of the subsidy to cover the costs of 15 hours of kindergarten. One service currently offering 15 hours of a kindergarten program (consequently charging a higher fee) has noticed that they have a lower proportion of families on health care cards than in previous years. In their view, *“these types of families are either going elsewhere or perhaps they are not accessing kinder anywhere. That means that our costs may be prohibitive to the families that benefit most from kindergarten”*.
- While some services feel that this system is relatively successful for what it does, the challenges identified include the following:
  - administrative challenges if personal circumstances change, or ensuring that the concessions still apply
  - DEECD literature that advertises 'free' kindergarten when this is not the case for centres offering greater than 10.75hrs, and families demanding what is offered in the department publicity material
  - families not receiving the subsidy having to pay up to \$1000 per year where subsidy claimants pay as little as \$100 – a situation that creates a 'cross-subsidy', and a 'them' and 'us' situation in some services.
  - families receiving the subsidy not valuing the service provided, reflected in the poor attendance of the child at the kindergarten, lack of involvement of parents in the program, and not keeping to timely drop of and pick up of children

Suggestions for improvement of access to kindergartens for children experiencing a disadvantage include:

- A rolling system of support for families that are just over the cut off for a health care or a pension card.

- A review of the funding process for KISS funding, which makes it easier to access funding in a timely manner to support children
- Fully fund the cost of attending kindergarten for children currently recognised as experiencing a disadvantage, thereby removing the cross subsidisation that occurs under the present funding model
- Means testing families and providing the subsidy based on income, to ensure that those just earning a little above the health care card cut off and those still struggling would receive much needed help. The development of a formula to assist parents who are just over the eligibility criteria could see at least part of the costs covered for these families.
- Families who are not eligible for a concession card but are on Family Tax A & B should be considered for subsidy. The fee subsidy should be income tested- not just available for healthcare card holders. It should be applied in the same way as the child care benefit.
- The subsidy could be broadened by increasing the per capita grant to reduce fees that services need to charge families. If per capita funding increased, the difference between full and concession fees would drop. The subsidy would then not need to be so high, closing the gap to some extent between full and concession payments, relieving some of the pressure on non-concession families.

## Question 6

**Children that have approved Child Care Benefit applied to the fee paid for the time spent in the Victorian Government funded kindergarten program are not eligible for the subsidy (as is usually the case in long day care settings). What impact does this have on families and/or services?**

The impact on families and services is unclear. However, some of the views expressed from the sector indicate that it increases the outlay for a child to attend a quality kinder program by a considerable amount. It impacts on families' ability to view early childhood education as an accessible service bringing about a void within the system that can be detrimental to the whole sector. It appears that some families receiving CCB choose to send their child to sessional kindergarten instead of the regular kindergarten, to minimise costs.

Some families choose the least expensive option and pull children out of LDC if the kindergarten hours suit them. Many parents keep their children on the days the kindergarten is not operational, limiting LDC services in terms of the number of kindergarten enrolled children that they can take on, particularly with the priority of access guidelines. On the other hand, some families choose child care over kindergarten even if they would prefer to attend the local kindergarten, due to cost constraints. The view in the sector is that overall, this system reduces choice for families.

## Question 7

**The purpose of the kindergarten cluster management grant is to support the delivery of professionally managed kindergarten services that demonstrate leadership in governance and pedagogy. In your view, is the current grant effective in achieving this aim?**

Current funding provided to cluster managers in Victoria falls well short of meeting the true costs of delivering this service.

Kindergarten cluster management was developed in response to the Kirby Review of Preschool Education in 2001. It was originally introduced in 2003 to reduce the administrative and management burden on kindergarten parent committees, strengthen the management and delivery of community-based kindergarten programs and provide kindergarten staff with professional employment arrangements<sup>2</sup>.

The cluster management grant (currently around \$7900) is expected to meet the costs of administering and managing a kindergarten including the following:

- Enrolment administration

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<sup>2</sup> DEECD, 2009, KCM Policy Framework, p3

- Human resource management, including recruitment, IR, payroll processing, professional development, performance appraisals etc
- Finance including accounts receivable, and payable
- Licensing requirements and compliance
- Data collection and reporting

However, progressively over the years, the expectations placed on cluster managers have steadily increased to now include the following:

- Providing pedagogical leadership
- Participation in local planning networks, and contributing to the MEYPs
- Service development and integration
- Partnership with families
- Collaboration with DEECD, LGAs and other cluster managers in the local area etc.

Funding for cluster managers has not kept pace with these changes, and cluster managers estimate the shortfall in funding provided by DEECD and the actual cost of service provision to be around 70 to 75 per cent. In real terms, funding provided to cluster managers has increased by \$2,800 in the nine years since the introduction of the model. This is unsustainable moving forward.

The flow on effect of this shortfall on the sector is significant. To maintain operations, cluster managers are forced to pass on the shortfall in one of two ways –

- passing it on to the kindergartens by way of a cluster management fee, which in turn gets passed on in the form of increased fees to parents or increased fundraising efforts for the kindergartens, or
- absorbing the costs in other operational activities of the cluster manager.

Both of these options are unsustainable in the longer term. In addition, with the government's policy agenda having a heavy focus on bringing more kindergartens under the cluster management model, the potential of having to meet a significant proportion of the costs of cluster management is a strong disincentive for kindergartens to join cluster management.

With the introduction of the reform agenda, there is an even greater reliance on cluster managers to lead its implementation, support the services with the reforms, and frameworks etc. Cluster managers around the state are feeling the strain of this increased workload, without any change in the funding formula and other support.

## **Recommendations**

KPV recommends that a full review of the pricing structure for cluster managers should be

undertaken as a priority, with a view to striking a pricing structure that:

- Reflects the true costs of providing cluster management service, commensurate with the expectations placed on them
- Reduces the current cost-shifting to kindergartens and provides more kindergartens with an incentive to join clusters
- Eliminates the need for some clusters to absorb costs in other parts of their business to stay viable, thereby cross-subsidising what should rightfully be funded by the government
- Incorporates incentives that will foster the growth and development of clusters in the longer term
- Incorporates an in-built review process allowing for periodic reviews to keep pace with the changes in the sector and expectations placed on clusters.

### **Question 8**

**Do services offering a sessional kindergarten program face barriers which prevent them from moving towards a model that enables families to access Child Care Benefit? If so, please outline.**

A few services have outlined the following barriers:

- Inability to access child care benefit because centres do not open for 48 weeks a year
- Services find that it is too hard to provide a service that meets the requirements for CCB, there is too little benefit, and too much paperwork involved in getting registered.
- Many rural kindergartens don't operate 5 days per week. Moving towards a model that enables families to access CCB has huge implications for staffing, their viability, enrolment numbers, and days of operation. For many of these services, smaller enrolments and populations in rural areas with fluctuating enrolments would not be financially viable under a CCB model
- For some services, industrial issues are a barrier to move from a stand-alone kindergarten to a service that would offer long day care for the days of operation.

### **Question 9**

**Are the current funding arrangements for long day care services that offer a kindergarten program sufficient to deliver quality services? Are there any areas that could be improved?**

The current funding arrangements for long day care services that offer a kindergarten program are considered insufficient to deliver a quality program. Services offer longer session hours i.e., 6.5 hours, and costs incurred for lunch period and additional staff are not supported in the current funding arrangement. The current staff/child ratio of 1:15 translates to 1 teacher by themselves in a room, which does not allow the delivery of a quality program.

### **Question 11**

**Do current funding arrangements create any specific challenges for rural services (particularly small rural services)? How could these arrangements be improved?**

Rural services are drastically underfunded placing a huge strain on small communities who wish to retain a valuable and much loved service within their own communities but cannot afford to run it. Services find that it is increasingly difficult to operate given that a lot of the families in the community are in the low income bracket, and fund raising to meet the gap between government funding and the costs of operating the services is difficult.

Services in these communities are also trying to raise funds from a very small pool of families and businesses, and competing for the funds with other community groups such as the local sporting clubs, schools, etc. The resultant pressure on the families to constantly give funds, to operate what should be a core and essential service, is not fair on the communities.

It is very common for enrolments in small rural kindergartens to fluctuate from year to year, placing enormous strain on the service to remain viable and operate the service. As a consequence, cuts to teachers and children's hours are sometimes the only option to maintain the service in the location.

It is also really challenging to attract qualified and experienced teachers to the country, with services being unable to offer attractive employment benefits under the current funding model.

## Question 12

### **Are current funding arrangements suitably easy to understand? How could they be improved?**

Some services do better than others with regard to understanding current funding arrangements, depending on the experience that staff have in this area. Suggestions for improvement from services included the following:

- Provide notes accompanying each payment
- Simplify remittance advice in a language that is user friendly
- Identify each category of funding, e.g., per capita funding, fees subsidy, teacher subsidy etc., so services have a clear idea of the funding received for each category
- Provide a full outline of all the payments that will be made to the kindergarten at the start of the academic year
- Provide workings particularly where adjustments are made to funding
- Simplify the SAMS system so that it is easy to identify what the payments are for
- Simplify funding reports for cluster managers and make it easier to follow and allocate for each centre. It would be helpful if reporting better reflects cluster arrangements and changes in funding each month.

## Question 13

### **Is the level of administration required to manage the receipt of Victorian Government funding for kindergarten programs reasonable (e.g. adjustment to funding) Are there particular areas of funding administration that are too complex and/or time consuming?**

The level of administration required is complex, time consuming and repetitive for many services, especially for independent kindergartens which are managed by a volunteer committee of management. The data collection about every child in the service at the start of the year in 2011 was particularly challenging for services that had a large number of children enrolled.

Many kindergartens find the administration requirements complex and/or time consuming for committees and teaching staff, and employ administration staff to alleviate the burden.

The administration time required for volunteer treasurers to reconcile funding received is unreasonable, particularly when there is no training provided. For some services, data collection returns take quite some time to complete on line; especially with the introduction of the entry of all children on the data base. Also the addition of a data collection returns in August 2011 (an additional one) costs time in administration.

Cluster managers consider that the administrative burden on has increased significantly with additional data being requested every year. Depending on their size, this can be an enormously time consuming and complex task, particularly if data is collected remotely.

While the need for collecting accurate and relevant data for planning purposes is acknowledged by all services, the general view in the sector is that the planning of the data that is required, and the process followed could be improved significantly. Services will be in a better position to plan and prepare themselves for the collection of data, if sufficient notice were given to them. Ideally, this would be around the time that enrolments are taken (around June of the year prior to the commencement of the kindergarten year) to make it less onerous on services to collect data from families.

It is hoped that the introduction of the new FAC and the online documentation may make it easier for services to manage the administrative requirements for receiving DEECD funding.

#### **Question 14**

**Is it easy to tell how much funding has been provided to services for particular activities? How could this be improved? Is it easy to predict future funding and to plan ahead?**

Services believe that while they may be able to manage year to year planning for their services based on previous year's information, their ability to plan for the future is not that easy, due to lack of sufficient information and certainty about funding and funding rates. Cluster managers experience difficulties tracking amendment to funding and locating funding associated with specific programs, which hampers their ability to plan effectively.

The ability of services to plan ahead will be enhanced if services had demographic data, and demand projection for services, DEECD longer term funding plan including capital grants, and clear and detailed reports on funding and any amendments made during the year.

## Appendix A: Sample budgets

The tables below are provided as an example to demonstrate how far current funding from DEECD goes towards meeting the costs of providing kindergarten services. The following assumptions are built into these calculations:

- The salary cost of one full time teacher and one part time assistant.
- Income from per capita grant at 2011 rates and indexed for 2012
- Income from fees assuming these to match the HCC grant
- Number of children = 40
- Supplement at current rates for teachers above level 2.2
- Salary scales for the teacher and assistant according to VECTAA
- Salaries for other staff at the centre, e.g., administration, additional assistants, lunch time relief staff etc., are not factored in.

### 2011

Scenario 1		Scenario 2		Scenario 3	
<b>Salary costs:</b>					
Teacher at	2.1	Teacher at	2.4	Teacher at	3.4
Weekly hours	38	Weekly hours	38	Weekly hours	38
Rate	\$59,550	Rate	\$63,519	Rate	\$76,763
<b>Annual salary</b>	<b>\$59,550</b>	<b>Annual salary</b>	<b>\$63,519</b>	<b>Annual salary</b>	<b>\$76,763</b>
Assistant at	2.2	Assistant at	2.2	Assistant at	2.2
Weekly hours	\$28	Weekly hours	\$28	Weekly hours	\$28
Rate	\$37,214	Rate	\$37,214	Rate	\$37,214
<b>Annual salary</b>	<b>\$27,225</b>	<b>Annual salary</b>	<b>\$27,225</b>	<b>Annual salary</b>	<b>\$27,225</b>
Sub total	\$86,775	Sub total	\$90,744	Sub total	\$103,988
On costs	\$19,351	On costs	\$20,236	On costs	\$23,189
<b>Total salaries</b>	<b>\$106,126</b>	<b>Total salaries</b>	<b>\$110,980</b>	<b>Total salaries</b>	<b>\$127,177</b>
<b>Income:</b>					
Children	40	Children	40	Children	40
Grant rate	\$2,024	Grant rate	\$2,024	Grant rate	\$2,024
HCC Rate	\$845	HCC Rate	\$845	HCC Rate	\$845
Supplement rate		Supplement rate	\$170	Supplement rate	\$340
DEECD grant	\$80,960	DEECD grant	\$80,960	DEECD grant	\$80,960
Fee income	\$33,800	Fee income	\$33,800	Fee income	\$33,800
Supplement rate	\$0	Supplement rate	\$6,800	Supplement rate	\$13,600
<b>Total income</b>	<b>\$114,760</b>	<b>Total income</b>	<b>\$121,560</b>	<b>Total income</b>	<b>\$128,360</b>
<b>Funds available for other expenses</b>	<b>\$8,634</b>	<b>Funds available for other expenses</b>	<b>\$10,580</b>	<b>Funds available for other expenses</b>	<b>\$1,183</b>

2012

Scenario 1		Scenario 2		Scenario 3	
<b>Salary costs:</b>					
Teacher at	2.1	Teacher at	2.4	Teacher at	3.4
Weekly hours	38	Weekly hours	38	Weekly hours	38
Rate	\$61,164	Rate	\$65,241	Rate	\$81,806
<b>Annual salary</b>	<b>\$61,164</b>	<b>Annual salary</b>	<b>\$65,241</b>	<b>Annual salary</b>	<b>\$81,806</b>
Assistant at	2.2	Assistant at	2.2	Assistant at	2.2
Weekly hours	\$28	Weekly hours	\$28	Weekly hours	\$28
Rate	\$38,222	Rate	\$37,214	Rate	\$37,214
<b>Annual salary</b>	<b>\$27,962</b>	<b>Annual salary</b>	<b>\$27,225</b>	<b>Annual salary</b>	<b>\$27,225</b>
Sub total	\$89,126	Sub total	\$92,466	Sub total	\$109,031
On costs	\$19,875	On costs	\$20,620	On costs	\$24,314
<b>Total salaries</b>	<b>\$109,001</b>	<b>Total salaries</b>	<b>\$113,086</b>	<b>Total salaries</b>	<b>\$133,345</b>
<b>Income:</b>					
Children	40	Children	40	Children	40
Grant rate	\$2,087	Grant rate	\$2,087	Grant rate	\$2,087
HCC Rate	\$899	HCC Rate	\$899	HCC Rate	\$899
Supplement rate		Supplement rate	\$140	Supplement rate	\$350
DEECD grant	\$83,480	DEECD grant	\$83,480	DEECD grant	\$83,480
Fee income	\$35,960	Fee income	\$35,960	Fee income	\$35,960
Supplement rate	\$0	Supplement rate	\$5,600	Supplement rate	\$14,000
<b>Total income</b>	<b>\$119,440</b>	<b>Total income</b>	<b>\$125,040</b>	<b>Total income</b>	<b>\$133,440</b>
<b>Funds available for other expenses</b>	<b>\$10,439</b>	<b>Funds available for other expenses</b>	<b>\$11,954</b>	<b>Funds available for other expenses</b>	<b>\$95</b>

The tables above clearly show the shortfall between DEECD funding and salary costs, and the particularly huge gap for services that employ a teacher at level 3.4. Despite a fee income assumed at the same rate as the KFS, the amount left with these services after paying salaries, to deploy for other expenses is virtually nothing.

**Appendix B: Information extracted from the 2010-2011 budgets of five independent kindergartens**

The following information is extracted from the budgets provided by five independent kindergartens across Victoria comprising a mix of metropolitan and rural services, and services receiving a supplement for employing teachers above level 2.2, and those that don't.

This table clearly shows the extent to which services currently have to supplement their income to provide the service and stay viable. The level of fees charged by these services varies significantly depending on the demographics of the community in which the service is located.

The salary costs (including salary on costs) paid by these services, far exceed the funding received from DEECD and reflect the reality faced by many services which pay significantly more than award rates, and the VECTAA to attract and retain staff.

INCOME						EXPENDITURE			
	# of children	Total income	DEECD funding	DEECD funding as a % of total income	Fee income	Total salary costs	% of DEECD funding	Direct costs	Indirect costs
Kindergarten 1	29	111,014	62,547	56%	40,500	98,234	157%	6,196	6,335
Kindergarten 2	50	178,635	112,635	63%	66,000	130,311	116%	11,211	33,487
Kindergarten 3	34	145,553	70,329	48%	73,032	105,965	151%	8,626	21,318
Kindergarten 4	54	140,242	97,236	69%	36,936	102,716	106%	5,068	12,120
Kindergarten 5	50	157,227	117,393	75%	28,000	144,896	123%	4,583	19,539