

Parent fee setting for sustainable kindergartens



Kindergarten parent fees are an important source of income that allow kindergartens to pay for operating costs. This resource provides a range of practical solutions in setting a sustainable kindergarten parent fee for Committees of Management and Early Years Management (EYM) organisations.

The Department of Education and Training (the Department), provides funding to services to contribute to the cost of running a funded kindergarten program for children in the year before school. While this funding comprises a significant portion of annual operating income for a kindergarten, parent fees are an equally important source of income which allows a kindergarten to pay for operating costs, including employee provisions.

This resource aims to provide service providers, including Committees of Management (COM) and Early Years Management (EYM), practical solutions in setting a sustainable kindergarten parent fee. Parent fees are set by individual services and can vary depending on how many hours children attend, group size and extra costs such as excursions.

Kindergarten participation

While fees must allow the kindergarten to meet its operating costs, it is important that they are set at an affordable level which does not discourage families from enrolling their children in kindergarten. Every child should be provided with the opportunity to participate in at least one year of kindergarten prior to commencing school. One of the ways to maximise kindergarten participation is by keeping fees affordable for families.

Research shows an earlier start and more time at kindergarten prepares children for success at school and has a positive impact later in life. As brain development is most rapid during the early years of life, research shows that children who attend both three and four year old kindergarten commence school more ready to learn and demonstrate higher levels of numeracy and literacy than their peers who did not attend kindergarten. Research also tells us that disadvantaged children benefit the most from participating in high quality early childhood education.

Where enrolments are below capacity, the ability of the service provider to attract additional enrolments, particularly four year-old enrolments, is important to maximise kindergarten income. Furthermore, the level of three year old enrolments is often seen as a strong indicator and pipeline for four year old enrolments in the coming year. As such, affordable parent fees are a key lever which can maximise participation and enrolments at a kindergarten.

Kindergarten parent fee levels

Parent fee levels will be different for each kindergarten. Similarly, parent fee levels will differ within the kindergarten for the three year old program and four year old program. Setting fees will be a balance between affordability for families, provision of a high quality service, and ensuring the ongoing financial viability of the kindergarten.

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When determining the affordability of kindergarten parent fees for families, service providers should consider the level of socio-economic advantage and community profile in the local and surrounding areas by seeking relevant data. The Kindergarten Fee Subsidy is provided by the Department to services to allow eligible four year old children access to a funded kindergarten program for up to 15 hours per week, and is generally viewed in the sector as a reasonable base amount from which the parent term fee for four year old kindergarten may be set.

Generally, three year old kindergarten is funded by parent term fees alone, so it is important that three year old kindergarten parent fees are set at a level which encourages families to enrol their children in three year old kindergarten programs. The Department also provides funding to eligible three year old children to attend kindergarten through the Early Start Kindergarten program which allows eligible children to attend kindergarten free of charge. Service providers are not permitted to impose any extra charges or levies for children who are accessing Early Start Kindergarten.

Considerations when setting kindergarten fees

In setting parent fees, service providers should consider:

- **Financial circumstances of local families:** Services providers should carefully consider the capacity of parents to pay fees, including the community profile of the local area. Families often face financial pressure in raising young families and the capacity of families to pay kindergarten fees varies across communities and from year to year. Service providers can seek local data such as the median, average, and variation in weekly household income, the average monthly housing payment, and the Socio-Economic Indices For Area (SEIFA) index.¹ Historical kindergarten data such as proportion of health care card holders in the four year old kindergarten program may also assist to provide an indication of the socio-economic advantage of the community. Ideally, the service provider should not include refundable levies within the parent fees, as payment of upfront charges may be problematic for some families. Services should also ensure that charges and levies are clearly communicated to families prior to enrolment, to allow for comprehensive understanding of all annual costs for families. If possible, service providers should provide some flexibility to families where required, such as offering payment plans if requested, or the waiver of refundable charges or levies.

Financial assistance with kindergarten fees

Children may be eligible for free or low-cost kindergarten through the Kindergarten Fee Subsidy or Early Start Kindergarten program. This funding is paid directly to the service provider to subsidise the cost of parent fees for eligible children. Parents and carers may also be able to claim a Child Care Benefit² if their child attends a centre with an approved/registered carer, and certain family eligibility conditions are met. In some circumstances families may be eligible for a Hardship Grant from the Early Learning Association of Australia (ELAA). Information regarding kindergarten fee assistance can be obtained from:

- Department of Education and Training³
- Department of Human Services⁴
- Early Learning Association of Australia⁵

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- **Setting a “balanced” budget:** Service providers should set the parent fee after accounting for all other income and funding sources, which may include Department grants, and any likely or potential grants from other sources, such as local government or businesses. The parent fee should allow the kindergarten to generate sufficient funds to pay for its operating costs, including setting aside provisions for employee leave entitlements, with a modest amount left over. The parent fee is often calculated as the difference (or the “plug”) between all operating costs and investment requirements, and all other funding or income sources. If possible, surplus amounts after operating costs should be set aside annually to reinvest in the kindergarten’s equipment and resources, or be retained for the kindergarten’s future benefit. Importantly, parent fees should be set to allow teachers and educators to reasonably deliver the program curriculum, including incursions and excursions. While parent fees may increase each year, ideally increases are made in modest amounts only, unless a significant change is needed to fund operating changes at the kindergarten. Significant one-off parent fee increases have the potential to exclude some families from participating in kindergarten.
- **Relevant benchmarks and guidelines:** Service providers may consider relevant internal and external benchmarks, as well as any applicable local council guidelines and expectations. Service providers may seek to gain an understanding of the parent fees being charged by other kindergartens in the local area, for similar programs. The historic parent fees at the service, as well as the relative amount of annual increases, are also important indicators. The Kindergarten Fee Subsidy amount is generally viewed in the sector as a reasonable base amount from which the parent term fee for four year old kindergarten may be set. Local councils will regularly have expectations or guidelines for which service providers can charge families. This may be a ceiling or range which can be charged by service providers. Some service providers will establish their own guidelines through the development of a kindergarten fee setting policy, which provides guidance to the service provider on the considerations outlined in this resource.

Financial circumstances of local families

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Setting a “balanced” budget

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- 1 Socio-Economic Indices For Area (SEIFA) ranks areas in Australia according to relative socio-economic advantage and disadvantage, based on information from the five-yearly Census. www.abs.gov.au/websitedbs/censushome.nsf/home/seifa
- 2 The Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 introduces a simplified means tested Child Care subsidy with a minimum level of activity required to be eligible, replacing the Child Care Benefit and the Child Care Rebate.
- 3 www.education.vic.gov.au/childhood/parents/support/Pages/financialassist.aspx
- 4 www.humanservices.gov.au/customer/services/centrelink/child-care-benefit
- 5 <https://elaa.org.au/ecef>