



RESPONSE TO
CHILD CARE
ASSISTANCE PACKAGE
REGULATION
IMPACT STATEMENT





Australian Childcare Alliance

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Background and Overview

The Australian Childcare Alliance (ACA) is the national peak body representing members in the long day care early childhood education and care (ECEC) sector throughout Australia, with offices in Victoria, New South Wales, Queensland, South Australia, and Western Australia and representation in all states and territories. ACA works on behalf of long day care owners and operators to ensure families have an opportunity to access affordable early childhood education and care throughout Australia. ACA and its state associations work with all levels of government, regulatory authorities and other stakeholders to ensure that families are supported into the future with a sustainable, affordable and viable sector.

ACA congratulates the Australian Government and particularly the Federal Minister for Social Services, the Hon Scott Morrison MP, on the increased allocation of expenditure of \$3.5 billion into the 'Jobs for Families Package'. Subsidies for families using formal early childhood education and care settings for their children have been devalued over the past years by natural attrition of the Consumer Price Index (CPI) and government enforced freezes on subsidy increases of the Child Care Rebate. This has caused more part-time engagement and under employment in the workforce by families, primarily mothers.

The Productivity Commission's *Inquiry into Childcare and Early Childhood Learning*¹ indicated that even with additional spending, based on its key recommendations, female workforce participation would increase by only a relatively small percentage over the funding period.

As the intent of the proposed Child Care Assistance Package is to strongly align workforce participation with children's participation in subsidised early childhood education and care (ECEC), the unfortunate consequence of the proposed package will be that some children who have been able to enjoy the benefits of an early childhood educational program will become ineligible for subsidised programs under this package.

ACA questions whether the substantial increase in spending is efficiently targeting the balance of affordability for families and the world recognised research² that all children need the opportunity to participate in a funded ECEC program, and that investment in early childhood education and care delivers solid returns to tax-payers.

ACA is concerned that in an attempt to meet the needs of many, this package is missing the opportunity to more efficiently provide a funding model that will support all children in their early years; parents choosing to return to the workforce; and better align with the initiatives of other countries.

¹ Productivity Commission (2014) *Productivity Commission Inquiry Report into Childcare and Early Childhood Learning* <http://www.pc.gov.au/inquiries/completed/childcare/report>

² See for example Heckman, J.J. (2006) *The Economics of Investing in Early Childhood*; Calman, L and Tarr-Whelan, L (2005) *Early Childhood Education for All* <http://web.mit.edu/workplacecenter/docs/Full%20Report.pdf>

The Federal Government has stated that most families will be around \$30 per week better off under this proposed package³. For high income families, the cap has increased to \$10,000 from \$7,500 which offers these families an additional subsidy of \$48 per week. ACA strongly believes that children of a parent who is not in the paid workforce, particularly in the middle income range, should not be excluded on their parent's inability to meet workforce participation parameters. Many of these parents are raising their children while they sacrifice years from their careers, and should not have their access to subsidised early childhood education and care removed as a consequence.

This submission outlines ACA's concerns with the proposed package and many of the options presented in the Regulation Impact Statement (RIS). Whilst the concerns are many and varied, the most significant include:

- The absence of a formal cost-benefit analysis and meaningful impact analysis of the options presented in the RIS;
- The likely reduction of children's access to early childhood education and care as a result of the proposed 'activity test';
- The impact of the proposed activity test on service viability;
- The likelihood of hours of subsidy to be linked to hours of 'activity', noting that the RIS refers to "up to" a certain number of hours of subsidy; and
- The push for services to charge families for hours used rather than daily sessions, flying in the face of government's desire to simplify and streamline the subsidy process.

The word "education" is now no longer linked to the care model and with a funded Nanny sector being created without the qualification expectations of the formal sector, our educators are deeply concerned that they will lose the credibility and recognition that they have established for the high quality ECEC service they are providing, moving back to being viewed as carers rather than educators. ACA views this as a retrograde step.

There are positives however. Our members welcome the stronger alignment of the proposed Child Care Subsidy with operating costs than the benchmark price proposed by the Productivity Commission. We also strongly welcome the increased hourly rate for the Inclusion Support Programme and applaud the plan for a more streamlined approach to apply for Inclusion Support assistance.

ACA recognises that there are some much needed and awaited changes to the current system planned throughout this package and does thank government that our voice was listened to on these matters. However our disappointment is high, when we consider that families and particularly their children are going to have reduced or no access to quality ECEC services into the future.

³ The Hon Tony Abbott MP and the Hon Scott Morrison MP (2015) *Jobs for Families Child Care Package Delivers Choice for Families* <http://www.liberal.org.au/latest-news/2015/05/10/jobs-families-child-care-package-delivers-choice-families>



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Concerns About the RIS Process and Content

It is important to note from the outset that the task of providing a formal position – or even basic feedback – on the various options presented in the RIS has been complicated by the lack of meaningful evidence and data presented in the document to inform our decision-making.

ACA understands that the Child Care Assistance Package RIS is in fact a “Long Form RIS”, meaning that it must include, amongst other things, a formal cost-benefit analysis (CBA) (see Table 1 below). The Child Care Assistance Package RIS is not only missing a formal cost-benefit analysis, it is also lacking meaningful impact analysis on each of the options presented and a detailed presentation of regulatory costings and offsets.

TABLE 1: Long Form Regulation Impact Statements⁴

When is it used?	What must it contain?
<ul style="list-style-type: none"> ➤ The policy proposal has substantial or widespread impact on the economy. ➤ The proposed changes affect a large number of businesses, community organisations or individuals. ➤ The administrative and compliance costs are high or onerous. ➤ There may be determined opposition among stakeholders or the public. ➤ The issue is sensitive, contested and may attract media attention. 	<ul style="list-style-type: none"> ➤ Answers to all seven RIS questions. ➤ Analysis of genuine and practical policy options. ➤ Analysis of the likely regulatory impact. ➤ Evidence of appropriate public consultation. ➤ A formal cost–benefit analysis. ➤ A detailed presentation of regulatory costings and offsets

For Australian Government RISs, “it is a requirement that Long Form RISs contain a formal CBA”⁵. Unless this has been completed and not published (which ACA understands would be in breach of the Office of Best Practice Regulation guidelines), there appears to be no formal CBA underpinning any aspect of the RIS, outside of the analysis conducted by the Productivity Commission for its *Inquiry into Childcare and Early Childhood Learning*⁶, which is identified in the RIS as not reflecting government’s preferred option. There appears to be no objective framework for weighing up different impacts, or impacts that occur in different time periods. There is little – if any – evidence of the various linkages between the regulatory proposal and other sectors of the economy (e.g. impacts of changes to inclusion support

⁴ Commonwealth of Australia (2014) *Cutting Red Tape: The Australian Government’s online deregulation resource* – The RIS categories at a glance <https://www.cuttingredtape.gov.au/handbook/ris-categories-glance>

⁵ Department of the Prime Minister and Cabinet (2015) Office of Best Practice Regulation *Cost-Benefit Analysis* <http://www.dpmc.gov.au/office-best-practice-regulation/cost-benefit-analysis>

⁶ Productivity Commission (2014) *Productivity Commission Inquiry Report into Childcare and Early Childhood Learning* <http://www.pc.gov.au/inquiries/completed/childcare/report>

funding on the National Disability Insurance Scheme; or impacts of changes to the Activity Test on Centrelink and the Department of Human Services etc.). Nor is there evidence of how the impacts of the options would be distributed across the community. ACA has been advised informally that a CBA will be presented alongside the Decision RIS. If this is in fact the case, this is far too late for the sector and families to consider their position on the various implementation options presented in the RIS.

Looking at the seven questions a Long Form RIS must address, ACA is extremely concerned that the RIS is deficient in terms of providing the sector, families and government with the information it requires in order to determine which of the options presented represents the best possible outcome for children, families, service providers and the sector more broadly. ACA has reviewed the seven questions in the context of this RIS, and provides the following feedback on a number of the mandatory questions (as indicated) to demonstrate the urgent need for detailed information to be provided **well ahead** of preparation of the Decision RIS.

1. *What is the problem you are trying to solve?*

Chapter 2 of the RIS highlights a number of problems already identified by the Productivity Commission in its *Inquiry into Childcare and Early Childhood Learning*⁷, but also introduces new ‘problems’ without evidence to support them. For example:

- it is suggested on page 19 of the RIS that families have expressed concerns about child care providers “continually increasing fees”, without any substantiation of this ‘problem’, nor any source material to support it; and
- it is suggested on page 21 that current charging practices in long day care (paying for a daily session) “*result in families exhausting their fee assistance entitlement for CCR more quickly than if they were just charged for hours used*”, without any evidence presented as to what the fees would be should services move to paying for hours used, nor any evidence presented of how many families are – as claimed – currently exhausting their fee assistance entitlement as a result of current charging practices;

The frequent references to “feedback from consultations” (pages 17, 21, 23, 31, 32) and non-specific “consultations” (pages 18, 19, 32, 33, 35, 37, 42), without any clarity as to which of the consultation methods summarised in Chapter 6 of the RIS these refer to, nor any details on the outcomes of these “consultations”, undermines – rather than validates – identification of the ‘problems’ that government is trying to solve.

2. *Why is government action needed?*

Whilst the RIS draws heavily on the conclusions made by the Productivity Commission in its *Inquiry into Childcare and Early Childhood Learning*, it must be recognised that the Productivity Commission had very specific terms of reference, and it is interesting to note that the RIS – and the public consultation meetings – variously strongly endorse, strongly

⁷ Productivity Commission (2014) *Productivity Commission Inquiry Report into Childcare and Early Childhood Learning*
<http://www.pc.gov.au/inquiries/completed/childcare/report>

oppose or remain silent on many of the Commission's recommendations. Whilst not disagreeing that government action is needed in order to simplify, streamline and make more efficient the current funding arrangements – from government investment in the sector to family assistance measures – ACA questions whether government action is needed on some of the new 'problems' introduced to the RIS.

For example, ACA strongly opposes the apparent desire of the Federal Government to introduce a new approach to fee-setting, whereby parents would be charged for the hours of early childhood education and care used, rather than the current approach of being charged a daily fee. Whilst the rhetoric in the RIS, public commentary and presentations at RIS consultation sessions indicates parents will benefit from a new approach to billing for hours used, there is no socio-economic impact analysis in the RIS to substantiate this. ACA argues that there has not been any consideration of the current industrial environment in proposing this new approach to billing for hours used. The impact of dramatic changes to rostering arrangements, likely breaches of the conditions stipulated in the two most common awards pertaining to the sector, namely the *Children's Services Award 2010* and *Educational Services (Teachers) Award 2010*; probable casualisation of the early childhood workforce and so on do not appear to have been considered. ACA has a number of members who have either investigated or trialed charging families for hours used, or for half-day sessions. Each of these members swiftly returned to daily billing – at the request of families – as operating costs actually increased as a result of these new arrangements (primarily owing to industrial implications), meaning that families were actually being charged a higher hourly fee. Given such a dramatic shift in charging patterns would “*result in changes to the ability of businesses to provide a good or service*”⁸, it is curious that the RIS does not include detailed analysis of this proposal.

Again, ACA recognises and agrees that government action is needed on a number of aspects of the funding environment for early childhood education and care but questions how government has determined the scope of this action, and whether indeed a number of the proposals suggested are actually warranted (as highlighted throughout this submission).

3. *What policy options are you considering?*

The RIS outlines three policy options, namely the Child Care Assistance Package (the Federal Government's preferred option); the no change option; and the Productivity Commission's recommended reforms. The challenge presented by these options being presented as “packages” is that each of the implementation options cannot be considered on its merits – they can only be considered as an element of a broader package. This is complicated by the fact that some of the Productivity Commission's recommended reforms have been supported, yet others have not, meaning that deeper analysis is required. ACA argues that the RIS has been presented such that the

⁸ Commonwealth of Australia (2014) *Cutting Red Tape: The Australian Government's online deregulation resource* <https://cuttingredtape.gov.au/handbook/ris-question-4>

government's preferred option is viewed as the only viable option in toto, rather than allowing stakeholder to consider individual elements of the package separately.

4. What is the likely net benefit of each option?

ACA submits that this is the greatest area of deficiency of the Child Care Assistance Package RIS. The RIS should “*identify who is likely to be affected by each regulatory option and assess the economic, social and environmental costs and benefits, as well as how those costs and benefits are likely to be distributed*”⁹. ACA argues that the RIS does not provide triple bottom line analysis of any of the options presented. It does however provide cursory acknowledgement of the fact that there will be economic and social impacts, but fails to quantify them in most instances.

As an example, the section on the Activity Test fails to identify how many families currently fall into each ‘step’ of the activity test, how this has changed over time, how this can be expected to change over time, how increasing or decreasing the cohort in each step would impact economically or socially and so on. There is no reference to the impact that the proposed Activity Test steps would have on children in terms of their welfare, wellbeing, school-readiness etc., or the impact that this test would have in terms of longitudinal outcomes.

As another example, it appears likely that the new Child Care ICT System will see a number of current early childhood software providers made redundant, yet there does not appear to be any discussion or consideration of the impact of the new system on these providers, nor the wider economic impacts of this. The overall impact may indeed be positive, but there is nothing in the RIS to demonstrate this to the sector, families and government.

The RIS should also “*quantify the benefits and costs of your policy proposal on businesses, community organisations and individuals to a level of detail commensurate with the impact of the policy proposal*”¹⁰. Given the scale of the reforms and the quantum of government investment in subsidies (frequently referred to throughout the RIS as at least \$7 billion per annum), it is astounding that the qualitative and quantitative impacts of each option are not substantiated. A five-row summary table on p36, which summarises the regulatory impact of the package, is woefully inadequate and provides zero evidence of the calculations, modelling and data underpinning it.

The RIS should also “*provide information on applicable international standards and whether the policy proposal differs from or adopts those standards*”¹¹. ACA could not identify any reference to international standards in the RIS, whether that be with reference to government investment in early childhood education and care; impacts on enrolment

⁹ Commonwealth of Australia (2014) *Cutting Red Tape: The Australian Government's online deregulation resource* <https://cuttingredtape.gov.au/handbook/ris-question-4>

¹⁰ *ibid*

¹¹ *ibid*

rates; or the impacts of the proposal within the context of the *UN Convention on the Rights of the Child*¹².

International research is proving time and time again that investment in early childhood education and care delivers solid returns to tax-payers, with findings that every dollar invested in early childhood education and care saves taxpayers up to \$13¹³, and generates a 15-17% return to society¹⁴. However, only 45% of Australia's total expenditure on early childhood education in 2011, 12 was met from the public purse, compared with an OECD average of 81.3% public funding¹⁵. Surely if the proposed package represents a \$3.5 billion increase in government investment in the sector, the impact of this in terms of lifting our international performance on government investment in early childhood education and care should be reflected in the RIS?

Similarly, there is no reference to the impact of the package, in particular its Activity Test, on enrolment rates in early childhood education, noting that the Organisation for Economic Cooperation and Development (OECD) reports regularly on enrolment rates at age 3 and public funding in early childhood education and care, in its *Education at a Glance: OECD Indicators*¹⁶ reports. The latest report (2014) highlights that Australia spends less than 0.1% of GDP on pre-primary education, substantially lower than the OECD average of 0.6%¹⁷. There appears to be no consideration of the impacts of the proposed Child Care Assistance Package in the RIS on Australia's likely performance as assessed against the OECD Indicators.

Looking at international conventions pertaining to the rights of the child, the RIS does not detail whether the package, in particular the Activity Test, will have any impacts on the four fundamental principles of the UN Convention on the Rights of the Child, namely every child, everywhere (Article 1); the best interests of the child (Article 3); survival, development and protection (Article 6); and a voice (Article 12).

These are just some examples of the lack of evidence, data and analysis that inhibits the ability of the sector, families and government to consider the net benefit of options presented in the RIS.

5. Who will you consult about these options and how will you consult them?

ACA is deeply concerned by the consultation process adopted for this RIS. The *Australian Government Guide to Regulation*¹⁸ advises that consultation processes should be – amongst other things – accessible; not burdensome and “not rushed”. The fact that

¹² United Nations (1990) *Convention on the Rights of the Child* <http://www.ohchr.org/Documents/ProfessionalInterest/crc.pdf>

¹³ Calman, L and Tarr-Whelan, L (2005) *Early Childhood Education for All* <http://web.mit.edu/workplacecenter/docs/Full%20Report.pdf>

¹⁴ Heckman, J.J. (2006) *The Economics of Investing in Early Childhood*

¹⁵ OECD (2014) *Education at a Glance 2014: OECD Indicators* <http://www.oecd.org/edu/Education-at-a-Glance-2014.pdf>, p328

¹⁶ *ibid*

¹⁷ *ibid*, p323

¹⁸ Commonwealth of Australia (2014) *The Australian Government Guide to Regulation* https://cuttingredtape.gov.au/sites/default/files/files/Australian_Government_Guide_to_Regulation.pdf

the sector was formally notified of the consultation process four business days prior to the first consultation session; that the 98-page document was not summarised, that only four weeks was provided for submissions (recognising that the majority of services are small businesses, who are currently in the midst of end-of-financial year activities), and that the reforms are complex and far-reaching means that the consultation process is unlikely to be effective.

Member feedback from RIS consultation sessions suggests that less than one minute per question was provided for participants to provide feedback on many of the more substantive implementation options presented in the RIS, leading many members to remark to ACA and our state associations that the process appears to be a “box-ticking exercise”, with widespread criticism of the limited – or non-existent – opportunity for questions to be raised and answered, and multiple reports of ‘selective reporting’ of RIS consultation session feedback. Given the complexity, significance and scale of these reforms, it is unfortunate that the consultation process has resulted in widespread scepticism within the sector about how genuine government is in terms of seeking feedback.

6. *What is the best option*

The Guide to Regulation¹⁹ states that “*caveats relating to methodology, estimates, limitations or your analytical techniques or issues of data quality must be disclosed and any potential for them to have affected your conclusions must be acknowledged and assessed*”. Given the data and evidence underpinning the RIS has not been provided, nor a formal Cost Benefit Analysis provided, ACA argues that this area of the RIS is also inadequate.

7. *How will you implement and evaluate your chosen option*

Whilst the RIS does outline the implementation options, there is limited information presented to indicate the possible and/or probable implementation challenges that may be faced. For example, there is little – if any – consideration of the challenges that early childhood education and care service providers may face in navigating the proposed new IT system, with only benefits identified in the RIS. ACA anticipates providers will require substantial training – and time – to effectively transition to the new IT system, yet this has not been canvassed in the RIS. Interestingly, member feedback has indicated that the proposed new ICT Child Care System was not discussed at any of the RIS consultation sessions to date, as there was insufficient time. ACA is also unclear as to what proportion of the overall funding will be allocated to the development and implementation of this new system.

¹⁹ *ibid*

Implementation Timeframes

ACA notes that the Federal Government has proposed a staged implementation to the various elements of the proposed Child Care Assistance Package. ACA provides following feedback about the proposed implementation timeframes:

- **Nanny Pilot scheme** – 1st January 2016. ACA considers that this has been rushed without suitable time allocated for meaningful analysis and consultation. As an example, the sector was provided with only one week to respond to the draft guidelines for the trial, during the same period in which responses were being prepared in response to this RIS.
- **Immunisation** - 1st January 2016. ACA requests that targeted, government communications commence as a matter of urgency to ensure families are fully aware of their obligations well ahead of the commencement date.
- **Inclusion Support Programme (ISP)** – 1st July, 2016. ACA endorses this start date and requests that there be considerable information and discussion with the sector to ensure that this is reducing red tape for applications.
- **Child Care Assistance Package** – 1st July, 2017. ACA understands the depth of the work required for the implementation of this package including the proposed information technology (IT) system development. However, when the current Government was elected they were aware of the need to address the affordability issues overwhelming families from years of devaluation and freezes of subsidies. ACA supported the government's call for a Productivity Commission (PC) inquiry into all aspects of the current funding model, but did not anticipate that parents would be required to wait through an entire term of government before affordability would be addressed. Most families with children in ECEC at present will not benefit from the majority of proposed changes as their children will be in school by the time the package is fully operational.

Implementation Options

5.2 Child Care Subsidy

We note the Government policy objective drivers for the eligibility of families for this subsidy and note that there are three main points:

- Supporting workforce participation
ACA supports government's desire to provide more affordable and accessible ECEC for families with young children to encourage them to participate in the workforce. ACA understands that assisting women into the workforce is a high priority for the Federal Government. ACA envisages that increasing work participation hours will be a more difficult challenge for government, as we have received advice from our members that a priority for many of their clients is to maintain a manageable work-life balance, consistent with the Productivity Commission's finding that "*ECEC issues are*

just some of a broad range of work, family and financial factors which influence parent work decisions”²⁰.

- Supporting children’s learning and development needs
ACA does not believe that children’s learning and development needs have been adequately considered throughout the RIS. Certainly for some children, in particular those with working parents, there will be benefits for their subsidised inclusion into an early years program – though the number of children is not specified in the RIS. However, some other children who have a parent not participating in the workforce and a family income above a certain threshold will be required to pay full fees which, in the vast majority of cases, will not be an option for those parents. ACA also questions the removal of the word “education” from formal care. Supporting children’s learning and developmental needs is far removed from the current system under which services operate and deliver education and care.
- Targeting child care fee assistance to those who need it the most including disadvantaged and vulnerable families and children
ACA does support this policy objective but we remain unsure if this will encompass all children. ACA questions this as in Section 5.3 *Community Child Care Fund - Sustainability Support*, a service could be closed that does not become viable after receiving time-limited government support. In many of these areas there would not be another option for these children.

Looking specifically at the proposed subsidy, whilst acknowledging that the proposed subsidies are a vast improvement on those proposed by the Productivity Commission in terms of correlation with actual costs, ACA recommends that the Child Care Subsidy fee cap be reviewed along with the entire package after two years of implementation. Following the initial review, ACA recommends that the CCS fee cap be reviewed every three years with measurement in line with sector and cost of living increases to ensure that it keeps pace with the true cost of providing ECEC.

Family eligibility for the Child Care Subsidy

ACA’s primary support is for Option 1 – no change to the current arrangements for recognised activities. It is important to note that **ACA strongly supports the current provision of 24 hours of subsidised care to remain for all children**, which is not an option canvassed in the RIS.

ACA understands that there is a policy tension between improving flexibility and affordability for families while being fiscally responsible but we also strongly believe that all children must be given opportunity to participate in an early childhood program. To exclude children because of their parents’ workforce participation is labelling those children and their parents who may, or may not, have a choice. ACA suggests that further consideration be given to ensure that all children receive at least some level of subsidised care.

²⁰ Productivity Commission (2014) *Productivity Commission Inquiry Report Volume 1: Childcare and Early Childhood Learning* <http://www.pc.gov.au/inquiries/completed/childcare/report/childcare-volume1.pdf>

Our members need assurance that children whose parent/s do not meet the activity test will not lose access to their current eligibility to participate in a preschool program for 15 hours per week, consistent with the *National Partnership Agreement on Early Childhood Education*²¹, less formally known as the Universal Access Agreement. ACA members have reported being advised at a RIS consultation that there would be no Child Care Subsidy (CCS) for kindergarten/preschool children. Whilst the RIS does not present this as an option, any moves to limit eligibility in this area would be strongly opposed by ACA.

Support for Option 1.2 – a defined range of activities with some activity types having restricted access of only up to 18 hours per week – could only be considered by ACA if there were serious changes to the proposed list of activities and associated timeframes as outlined in the table on p49 of the RIS, with an addition that all children whose parents do not meet the activity test have access to this amount of subsidised care.

Looking at the specific activities outlined in the table on p49 of the RIS, ACA is concerned by the proposed time restriction for those looking for work and not in receipt of income support. In many areas across Australia, there is little to no employment available. For most people, not getting a job is demoralising and depressive. ACA finds the proposed restrictions extremely harsh and whilst recognising Government's desire for people to be encouraged to access paid work, the children should not be punished if the parent fails to achieve employment status. **ACA recommends no time limit on “actively looking for work”.**

Looking at the same table, ACA is similarly concerned about the proposal that voluntary work only be recognised if through a recognised voluntary organisation. ACA believes that recognised voluntary organisations are not necessarily the best and only facility where parents can gain the necessary skills to return to the paid workforce. Many voluntary positions, eg in schools, turn into regular employment. This volunteering can be in all areas as a work ethic and dedication can be assessed in any position. There must be many other similar situations where parents can volunteer that will lead to workforce participation without being a recognised agency. ACA supports volunteering as it allows the parent to feel that they are participating in the community. Without volunteers many services in the community could not operate. **ACA recommends no limit to the time a parent with children in their early years can volunteer and that the scope be increased to include a wider range of volunteering options. At a minimum, school volunteering must be included.**

Child Care Subsidy

ACA believes the proposed activity test is entirely budget-driven and has the potential to see children – particularly those who are already marginalised – slip through the cracks.

ACA believes that the proposed three-step activity test that will determine the Child Care Subsidy (CCS) has the strong propensity to create a disturbing effect on families across all

²¹ Council of Australian Governments (2008) *National Partnership Agreement on Early Childhood Education*
http://www.federalfinancialrelations.gov.au/content/npa/education/early_childhood/national_partnership.pdf

levels of income. We have been told during RIS consultation sessions that the allocated work hours will be closely aligned to the actual hours of the activity test. There is no mention of travel time in the RIS and ACA believes that this must be at minimum one hour for each occurrence.

One of ACA's primary concerns is that not only will children whose parent/s do not meet the activity be limited to 12 hours per week of subsidised participation, down from the current 24 hours, but families who currently have 50 hours of care per week can be reduced to much lower hours of care determined by their work activity test, as the government parameters state "up to" maximum hours and in line with what has been shared at RIS consultations. **ACA is strongly opposed to this proposal.**

The allocation of 12 hours per week for a child to access a program is limiting a young child's ability to engage in a meaningful program. When a child attends a service one day each week, evidence shows²², that the child has difficulty building friendships within the group, has difficulty settling and does not experience the follow through of activities. Government has suggested that these 12 hours be split into 2 x 6 hour days. Should this be enforced, ACA anticipates demand for 9am – 3pm sessions. The allocated time for most young children would be interrupted by sleep time and the sun safety restrictions from 10am – 2pm (or even longer depending on the UV rating). ECEC services do not have leverage to change this as schools do by permitting children to play outdoors throughout the day and at school level, sleep time is not relevant. Blocks of outdoor, play-based learning occur after 3pm and early in the mornings before 10am.

The impact sessional care will create with employment of our current educators has not been canvassed in the RIS. Educators appear to have been excluded from any regulatory impact analysis of their future when these changes are introduced. The workforce in ECEC is predominately female. ACA sees the proposed package as a contradiction when the aim is to increase workforce participation by implementing legislation that will impact on the hours of employment of those engaged in the sector.

In low socio-economic areas, services may be forced to move to sessional care to ensure the engagement of children under the proposed package. This in turn will cause educators to be employed for restricted hours, effectively cutting three hours per day and 15 hours per week from the income of that educator's family. Government has stated that services could "sell" the hours before and after such a program. Unless a service is near a school and the school does not operate an outside school hours care (OSHC) program, this is unlikely to occur, and the majority of services do not engage in before and after school care. Minimal educators would remain at the service for the additional hours to cater for the relatively few families utilising this option. Fees for the shorter sessional care would be governed by the overall costs of operating the service. Affordability for families and viability for services will

²² Eg Council of Australian Governments (2015) https://www.coag.gov.au/early_childhood; Australian Institute of Family Studies (2015) <https://aifs.gov.au/cfca/publications/promoting-positive-education-and-care-transitions-childr>; Victorian Department of Education and Early Childhood Development (2010) <http://www.education.vic.gov.au/Documents/childhood/parents/mch/makingmostofchildhood.pdf>

be a challenge. ACA remains strongly opposed to the proposed change to 12 hours per week, particularly if required to be delivered as 2 x 6hr sessions of care.

Services operating in middle to high income and with high demand for places would be unlikely to provide sessional care as the demand from working families would be for the longer hours each day, reflecting the closer alignment with traditional work hours.

Even more distressing is the decision to remove subsidy totally from children who have a parent not in the paid workforce and with an income of \$65,000 or more. This move is in complete opposition to the approach that many other countries²³ are taking to maximise participation in heavily (or even fully) subsidised early education and care of all children by providing fully subsidised days. We understand that the proposed legislation of a zero subsidy is not excluding children from attending a service but a family on \$65,000 per year and raising small children would not have the additional funds to pay full price for a service, which effectively excludes them from the program. Again there does not appear to be any regulatory impact assessment on the outcomes that this proposed legislation will have on these children. **ACA remains strongly opposed to any proposals that will see families excluded from any form of subsidised early childhood education and care.**

Looking specifically at the proposed exemptions from the activity test, ACA supports exemptions under the activity test for low income families, parents who legitimately cannot meet activity requirements and for disadvantaged and vulnerable families. ACA requests that this be extended to include those families earning \$65,000 and above to a limited income who do not meet the activity test.

ACA does not agree that the proposed activity test should apply to grandparents. Where grandparents have been appointed the primary carer, it is often the case that the children in their care would otherwise be placed in foster care or face extended periods estranged from their loved ones. Government must consider the immense savings that grandparent carers have on government expenditure.

ACA requests that a parent with a disability also be exempt from the activity test.

Consultation questions

- ***What, if any, additional activities should be included as a 'recognised activity'?***
As outlined above, ACA believes that the list of recognised activities should be broadened and welcomes parents' input on this. ACA does not believe that recognised activities should be restricted to recognised agencies/organisations only.
- ***What evidence of activity should families have to provide if asked, particularly for voluntary work?***

²³ Eg United Kingdom (see <https://www.gov.uk/find-free-early-education>); Sweden (see <http://theconversation.com/why-swedish-early-learning-is-so-much-better-than-australias-35033>)

ACA suggests that signed attendance forms from their place of activity should be sufficient, but is keen to ensure that the administrative burden on the organisation/agency is minimised so that it does not detract from engaging parents in a voluntary or casual capacity.

- ***How should short-term unpaid work experience in a business be treated?***
ACA believes the intent of work experience is to assist the person to return to the paid workforce, so it should be treated as meeting the activity test.
- ***Should volunteering at a school be included in the activity list? If so, how should it be defined and what evidence should families have to provide if asked?***
ACA strongly believes that volunteering at a school should be included in the activity test. It should not be defined or restricted to any particular volunteer position. Signed attendance forms from the school noting their volunteer hours should be sufficient, again noting the importance of ensuring the administrative burden on schools does not detract from engaging parents in a voluntary capacity.
- ***Is the restriction of time periods for access to subsidised child care for those who are looking for work, in voluntary work or setting up a business appropriate? If not, how long should this be?***
As outlined above, ACA does not support the proposed time restrictions for looking for work or voluntary work. Six months for setting up a business would probably be limited to a very small enterprise and ACA suggests that a period of up to two years would be more appropriate depending on the business.
- ***Should the current exemption categories continue and what evidence is needed to verify the exemption?***
ACA believes the current exemptions outlined in the table on p52 of the RIS should be continued, but believes that the “individual or their partner is the grandparent or great grandparent of the child” exemption be broadened depending on circumstances to siblings who are caring for younger siblings.
- ***What other circumstances would warrant an exemption?***
ACA believes that situations where siblings who are caring for younger siblings would also warrant an exemption.
- ***Should grandparents who are the primary carers of a grandchild be exempt from the activity test, irrespective of their circumstances or incomes?***
As outlined above, ACA feels very strongly that these grandparents should be exempt from the activity test.
- ***Should exemptions be subject to a review, and if so, how frequently?***
ACA believes these exemptions should continue as long as the situation is required.

Family eligibility – allowable absences

Given the RIS states that only 3% of families use more than 40 absences per year, it appears that the current system is working, begging the question as to why a ‘solution’ is required to this ‘problem’. Parents are clearly using absences because they are circumstances requiring them, not simply because they are there. ACA assumes the reason for proposed change in this area is budgetary only. **ACA recommends that the current system remain with tighter compliance to stem any possible abuse.**

Service eligibility for the Child Care Subsidy

ACA does not support a probationary period for new providers and services. This restriction would prohibit the provider’s ability to access a bank loan for the purchase of the service. ACA does support tighter restrictions on new owners and regular assessments are required to ensure that they understand the Law and Regulations and are abiding by the NQF in the manner intended. **ACA recommends that new owners be required to join an association network in order to access changes as they arise and to network and gain operational support at minimal cost.**

5.3 Child Care Safety Net – Additional Child Care Subsidy

ACA supports the government’s objective to assist some families through the Child Care Safety Net and we ask that this process be made easy to navigate for families and services alike.

In the case of substance abuse, ACA is concerned that parents experiencing addiction are highly unlikely to come forward to complete the necessary paperwork to enable them to access the suite of measures available to them via the Safety Net. Services are engaging child protection agencies that are already snowed under with case overload, and services must have the ability to act immediately and ensure these children can continue to participate in fully subsidised early childhood education and care. ACA supports strong governance around any model that could be developed as we would want a program to benefit the children by providing some security and meeting the basic needs of the children. ACA congratulates the government on the implementation of an Ice Task Force in an attempt to stem the damage that is occurring in our society through use of the drug. We realise that it will take many years to deal with this problem and in the meantime families and particularly children are suffering mentally, socially and physically. ACA members report the heartbreak they are witnessing in services at the current time of children who are living in families with addiction.

On a related matter, grandparents are also caught up in the stress of parents experiencing drug addiction, as they often have full care of the grandchildren – whether formally recognised or not. Members report the additional challenge for grandparents is affordability when the parent of the children will not sign the relevant documents with Centrelink for grandparents to receive subsidised care. A case has also been noted where the sole parent mother was

sent to prison and the grandparent had to remove the children from the service as she could not receive subsidised care.

Additional Child Care Subsidy

ACA supports the proposed initiative to provide targeted additional support to disadvantaged families by providing access to early learning and care for children who need it most. ACA supports all children having access to subsidised early learning and care regardless of demographics, family income and work related activities.

ACA does not support a reduction from the current 13 weeks of support currently offered.

It is suggested in the RIS (see for example p25, p73) that there have been instances of improper claiming practices by services and provides this for a reason for tightening control of parent utilisation of subsidised services. **ACA believes that Government should strengthen its compliance activities to ensure adherence to the rules in preference to punishing all vulnerable and disadvantaged families.**

Children at risk of serious abuse or neglect

The RIS proposes a subsidy equal to the actual fee charged up to 120% of the hourly fee cap for children at risk of serious abuse or neglect. ACA is very supportive of this but we do question how “serious” abuse will be determined. It is the opinion of ACA that any level of abuse to a child is unacceptable and in need of intervention. ACA recommends that the types of abuse are not a listed assemblage of events. It needs to be open ended so that other forms of abuse can be targeted for additional subsidy if needed. Some families are in and out of risk situations over quite a long period of time and ACA requests that the capacity of subsidy for abuse and neglect is not limited and will recognise repeat occurrences within the same family. A more general definition would provide more consistency and less opportunity for children to be missed or excluded.

Many children live in a household where domestic violence is regular. These children need additional support but they are the children whose parent will not ask for help out of fear of repercussion. ACA requests that there be some level of approval given to services to assist these families. Attention cannot be drawn to the family as it immediately can place them in danger. Services also experience fear on occasions when an abusive perpetrator challenges a provider or a staff member. The volatility of circumstances is handled by services and in most cases staff are not equipped with the skills to do so.

Children are the biggest users of Women’s Refuges. ACA has concerns about the process of determining “at risk” children in domestic violence including children whose parent (usually the mother) is in a Women’s Refuge. The RIS statement that “... the perpetrator no longer is in contact with the children” is concerning if taken literally. This situation is particularly dire for both the women and their children in a refuge, as all women and children in the same environment have been through a stressful and usually violent situation needing police to be involved. The women during this time will have court appearances, counselling and be

actively involved in planning for their lives and the lives of their children post refuge. Very few refuges have a children's worker who provides a short term care opportunity for the children which is vital to allow the parent to attend court etc. Discussion with a DV advisor suggests that the children being accommodated in the refuge and engaging in minor activities internally is not always in the best interest of the children. They are still within the environment and experiencing not only the trauma of their parent but witnessing the trauma of other mothers and children.

ACA suggests that funding for these children to attend an external child care service be a priority, as this provides opportunity for the children increases their socialisation outside of their immediate environment and gives them the chance to be free from the experience of their current trauma for a period of time. It also provides respite to them from the constant discussion of family violence and respite for the parent who is struggling with her own emotions.

Women are usually accommodated in refuges far away from their usual residence. This means that there is little to no support other than Domestic Violence service personnel. The maximum stay period for a woman and her family in a refuge is 3 months.

In the past, child care services have provided buses to collect children, and support of these children has been funded through the Special Child Care Benefit.

ACA requests that full subsidy of fees continues and that there be integrated services across all areas to ensure that these children are provided with an opportunity to socialise, play and learn with no limit on the days of attendance whilst they are in the refuge.

ACA feels very strongly that grandparents, who are the legal guardians for their grandchild, should receive fully subsidised care to 100 hours per fortnight for the child. Trauma surrounds events such as the child being placed in the care of their grandparents and at this time government need to acknowledge this and continue to support them to access a stable early learning program at no cost to them. ACA does not support the families being subject to the activity test. ACA is concerned that a grandfather clause is being considered which would encompass current grandparents under the current fully subsidised system with grandparents entering their grandchild for care after 1 July 2017 being subjected to new requirements which will include the gap fee and activity test. ACA urges government to reconsider this as the number of grandparents needing this support is relatively low and cost to government would be manageable. The saving to government of these children not being in foster care needs to be assessed and released before a decision is made on this option.

Temporary financial hardship

See consultation questions below

Transition to work

The RIS proposes a subsidy equal to 95% of the hourly fee charged up to the hourly fee cap for families transitioning from income support to work. ACA is supportive of this payment to transition a parent into the workforce however our concern is for the participation cap that will be placed on these families. A parent may attend study classes for 4 hours per day whilst another parent may be doing an online course stating 6 hours per day. How will the work

activity hours be determined for the online course participant? ACA recommends that a study period be factored in together with a time allocation for travel. ACA recommends travel time be at least two hours per day. Suggestions that one half hour each travel episode would be sufficient would not be appropriate in most demographic areas. Public transport and the walking component can substantially increase travel time. Concern also arises for the quality of education and care a child would receive in limited, irregular capped hours of attendance. ACA has extreme concern for our own educators who will find it difficult to engage in full time work within services when children attend on a more casualised attendance basis. The quality of programs, work conditions of educators and viability of services will be compromised. **ACA suggests that the participation cap be extended to allow for study time and travel.**

Consultation questions

- ***Should any other groups be considered for a higher level of assistance under the Additional Child Care Subsidy? If so, why?***

ACA believes the following groups should also be considered:

- Children of parents who are going through separation
- Children who have a close relative with a serious/terminal illness
- Children of a parent undergoing chemotherapy or other such treatment that causes severe illness
- Children of a parent in a Domestic Violence situation e.g. refuge
- Foster children. A financial problem often arises when the foster parent cannot access the CRN details of the child and subsidised care is difficult to obtain.
- Children in care of grandparents in some circumstances where they have care of the children but are unable to access the CRN details as the parent of the child will not co-operate
- Children cared for by an older sibling
- Families who have a parent or sibling with critical or serious life threatening illness that requires long term intense medical treatment
- Children whose parents are in the process of separating, or have recently separated
- Children with one or more family member experiencing substance abuse

The composition of groups eligible for this subsidy must be open ended to encompass any addition group as identified.

- ***What level of evidence should be provided by families or services to access the Additional Child Care Subsidy and support programme integrity?***

ACA believes that evidence must to be easily accessible from a broad base to ensure equity of access by all families.

- ***Should ‘at risk of serious abuse or neglect’ be defined as a child who is at risk of experiencing physical assault, sexual assault, psychological/emotional abuse (including witnessing or being exposed to domestic violence) or neglect (e.g. malnutrition, lack of medical care)?***

ACA requests that the parameters not be limited but be open ended and broad based so as not to exclude serious cases of need outside of the listed definitions.

- ***Are there other circumstances that should be included in this definition?***

ACA strongly recommends a more general definition, to ensure that children living in homes where substance abuse and addictions are evident; children in refuges as a result of domestic violence (see above) and so on do not ‘fall through the cracks’.

ACA has concerns that quite often, the child care service personnel, not the parent/s, are the first to identify a child at risk but the process to have agencies to assess the situation is cumbersome and slow. ACA strongly believes that children should not, in all cases, be labelled “at risk” and that a doctor (teacher, Service Director or another responsible and qualified health, support worker e.g. counsellor, DV worker, support agency staff) may provide a documented request for the child to receive an approved amount of additional early education and care support as an early intervention strategy. A doctor (social worker and support workers) are in a strong position to identify a parent who is in a fragile situation and at that point it would be beneficial if the doctor could recommend early education and care for a determined period of time for the child, whilst at the same time monitoring the parent. Ongoing communication between service, doctor and support agency would be vital for the collation of information to support and guide the family.

Quite often a school will identify a child that they suspect is at risk and there is a sibling attending a local child care service. Stronger linkages between schools and child care services would enable both parties to communicate to determine the assistance required for the child/children.

It is extremely difficult to engage the parent at the service level as there is a fear that at a hint of abuse or neglect, they will lose their child. Therefore it is not likely that a parent will offer up paperwork to support an “at risk” application.

In cases of danger to the wellbeing of the child, ACA supports immediate action for the child to be declared “at risk”. ACA has concerns that the state agencies are already overloaded with cases and that children needing urgent attention could “slip through the cracks”.

To engage the support of State/Territory departments and agencies would be the most convenient for services and families unless DSS has a nationally designated office set up to handle applications expeditiously.

Early intervention is the key to freeing a child from the label of “at risk” and years of abuse.

- ***Where exposure to such risk has ceased, at what point should the child no longer be considered to be at risk?***

ACA believes that this should not be determined by anyone except the case workers involved in all aspects of the situation. There are layers of “at risk” and there can be no time limited additional subsidy. This is so individual and ACA believes it must be left to the experts dealing with each case. The reason given in the RIS that the perpetrator may no longer be in contact with the children does not mean that the threat or “at risk” situation

is less dangerous and ignores the prevalence of post-traumatic stress disorder, which can be experiences for many years.

- ***Should ‘temporary financial hardship’ be defined as families experiencing significant financial stress due to exceptional circumstances (e.g. sudden and unexpected death of a spouse/partner or child, unexpected loss of employment or natural or other disaster)? If so, how should exceptional circumstances be defined?***

It is unreasonable to attempt to fit Temporary Financial Hardship (TFH) into a boxed set of parameters and ACA does not believe that we could pre-empt what TFH can befall a family, nor the interaction of ‘at risk’ and TFH circumstances. ACA is keen to ensure the definition of ‘Exceptional Circumstances’ not be as prescriptive as its definition in other policy contexts. For example, in agriculture, ‘Exceptional Circumstances’ are defined as an event that is “rare and severe” (and uses a 1 in 20-25 year frequency to define this); results in a rare and severe downturn in income over a prolonged period (more than 12 months) and is not predictable or part of a process of structural adjustment. This type of definition would be completely unsuitable for early childhood policy.

- ***Are there other circumstances that should be included in this definition?***

Families have reported TFH for a number of reasons including periods up to and including a sibling or parent being treated for or dying of cancer or other terminal illnesses. This can cause extreme financial hardship with the costs of hospital visits, loss of work, and the need for care for other children due to the rigorous treatment regime. The RIS suggests that the TFH subsidy would engage on the death of a family member but this is insufficient and not addressing the huge costs and trauma of a terminal or potentially terminal illness. Single parent families are often faced with increased costs and temporary inability to work when trauma occurs through various reasons and the definition be broad enough to acknowledge this.

- ***Given the range of issues covered by ‘temporary financial hardship’ what guidance would assist services to provide a proportionate response to level of hardship with respect to the timeframe of additional assistance?***

It is extremely difficult to determine how many weeks of TFH additional subsidy a family requires and very often the family can’t determine the time when applying, particularly with loss of work, as many workers do not receive redundancy payments. Families who are dealing with long term treatments for potentially terminal conditions or have experienced the loss of an immediate family member are working through the grief process with finances secondary at this time. ACA understands that government is seeking to minimise these payments but we must ensure that all families experiencing TFN are supported with financial and support networks during this time. ACA does not support a reduction from the current 13 weeks. ACA suggests that there be consideration of transitioning families off the TFH subsidy as they rebuild their lives by accessing employment as their obstacles are slowly removed.

- ***What evidence should be available to confirm parents who receive transition to work assistance are satisfactorily progressing in their studies?***

In the childcare sector we can approach registered training organisations and other training institutions for a certificate of progression through studies on individual students. ACA suggests this as an option with parameters for completion pre-set and made aware to both the training organisation and the student. ACA is not suggesting that this be carried out by the service but the responsibility would sit in the government agency.

Community Child Care Fund

Element 1 – Community support in disadvantaged areas

ACA supports the overarching principles of this initiative however we remain unsure of the processes due to lack of information in the RIS. ACA has strong support for the integration of child care, maternal and child health and family support in disadvantaged communities. ACA is unsure if the funding grants for this element are for 3 consecutive years or 3 of 7 as outlined in the PC Report. ACA supports 3 consecutive years of funding to provide the service with a stronger opportunity to attain viability through engagement with their community. Concerns that ACA has with the time limited funding, is that all children deserve to have access to an ECEC program to provide the opportunity for long term benefits to their future. Closing a service down takes away a child's basic right to an ECEC program and could increase the prevalence of "children at risk".

ACA has concerns with the intent for this funding to be provided through a competitive grants process with reference to a Business Plan. ACA suggests caution in the policy documents supporting this process as it could support the growth of a high cost marketing opportunity for consultants. As these services would in most instances not have a strong team of management personnel, the process for application if too stringent and convoluted, may deter services from applying.

ACA strongly supports that this fund be offered equally to community and private providers.

Consultation questions

- ***Are there other activities that have proven effective in increasing participation of vulnerable children?***

ACA believes that communities that are empowered from within will benefit substantially and with more success than offering "fly in fly out" assistance. The ideas should be generated from the individual communities with funding and support provided through this fund. There are a number of programs that our members have been involved with that have been very effective at increasing participation of vulnerable children. For example, our members in South Australia have reported fantastic success via the *Through the Looking Glass* initiative, where on-site clinicians have worked with vulnerable families and bus services have assisted in enabling participation. Our members have also identified previous advertising campaigns, such as that run in Queensland featuring high profile Aboriginal and Torres Strait Islander people espousing the benefits of early

childhood education and care, as successful initiatives that have increased participation of vulnerable children.

- ***Apart from an increase in children attending child care – what other outcomes would you expect?***

ACA believes other outcomes could be reflected in:

- Improved information and linking families to resources
- Improved information and resources for centres
- Community awareness in providing families with agency and support networkers
- Increased collaboration between Government Departments
- Increased consistency in how the States and Territories implement the Fund
- Improved outcomes for families experiencing financial or emotional hardship
- For in scope services, positive trends for centres against the National Quality Standards, including:
 - For in scope services Children’s Health and Safety (Quality Area 2)
 - For in scope services Collaborative Partnerships with Families and Communities (Quality Area 6)
- Positive transition outcomes for children to school
- Improved social and emotional development outcomes for children
- Improved educational outcomes for children
- Improved self-esteem and confidence for children exposed to adversity in the home environment
- Consistency and continuity of care that may not be provided in the home
- Support to families who may be facing challenges in their parenting responsibilities e.g. health, hygiene, nutrition, and introduction to health agencies and early intervention services

- ***Are increased awareness and greater integration acceptable interim outcomes for some services?***

Services in these communities will not become viable overnight and maybe not in three years however their progress should be considered and the fund flexible enough to encourage further progress past the three year cut off point. ACA considers that increased awareness of their financial position and the steps that need to be in place to ensure viability should be considered as acceptable; Combine this with greater integration of services, support networks and community for a positive outcome in a disadvantaged area. There is mixed reaction to BBF services and other services in disadvantaged areas falling under the NQF. ACA supports this move to be totally the decision of each service as the costs of implementation of the NQF could threaten viability and the appropriateness of the NQF for all services needs to be considered.

Element 2 – Sustainability support

ACA does not totally support this element. ACA will only support this element if it were to apply to rural and remote services and the sole service in the area.

Rural services centres that are struggling to maintain viability rely on the ‘sustainability funding’ to exist, are a vital social and community support for those families and in many cases the only support of that type. In many cases the amount the government invests assisting these services to remain open is relatively small and in budgetary terms, in consequential. By limiting the fiscal support for these service (who may never be able to remain open without sustained support), the government risk losing all services from these communities thus opening the risk of creating more ‘at risk’ situations for families and no options for working families in the region.

Taxpayer funds can be better utilised in assisting vulnerable and disadvantaged children and communities. Government can fix this problem at no cost by implementing a planning program to ensure that services are built and able to access government subsidy in areas of high need only. Demographic surveys showing a “need” or “no need” in an area can be sourced. Government has the ability to determine areas of need from the weekly collection of vacancy data from services and this should be the tool to substantiate the planning process. Government has always stated that they will not interfere with a free market. That is an admirable principle when the market is dealing with a static product however when services are charged with adhering to the NQF and the care, education and development of young children, viability of services is imperative to the ongoing provision of quality. ACA believes that to let the market continue to grow exponentially without planning is negligent. Currently the average occupancy level across Australia is estimated by ACA at 76%²⁴. As outlined in detail in our submission in response to the *Productivity Commission Inquiry into Childcare and Early Childhood Learning*, ACA has strongly advocated a more coordinated, strategic approach to planning in the early childhood education and care sector to address the growing supply and demand problem across the country.

Consultation questions

- ***What viability issues do services face other than issues arising from low or fluctuating enrolments?***

ECEC services are exposed to a range of issues that can significantly impact their viability (even more pronounced for private service owners, who are faced with inequitable taxation status including payroll tax than that of not for profit providers), including:

- Oversupply of services. A lack of coordinated planning for centres based on community needs is also impacting the viability of centres. New services are not being built in areas of high need and are causing oversupply in areas where it is inexpensive to build. We urge government to introduce a planning model to support the proposed Families Package, as the package implementation will create vacancies in services and some services, both community and private, will not remain viable.
- Ratio changes – any reductions in child care ratios has the capacity to significantly impact viability through increased wage expenditure, a reduction in licensed

²⁴ Australian Childcare Alliance (2015) *What Parents Want survey* <http://childcarealliance.org.au/index.php/68-what-parents-want-2015-survey>

places and potentially even building and car-parking modifications required to support the ratio changes.

- Wage changes – wages represent a significant portion of the expenses to deliver quality early childhood education and care. This includes annual wage adjustments to CPI, years of service increases, qualification requirements. Wage impacts anticipated in the near future will result from the four yearly review of the Modern Award and the Equal Remuneration Order already lodged in the Fair Work Commission.
 - Population changes – population changes over time can impact centres in cases where the population growth of children in areas is not renewed at the same historic levels.
 - Government funding – reductions in Government funding or changes in eligibility criteria can significantly impact accessibility for families. ACA estimates that the proposed Child Care Assistance Package legislation will significantly reduce ECEC attendance of low to middle income families.
 - Economic/inflationary changes – high rates of unemployment based on economic downturns can impact centre viability through reduced uptake of services. Also, whilst the rate of inflation is currently at a historically low level, upward inflationary pressure can impact centre viability based on higher costs to deliver services
 - Regulatory burden – The level of regulatory burden facing services has increased significantly over time, increasing cost overheads. The ongoing cost of administering the National Quality Framework has been quoted as \$140 000 per year for a long day care service with 75 places and 15 staff²⁵, with detailed costings available in the 2013 *Report on the National Quality Framework & Regulatory Burden*²⁶.
- ***What strategies do you think services could apply, with assistance, in order to improve their viability?***

Strategies to improve viability need to occur at a Government and individual service level.

At a Government level, these could include:

- Ratio changes linked only to evidence on improved outcomes for children.
- Wages limited to cost of living increases.
- Consistency in how the National Quality Framework is implemented on a State by State basis.
- Better industry planning of tax payer money in the form of subsidies being directed only to new services linked to demonstrated need in a particular community.

At an individual service level, services should:

- Develop business plans for their service

²⁵ The Hon Sussan Ley MP (2014) *Review of child care National Quality Framework performance underway*
<https://ministers.education.gov.au/ley/review-child-care-national-quality-framework-performance-underway>

²⁶ Australian Children's Education & Care Quality Authority (2013) *Report on the National Quality Framework & Regulatory Burden*
<http://www.scseec.edu.au/site/DefaultSite/filesystem/documents/Reports%20and%20publications/Publications/ACECQA%20Research%20Report%20on%20the%20NQF%20and%20Regulatory%20Burden%20-%20Combined.pdf>

- Develop operating budgets linked to objectives and monitor outcomes against target
 - Develop marketing plans to ensure they engage with and meet the needs of the local community
 - Engage with National and State associations to stay aware of emerging sector challenges and opportunities and adjust their approach to education and care delivery accordingly.
- ***How should the department best determine the area in which a service operates? How far is a reasonable and realistic distance for families to travel to access care?***
The Department should analyse regularly the data on vacancies collected through their own IT system and this would inform the area in which new services are constructed.
 - ***What would the definition of sole provider be?***
A sole provider would need to be defined by service type – that the provider is the sole provider of that service type in a community (e.g.: the only Long Day Care service). There would need to be consideration to the demographic of the area, particularly access to public transport and low income, as these factors would limit many family’s ability to travel distances for access to services.
 - ***Under what circumstances could exceptions be made for services operating in viable markets?***
ACA is keen to ensure that the criteria are flexible enough to ensure continuity of early childhood education and care for children, particularly in rural and remote areas where there may be no other ECEC services for children to attend should a service operating in a viable market be struggling.

Element 3 – Capital Support

ACA has serious concerns regarding this element. Again, if government had/would introduce a planning model this would not be a problem on which taxpayer funds would be expended. ACA would prefer to have children of families who do not meet the activity test be the recipients of these funds than it spent on capital support in this area. Given the extensive criteria for applicants to demonstrate compliance with, as identified on p70 of the RIS, it is assumed that only those services with the funds necessary to engage an external consultant experienced at applying for government grants would be successful in applying for capital support.

Element 4 – Access to affordability support

ACA has difficulty supporting this element. Whilst the intent is worthy of support, the actual plan for the expenditure of funds is bare and not convincing that it will benefit the families experiencing difficulty in accessing the service. Providing a grant on a “guestimate” appears to be frivolous spending without guarantee of result. **ACA suggests that assistance for low to middle income families requiring ECEC in high cost areas be applied for by families and paid directly to the service.** There are too many variables associated with services

applying, from the highly mobile nature of some families, to the likelihood of the number of days attended per week changing and so on.

- ***How long should the grant be available for and what review mechanisms would best ensure the objectives of the element are met?***

ACA suggests that length of funding should ideally be service and project dependant. Review mechanisms could be broken into two phases: delivery and outcomes measurement. In the delivery phase, review mechanisms could relate to:

- review of contract executions
- budget outcomes
- reporting against project objectives
- initial community feedback.

In the outcomes phase, review mechanisms could relate to:

- all of the above, plus...
- attendance rates for low income families
- accreditation outcomes.

- **What evidence of 'efficient business practice' should be available?**

Services could provide combinations of any of the following data as evidence of 'efficient business practice':

- Operating budgets or figures derived from budgets
- Business Plans
- Market research.

In each instance, services would need to demonstrate that the costs to deliver the project could not be sourced from areas of operating inefficiency.

Inclusion Support Programme

ACA supports the intent of this programme to improve the capacity and capability and increase inclusive practices for services to include children with additional needs.

ACA members report difficulty in accessing the Portal and the cumbersome method of gaining support and will welcome a streamlined approach.

ACA members are pleased with the proposed increased subsidy amount of \$23.00 per hour. This amount whilst, being an improvement from the current subsidy still remains insufficient to cover all on costs for a Certificate III qualified employee. ACA is concerned that this subsidy amount will only increase by CPI, which will devalue over time as wages change. ACA recommends that the subsidy increase by at least CPI annually and be reviewed every three years to ensure it keeps pace with wage costs and additional on costs of employment.

The funding is currently limited to 5 hours per day (unless the service is prepared to go through the incredibly cumbersome and pointless process of applying for 8 hours of funding via an exemption). This does not promote inclusion as the service is left to either struggle for

the other hours of attendance of the child to meet the needs of all of the children in care, or to limit the number of hours of attendance of the child – which is not, essentially, inclusive.

Services offer and promote inclusive practices despite the poor funding model, but they are limited in how much they can be out of pocket to include these children. Increasing the funding to cover the true cost of an additional qualified carer for up to 11 hours per day, would enable services to offer more positions to these families in need.

Consultation questions

- ***In a streamlined programme, what evidence would be required to access additional support, and what are the circumstances that would warrant an exemption from these evidence requirements?***

Currently, services can apply for flexible support funding, but this money is quickly used, and services are unable to support the child and educators to include the family until a diagnosis is provided. Evidence can currently be provided via a Disability card or a relevant report from a specialist pediatrician. It can take up to a year for a child to be given a diagnosis due to the time it takes to see a specialist and conduct assessments, as well as the age of the child. This can be even longer in rural or remote areas. ACA believes that an Early Childhood Teacher with post graduate qualifications in Special Needs Education would be able to make an interim assessment of the child via their observations and checklist for common diagnosis. They should then be able to access funding for additional support, for up to a year, whilst a diagnosis is obtained.

- ***How could the programme better engage with new families to increase the participation of children with additional needs in child care?***

ACA suggests that this should be a question for the Australian Children's Education and Care Quality Authority (ACECQA) and the Inclusion Consultant Offices to work on with services.

- ***What activities could better help to embed inclusive practices in child care services?*** Again, ACA suggests that ACECQA could play a key role here.

- ***What outcomes should be identified to ensure inclusion support is contributing to inclusive practices?***

Services should be developing Individual Education Plans for each child with additional needs and tracking the participation of the child & educators and their developmental results. A tool such as the Assessment, Evaluation and Programming System (AEPS) administered once each quarter provides an overview of the child's development and can be used to ensure inclusion support is bringing about positive outcomes for the child.

- ***To what extent should funds within the Inclusion Development Fund be quarantined for specific purposes (e.g. inclusion of children from culturally and linguistically diverse backgrounds)?***

Quarantining should only be done to develop particular resources or programs. It is surprising that there will be no funding for professional development, as it is generally

knowledge that educators require - then the short term support of bicultural workers to help the child and the family settle into the service. Once the child and family are settled, and educators all understand how to embed inclusive practices, if there is a support network in place (e.g. a help line for at the Inclusion Consultant Offices, with resources available – e.g. translation services, or common information translated) – then in many instances the funding could cease.

5.4 Child Care ICT System to Support Child Care Reforms

ACA is extremely concerned that very few RIS consultation sessions provided an overview or discussion of the proposed ICT system. Given the scope of the proposed new ICT system, ACA anticipates services and families will require considerable time to transition and adjust to the new system, and that staff training will be required in most instances. Whilst an extensive list of benefits has been provided on p74 of the RIS, there is no consideration in this section of the RIS of potential costs, from staff training, to complexity to down-time. It is acknowledged however in Section 7 of the RIS that “significant ICT system development work will be necessary” and that there will be “likely cost and risk involved”. Without having the information necessary to determine the relative costs and benefits of this proposal, ACA is unable to provide further comment on this aspect of the RIS at this time.