



Australian Government

Department of Education, Employment and Workplace Relations

REGULATION IMPACT STATEMENT

FORTNIGHTLY PAYMENT OF CHILD CARE REBATE (CCR)

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1. Introduction

On 9 July 2010, the Prime Minister made a pre-election announcement that families would be able to receive their Child Care Rebate (CCR) payments fortnightly from 1 July 2011, so that assistance may be provided closer to the time child care fees are incurred.

The Government has provided funding of \$42.43 million for the provision of fortnightly CCR payments, which may be paid via child care services as a fee reduction or direct to families.

The proposal will extend CCR payment methods to better assist families to meet the cost of their child care by giving families the option of receiving CCR fortnightly, closer to the time child care costs are incurred. The proposal will enable families to choose from four CCR payment delivery methods:

- electing to receive their CCR payments direct to their bank accounts fortnightly
- electing to have their CCR payment made to their child care service fortnightly on their behalf
- continuing to receive their CCR payment made to their bank account quarterly; or
- continuing to receive their CCR payment paid annually as a lump sum payment.

In some instances, families underestimate their income or their circumstances change and this can sometimes result in families incurring a CCR debt. For families that elect to receive their CCR fortnightly, this proposal will allow for 15 per cent of the CCR amount to be withheld until after reconciliation at the end of a financial year, which will mitigate the risk of families incurring a debt.

Note: CCR payments will be calculated for each week when the child care service has reported on the child care usage for that week. In accordance with current legislative obligations, child care services report on usage either weekly or fortnightly and so CCR may also be paid either weekly or fortnightly. Therefore, where this Regulation Impact Statement refers to fortnightly CCR payments, it should be noted that in practice payments may be made weekly or fortnightly depending upon the circumstances.

Background

The child care sector in Australia is comprised of a diverse range of services for children typically from birth to 12 years of age, which are operated by community, not-for-profit and private providers. As at June 2010 there were around 14,000 approved child care services in Australia, including Long Day Care, Family Day Care, Outside School Hours Care, Occasional Care and In Home Care. The largest component of the industry is the Long Day Care sector, with around 528,000 children attending this service type in the June quarter 2010. Family Day Care (including in-home care) comprises a comparably small part of the sector, with around 105,000 children attending this service type in the same period.

The Australian Government supports the child care sector by assisting families with the cost of care through the availability of timely Child Care Benefit and Child Care Rebate payments. CCB

and CCR are available only to eligible families accessing approved child care services. Approved services must participate satisfactorily in the Government's quality assurance system and must also be available to families for a minimum of eight hours a day, on each normal working day, for at least 48 weeks a year to support families to participate in the workforce.

The Government also operates the Child Care Services Support Program (CCSSP), which supports and promotes access to quality child care for children, families and communities through strategies that complement the significant assistance provided to families through CCB and CCR. Community support delivers improved access to child care through support for establishment of new services and maintenance of services, especially in areas where the market would otherwise fail to provide child care services.

Child Care Benefit

CCB is a means-tested payment based on a family's income so that it is targeted to people most in need of financial assistance. Most CCB payments are made to families through their approved child care service following the service's submission of the child's attendance record through the CCMS on a weekly basis. The service then passes on the CCB to the family as a fee reduction. Families may also choose to receive their CCB as a lump sum at the end of financial year if they prefer. Families must register with the Family Assistance Office to determine their eligibility and amount of CCB entitlement.

Child Care Rebate

The CCR is a separate payment that provides assistance for working families who use approved child care by covering half of all their out-of-pocket fees (after CCB), up to a maximum limit per child per year. To be eligible for the CCR families must have used approved child care and met the work, training, study test and be eligible for CCB. CCR is not income tested, and eligibility for CCB includes families who are entitled to CCB at the zero rate due to income.

CCR was introduced to assist families meet their out-of-pocket child care expenses and it is paid directly to families bank accounts. From July 2008, the CCR was increased from 30 per cent to 50 per cent of child care out of pocket costs and from a maximum of \$4354 up to \$7500 per child per year. At that time, the Government also gave families the capacity to elect to have their CCR paid quarterly instead of annually to ensure families receive the assistance closer to the time they incur their child care expenses.

The Child Care Management System

The CCMS was introduced in July 2007 to enable the movement of information over the internet on CCB fee reductions and child care supply and usage between the child care services, the Department of Education, Employment and Workplace Relations and Centrelink. All child care services were required to be operating under the CCMS by 29 June 2009.

From a Commonwealth perspective, the CCMS exists as the payment system between a child care service and the Department of Education, Employment and Workplace Relations (DEEWR).

Legislation requires child care service providers to use CCMS registered software to transact with Commonwealth systems for the purpose of receiving child care assistance on behalf of

families. CCMS registered software products, used by child care services, transact with the DEEWR system, the CCMS and also with Centrelink systems with regard to the eligibility and entitlement information of families.

There are currently 23 CCMS software providers registered with the Commonwealth, supplying around 14,000 services in the child care sector. These software providers range greatly in market share. The largest has around 60 per cent of the market, while the smallest has less than 10 customers. The majority of software providers have over 300 customers.

2. Significance of the problem to be addressed

2.1 Affordability and Flexibility

Ensuring that child care remains affordable continues to be a core priority for Government. The introduction of fortnightly CCR payments, providing greater flexibility for families, will build upon the changes made in 2008, when CCR was increased from 30 to 50 per cent of out-of-pocket expenses and from a maximum of \$4354 up to \$7500 per child per year. It will deliver CCR to families at the time it is needed, and give families greater flexibility in managing their household budgets. Families will be able to elect to receive CCR either by way of fee reduction via their child care service, similar to the way the majority of families receive their CCB entitlement, or directly into their bank account.

2.2 Existing regulation

The proposed measure builds upon CCB payment mechanisms already in place where CCB payments are made directly to services and passed on to families as fee reductions. The proposal does not involve any changes to policy or eligibility of families or child care services.

CCR was introduced to assist families meet their out-of-pocket child care expenses and, under current payment methods, is paid directly to families' bank accounts. From July 2008, the CCR was increased from 30 per cent to 50 per cent of child care out of pocket costs and from a maximum of \$4,354 up to \$7,500 per child per year. At that time, the Government also gave families the option to elect to have their CCR paid quarterly instead of annually to ensure families receive the assistance closer to the time they incur their child care expenses.

To be able to pass on CCB to families in the form of fee reductions, a child care service must have Commonwealth Government approval. In order to gain this approval and stay approved, under family assistance law, a child care service is required to meet various conditions. Among others, the conditions that a service must meet include that a service's key personnel and staff must be suitable people to operate a child care service. The operator must be a fit and proper person, including that they have not been subject to administration, receivership, liquidation, bankruptcy or debt recovery proceedings over the last five years; and they have no convictions or criminal charges pending.

A service must provide child care for a certain period of time (eg. hours per week and weeks per year), comply with State or Territory laws (such as being licensed, if required), participate in the relevant Quality Assurance Program, meet insurance and priority of access requirements and provide at least 42 days notice of intention to close a service. A service also has to ensure

that it stays financially viable and can meet its debts and other obligations and must report correctly how Commonwealth funds are spent.

Child care services are required to submit attendance data within 14 days of the end of the week in which the child received care. The majority of services submit their data on a weekly basis, and the remainder submit fortnightly, in line with their legal requirements. The frequency of submissions will not be affected by the introduction of the payment of CCR through services.

2.3 Need for Government action

Child care assistance is provided and administered directly by the Government to support families with the cost of child care and to support early childhood education opportunities. The Government has direct legislative authority under family assistance law for this outcome and has committed to increase the frequency of CCR payments for families to assist them to meet their child care costs at the time they are incurred.

3. Objectives of government action

When the Commonwealth Government first became financially involved with child care in 1972, the primary policy rationale was to support workforce participation, particularly by women. Promoting use of child care is now seen to have a wider range of general objectives including, supporting early childhood development through access to high quality programs and enhancing access to early childhood education and care opportunities for social inclusion groups. In these ways, child care is a key policy mechanism to support the Government's wider Participation and Productivity Agenda, which seeks to develop and retain human capital to improve Australia's future success and prosperity.

More specifically the objectives of the proposed measure are to provide support for increased access to early childhood education and care and increased workforce participation by helping with both flexibility and affordability by making CCR payments available at the time costs are incurred.

4. Options that may achieve the objectives

The Government made a pre-election announcement on 9 July 2010 to introduce fortnightly CCR payments for families either through child care services or direct to the families. As a result, this Regulation Impact Statement assesses the potential impact of these options only.

The proposal will give families the option of receiving fortnightly CCR payments directly to their bank accounts, consistent with the current legislative arrangements for quarterly and annual CCR payments, or via child care providers as a fee reduction in line with current CCB arrangements.

Many families that receive CCR also receive CCB entitlements that are paid directly to their child care services as a fee reduction. Some families in receipt of CCR are eligible for nil rate CCB due to income, and do not receive any actual CCB payments. These families may prefer to continue to receive their CCR entitlement directly into their bank account, as per current arrangements.

Where families choose to receive their Child Care Rebate fortnightly, the government would withhold 15 per cent of the CCR to ensure that families do not accumulate a debt or overpayment of CCB or CCR within a financial year. The balance of the funds withheld would be reconciled after the final quarter of the financial year, to help balance out any variations in CCB entitlement that might arise when families underestimate their income or their circumstances change.

5. Impact analysis — costs, benefits and risks

The cost to Government of implementing this proposal is \$42.43 million over five years, in fiscal terms. This includes systems changes, administrative and call centre costs for Centrelink.

Affected stakeholders

All CCB approved child care services and their software providers will be affected by the introduction of fortnightly payments direct to families. Currently around 690,000 families using approved child care are eligible to receive CCR. These families will be positively affected, with greater flexibility in the choice of payment method. Australian Government agencies, including the Department of Education, Employment and Workplace Relations, Centrelink, and the Ombudsman will also be affected as each will play a role in managing delivery of the payment and resolving any issues that may arise.

Assessment of costs and benefits

Impact on Child Care Services

Currently there are around 690,000 families using approved child care that are eligible to receive CCR. It is anticipated that the majority of families (around 70 per cent) will elect to receive their CCR payments made fortnightly to their child care service. A small proportion may elect to have CCR paid fortnightly to their bank account. The remaining 30 per cent of families will continue to receive their CCR payments as per the current arrangements of quarterly or annually made to their bank account. This will assist services to receive their fees closer to the time the child care fees are incurred and reduce the potential for bad debts.

Through the Child Care Management System (CCMS), the Department will provide child care service providers details of the CCR payments made to the service on behalf of each family electing to receive their CCR payment through the service. Currently, when a new child enters care, the service submits an electronic enrolment, through CCMS using registered software, for a child whose parents have been assessed for CCB. CCMS confirms back to the service the eligibility for CCB, the payment method and the number of absences the child has used during the financial year at other services. From 1 July 2011, this information for CCR will also be returned to the service through CCMS.

Approved child care services use registered software products to connect and exchange information with CCMS. These software products will be upgraded to enable child care services to receive and process the CCR payments. System changes are made annually to CCMS and the child care sector is now used to this process. Generally, child care services pay an annual subscription fee for the provision of software. The range of products and applications vary

from one software provider to another, and the cost to the service will depend on the subscription package. For a service, the administration of CCR fee reduction payments will mirror the current CCB fee reduction payment process that is in place, and services are fully familiar with this process. For this reason, it is expected that CCMS registered software providers will simply issue software upgrade advices to their client base to outline and explain the CCR changes included in the upgrade. Therefore, software providers are expected to absorb the costs of upgrade and there will be no upfront or ongoing costs for services directly attributable to the introduction of the payment of CCR to families through services.

Child care providers are proactive in updating bookings and usage information and take their legal obligations under Family Assistance Law seriously. The majority of services submit their data on a weekly basis, and the remainder submit fortnightly, in line with legal requirements. The frequency of submissions will not be affected by the introduction of the payment of CCR through services.

A service is legally obligated to electronically enrol all new children commencing care at the service within 7 days of care commencing and to report attendance information for all children in care within 14 days of the end of the week in which care is provided. This is irrespective of CCB/CCR eligibility. Children whose parents are CCB/CCR eligible are electronically enrolled by the service as a Formal Enrolment, using both the parent's and child's Centrelink Customer Reference Numbers, linking them to the family's Centrelink record and eligibility. Children whose parents either are not eligible for CCB/CCR, or the parents have not yet established eligibility for those payments are electronically enrolled by the service as an Informal Enrolment. An Informal Enrolment can be updated by the service through the CCMS at any time and changed to a Formal Enrolment once a family establishes CCB/CCR eligibility, or provides the service with the details required for a Formal Enrolment. When an Informal Enrolment is formalised in the CCMS, all attendance data previously submitted for the child is automatically sent to Centrelink for calculation of CCB and CCR entitlement. Therefore, there will be no additional effort for a service to administer CCR.

Practically, a service must capture detailed information in their administration system about the children and families they provide care to, if for no other reason than to issue fee invoices to families. The service must also know which children are actually in care during each session or day. They do this by marking a roll. CCMS registered software products vary in complexity and functionality, but every product has the concept of collecting and processing family information, child booking and attendance rolls. All of these functions automatically link to and inform Enrolment and Attendance information submitted to the CCMS. Where a child's booking, and therefore attendance, at the service changes, there is an impact on the service's fee. On that basis, it is expected that, generally, the service would immediately update the child's booking and therefore the attendance data submission to the CCMS would be accurate.

There is also a provision in the CCMS to backdate an Enrolment for up to 1095 days (3 years) because a customer who has never established eligibility for CCB and/or CCR, or chooses to receive those payments as a Lump Sum payment has up to two years (from the end of the year where care is provided) to claim. There is no limit in the CCMS for backdated changes to an attendance reported that has previously been submitted or processed, or to a first time attendance report being submitted. Service providers are very effective at ensuring changes in

usage patterns are updated and that any errors they may make in their data submission to the CCMS are corrected because attendance reports are directly linked to a child's booking and fee invoice with the service.

Under the current arrangements, child care service providers are required to provide families with a statement at least three monthly which includes the details of the hours of care provided and the CCB fee reduction payments made to the service on their behalf. Where families have elected to have their CCR payments made to the service on their behalf, the child care service providers will be required to include those CCR payment details in the families' statement. The upgrades to software used by child care services will automatically incorporate CCR information into the statements for families.

As part of the nationwide introduction of CCMS in 2008, child care services were provided with Government assistance towards the cost of upgrading their existing hardware and software. As part of the transition to CCMS child care service providers were advised that they would be required to purchase and maintain new or upgraded software to support their business model and to meet reporting requirements under the Family Assistance legislation. Funding of around \$18 million was included in the CCMS budget to support services in their transition to CCMS, including subsidising the cost of software and hardware.

In the event of issues arising with the implementation of the fortnightly payment of CCR and CCB, the Department of Education, Employment and Workplace Relations CCMS Help Desk will provide support to child care services, given the interface of this system with the Centrelink IT system that calculates CCB and CCR. This support will include assistance to services with the requirement to provide regular statements to families, including CCR payments.

Other existing Departmental processes in place to support the child care sector and inform families will help offset impacts on the child care sector. These processes include regular, ongoing consultation with the sector undertaken through several mechanisms - presentations provided to the sector on an ongoing basis and a fortnightly newsletter put out by the department, and feedback via email on updates to the system and rules relating to the administration of child care payments. The Department will also communicate with families and the sector in relation to the introduction of fortnightly payments, advising them of and preparing them for these changes from 1 July 2011.

As the proposal increases the flexibility of child care payments for families, benefits may flow on to child care service providers in the form of reduced bad debts and increased timeliness in the payment of fees by families. It should be noted there is broad sectoral support for the introduction of fortnightly payments of CCR to assist families with the cost of care.

Impact on Third Party Software Providers

The change to fortnightly CCR payments will require the upgrading of software products used by child care services to enable both direct payment to families and payment via child care services in the form of fee reductions. These products are provided by a range of commercial or third party software providers.

Currently 23 software providers supply around 14,000 services in the child care sector with CCMS registered software. These software providers range greatly in market share. The largest has around 60 per cent of the market, while the smallest has less than 10 customers. The majority of software providers have over 300 customers.

The Commonwealth gave an undertaking to CCMS registered software providers to provide them with business specifications six months prior to any CCMS changes, to give them the necessary lead time to develop their products. Software providers will need to upgrade and deploy their software to 14,000 providers, including review of their program. The normal annual systems release cycle, including this one, allows software providers a three month transition period for this purpose.

To implement CCMS changes requires re-registration of all 23 software providers. The CCMS enhancements containing the functionality to pay CCR as a further fee reduction payment to services do not in themselves directly require re-registration of software products. The CCR change is included with other functional changes to the CCMS interfaces, including the ability to deliver funding from the Child Care Service Support Program directly to child care services via the CCMS. Those functional changes are the driver for software re-registration to ensure every registered product has the capability to implement the additional changes to functionality.

The Department meets quarterly with software providers through the Technical Reference Group to discuss changes and improvements. Software providers were advised of the requirement to develop products to support fortnightly CCR payments at the September 2010 meeting, and were aware that a change to the interface or major release, such as this, requires the re-registration of the software product with the Commonwealth.

Third party providers have also developed their CCMS software products over time to include other functionality that child care centres utilise to manage their business and administrative practices, for example staff rostering. CCMS software providers also deliver a range of systems support services to child care centres. These include training, online help services and help desk services. Generally, child care services pay an annual subscription fee for the provision of software, which varies from one provider to another and depends on the type of subscription the child care service is purchasing, eg. maintenance, training, etc.

The diversity in size of CCMS software providers and the types of products and services they offer also brings diversity in the cost of the software available. Like any commercial enterprise, software providers set their own licence fees and charges. The Commonwealth does not regulate the cost of CCMS software products. It is a business decision of the child care service to determine the most appropriate CCMS software product to best meet their needs.

Generally, the Commonwealth system operates on a major and minor systems change release schedule over a 12 month period. This means that a major release will usually occur to correspond with a July program implementation and minor releases for systems fixes and upgrades occur in January. Software providers also undertake their own systems release changes on an ongoing basis throughout the year, according to their needs and the needs of their customer base.

Depending on the business model used by the software provider, and based on previous major releases implemented by the Department, costs to develop and test software upgrades are variable and are estimated to range up to \$30,000. These are part of the normal business cycle for software providers in the child care market.

Impact on Families

This proposal is designed to provide around 690,000 families with the option of receiving the CCR payment fortnightly, thereby increasing flexibility and affordability of child care payments. This option is in addition to continuing to fund CCR quarterly and on an annual basis.

For most families, the amount of CCR (either received directly or paid to the child care services) fluctuates due to varying usage patterns. This is similar to the current administration by services of CCB via fee reduction, where many families use more than one child care service for their child, or have children in different child care services and services used may submit attendance data on a different day of the week. This factor could potentially result in families receiving multiple CCR payments for the same period of care for their children.

Families are likely to query payments and calculations, more so where attendance cancellations occur and when the CCR annual cap is reached. Increased contact with Centrelink has been factored into their costings for this proposal. When previously processed attendance reports are cancelled by a child care service, CCR previously paid in respect of that record is recovered from the family by offsetting or withholding the amount from the next CCR payment made to the family.

For these reasons, it will be administratively simpler for families to receive CCR via fee reduction by their child care service, similar to CCB. Child care services will make adjustments on behalf of families as they occur and this will flow through to their billing for families. Given these complexities for families in understanding and calculating the levels of direct fortnightly CCR payments, it is expected that the majority (70 per cent) of families will elect to receive CCR fortnightly payments via child care services, which align with CCB delivery arrangements, and will mean families will be supported by net CCB/CCR fortnightly child care fee reductions.

Increased payment frequency will also require holding 15 per cent of the fortnightly payment back from families receiving more than a nil rate of CCB, therefore reducing the amount of this fortnightly payment. Where families choose to receive their Child Care Rebate fortnightly, the government would withhold 15 per cent of the CCR to ensure that families do not accumulate a debt or overpayment of CCR or CCR within a financial year. The balance of the funds withheld would be reconciled after the final quarter of the financial year, to help balance out any variations in CCB entitlement that might arise.

The need to withhold 15 per cent of the CCR payment will be communicated to families.

The Department will communicate new payment options for the Child Care Rebate from 1 July 2011. Direct communication will also be undertaken with child care services, software providers and families in the lead-up to these changes.

6. Consultation

The Government's commitment to introduce fortnightly payments of CCR was made in recognition of concerns about affordability and the need for greater flexibility in payment methods for child care. The sector and families have been informed of changes to the payment through announcements by the Government in July 2010. Formal consultation with families and the sector was undertaken in late December 2010/early January 2011.

The views of stakeholders regarding the need for more flexibility in the payment of CCR were raised in submissions to the Senate Inquiry into the Provision of Child Care 2009 and in correspondence from peak bodies and individuals.

The Department sought the views of the National Peak Bodies representing the child care sector about the proposed changes and requested their feedback. These organisations were fully informed of the extent of the proposal; the method of the payment options; how the payments would be made through services; how the payments would be managed direct to the families; and were also provided with information about the support the Department will provide before, during and after implementation and information about the required upgrading of their software products.

Consultation with National Peak Bodies representing the child care sector

Following the government's announcement to introduce fortnightly payments the child care sector endorsed the proposal to allow families to have their CCR entitlement paid directly to their child care service.

Child care services and families are accustomed to current arrangements where CCR is paid directly into the bank accounts of their families.

Through engagement with established forums, such as the National Children's Services Forum, which consists of national child care peak bodies, the Department has received repeated representations about the opportunity to improve payment frequency and simplification. This is consistent with representations made during the Henry Tax Review regarding payment reform and simplification.

Representatives from the Department attended the most recent National Children's Services Forum on 16 November 2010 and provided an overview of this proposal and engaged in a discussion with the forum. Members of the forum expressed broad support for fortnightly CCR payments.

Recently the CEO of Early Childhood Australia (ECA), the body that organises the National Children's Services Forum, reiterated ECA's focus on affordability of child care and support for this proposal.

In December 2010, DEEWR formally approached 10 national peak bodies, representing the full spectrum of the child care sector affected by the introduction of fortnightly payments of CCR, for their views on the proposal.

The proposal includes that 15 per cent of the CCR would be withheld to ensure that families do not accumulate a debt or overpayment of their CCB or CCR within a financial year. This would be paid to the families after the end of the financial year reconciliation.

Feedback was received from four organisations; the Australian Childcare Alliance, Australian Community Children's Services, Family Day Care Australia and Campbelltown City Council. Their comments were broadly positive and supportive of the introduction of the proposed changes. The feedback received from these organisations, and the Department's responses, is set out below.

The Australian Child Care Alliance noted that this initiative would be a positive change for the industry and would be welcomed by families. They had three queries:

1. *whether both CCR and CCB would be two transactions and therefore clearly identifiable by services* - the two payments will be listed separately on the remittance statement sent to services, as CCB is currently;
2. *whether the withheld amount of 15% would be paid to the family or the service* - this will be paid to the family after the end of year reconciliation; and
3. *whether the election made by a family would be ongoing or would need to be made on an annual basis* - generally, the election will stand for the time the family continue to use the child care service. New customers will elect their method of payment at the time of applying for CCB. Existing CCR customers who do not nominate a preferred method of receiving their CCR payment will default to the existing quarterly or annual payment method.

The Australian Community Children's Services (ACCS) was welcoming of the changes and suggested that:

1. *clear and full information be provided to families and services through Q&A fact sheets* - Q&A fact sheets were published on the Mychild website, on 14 December 2010, and these will be updated regularly. Services will receive ongoing information from the CCMS Help Desk in the form of newsletters and emails and funding has been secured for a communication campaign to inform families about the introduction of the changes.
2. *some families claiming CCR may elect to receive CCR direct to their family without paying child care fees to the service* - it should be noted that the vast majority of families pay their fees on time. Providing families with the option to receive CCR more frequently will assist families to pay their fees in a more timely manner. Also, it is anticipated that up to 70 percent of families will elect to have their fortnightly CCR payments made direct to the service on their behalf.
3. *the Government consider providing additional funding for software system upgrades (as was provided for the introduction of the Child Care Management System)* - child care services were advised to build these costs into their business models during the consultation process with the sector prior to transition to the CCMS. Advice received through the Technical Reference Group is that they do not expect there will be substantial flow on costs for services.

Family Day Care Australia advised that they had circulated the paper to their members and received positive feedback to the introduction of the changes. They commented that they were

pleased with the support that services will receive through the implementation phase of the project. They suggested that:

1. *concern was expressed that there will be an inevitable added complexity for coordination units in facilitating payment and receipting systems, particularly with the inclusion of the 15% payment withholding, but noted that if software upgrades facilitate this process smoothly it should not present significant problems* – the Department has been working with software providers to ensure their specifications meet the needs of child care services following implementation of the new payment arrangements for CCR. Software providers have had over six months lead time to prepare for implementation. They raised no issues at the Technical Reference Group held in September 2010.
2. *further information on the administration of the 15 per cent withheld amount would be useful, but welcomed the advice that calculations of this were to be managed by the Family Assistance Office* - communication activities will be undertaken to inform child care services and families of the changes, how they will be administered and the ways in which services and families will be affected. Additionally, a Q&A fact sheet has been published on the Mychild website and will be updated regularly to include queries on the withheld amount of 15 percent. Service providers will receive newsletters and emails on the changes through the CCMS Help Desk and regular presentations will be made to the sector by Departmental staff;
3. *there may be small services that would have difficulty meeting any software upgrade costs* - child care services were advised to build these costs into their business models during the consultation process with the sector prior to transition to the CCMS. Advice received through the Technical Reference Group is that they do not expect there will be substantial flow on costs for services; and
4. *services in rural areas required additional communication and support, given the limited time between the passage of the legislation and its implementation* - there is an existing process in place to support the child care sector in all areas which includes ongoing contact through the CCMS Help Desk. Regular presentations and newsletters are put out by the Department and feedback from the sector is considered in the development of updates and rules relating to the administration of child care payments.

The Campbelltown City Council, a large child care provider, gave full support to the proposed introduction of fortnightly payments of CCR. They noted that they operate with a socio-economically disadvantaged area and a large part of their administration time is taken up in the management of fees, including the recovery of outstanding fees.

Campbelltown City Council operates their child care services in line with the Department's recommended business model, charging two weeks fees in advance as a 'bond'. The 'bond' is refunded to families upon two weeks' notice of their intent to cease care. To assist families with the initial cost, Campbelltown City Council has introduced payment plans over a maximum of six weeks. The Council commented that with the introduction of a fortnightly payment of CCR, families will have access to more instant fee relief, reducing the initial barrier to accessing care.

The Council requested that: *additional education be made available to families in low socio-economic and disadvantaged areas* - the communication process to be undertaken following the passage of the legislation will inform families and child care services (nationwide) about the

changes through a variety of media. Service providers will have access to the CCMS Help Desk and regular presentations to the sector. A Q&A fact sheet has been published on the Mychild website and will be regularly updated. Services will receive newsletters and emails through the CCMS Help Desk and will have access to raise queries with the CCMS Help Desk staff.

Consultation with Families

Information on the proposed changes was made available to families on the Mychild website on 14 December 2010. In addition to feedback from national peak bodies, feedback about the proposed CCR changes was received from five members of the general public. These responses were general enquiries about CCR: - when it would commence, who they could talk to for more information and where they would have access to more published information on the changes. They did not raise any negative issues with the introduction of fortnightly payments.

Subject to the passage of the legislation, additional communication activities will be undertaken to inform families and child care services about the changes.

The Family Assistance Office will send a letter to all families using approved child care services to advise of the changes, as well as sending notifications to their child care service. Families will be informed how the changes will be administered and the ways in which families and services will be affected. A Q&A fact sheet covering the concerns raised by the organisations has been published on the Mychild website and will be regularly updated to include any queries that are raised.

Families will continue to have access to the Family Assistance Office for queries about their CCB and CCR payments.

Consultation with Third Party Software Providers

Software providers have been advised of the requirement to update their products. The Department meets quarterly with software providers through a Technical Reference Group to discuss future changes that will impact on their product development and testing.

Representatives of the Department attended a meeting on 13-14 September 2010 of the Technical Reference Group and provided a detailed presentation to software providers around delivery of the Government's proposal and the development of a specific timeframe. As previously mentioned, there is a standing agreement between the Department and software providers that they are given six months lead time to upgrade software and the timing for this proposal is consistent with this agreement. No issues were raised at this meeting around the implementation of fortnightly payments. There have also been no issues raised with the Department in relation to the costs associated with the system upgrade to support the CCR fortnightly payments measure.

7. Conclusion and recommended options

This proposal builds on payment mechanisms already in place. It does not involve any changes to policy or eligibility of families or child care services.

The cost to Government of implementing this proposal is \$42.43 million over five years, in fiscal terms. The benefits to Government are in supporting objectives of increasing workforce participation and access to quality early childhood education and child care.

A fortnightly CCR payment will provide an overall benefit to families by providing increased flexibility and affordability, as families will receive CCR at the time they incur the costs of care. For disadvantaged families a more frequent CCR payment may provide an additional incentive to use approved care due to more frequent fee relief.

Child care services will benefit from the more frequent payment of CCR. Fortnightly CCR payments are broadly supported by child care peak bodies representing the sector. The issue of unpaid fees by some families is raised on an ongoing basis by the child care sector and it is anticipated that more frequent payments of CCR to families will largely address this issue.

This proposal assists families by giving them flexible options, enabling them to pay their child care costs at the time the child care fees are incurred.

8. Implementation and review

The proposed measure would be implemented by the Australian Government by amending the Family Assistance Legislation in Autumn 2011. Legislative amendments are expected to come into effect from 1 July 2011. Systems changes required to support fortnightly payments of CCR to both families and to child care services are planned for completion by this time.

The Department will undertake communication activities with child care National Peak Bodies, service providers and families to inform them of the changes.

Support for the development of the systems and implementation of the changes will be provided by the Department through the ongoing dialogue with software providers and other relevant Commonwealth agencies.

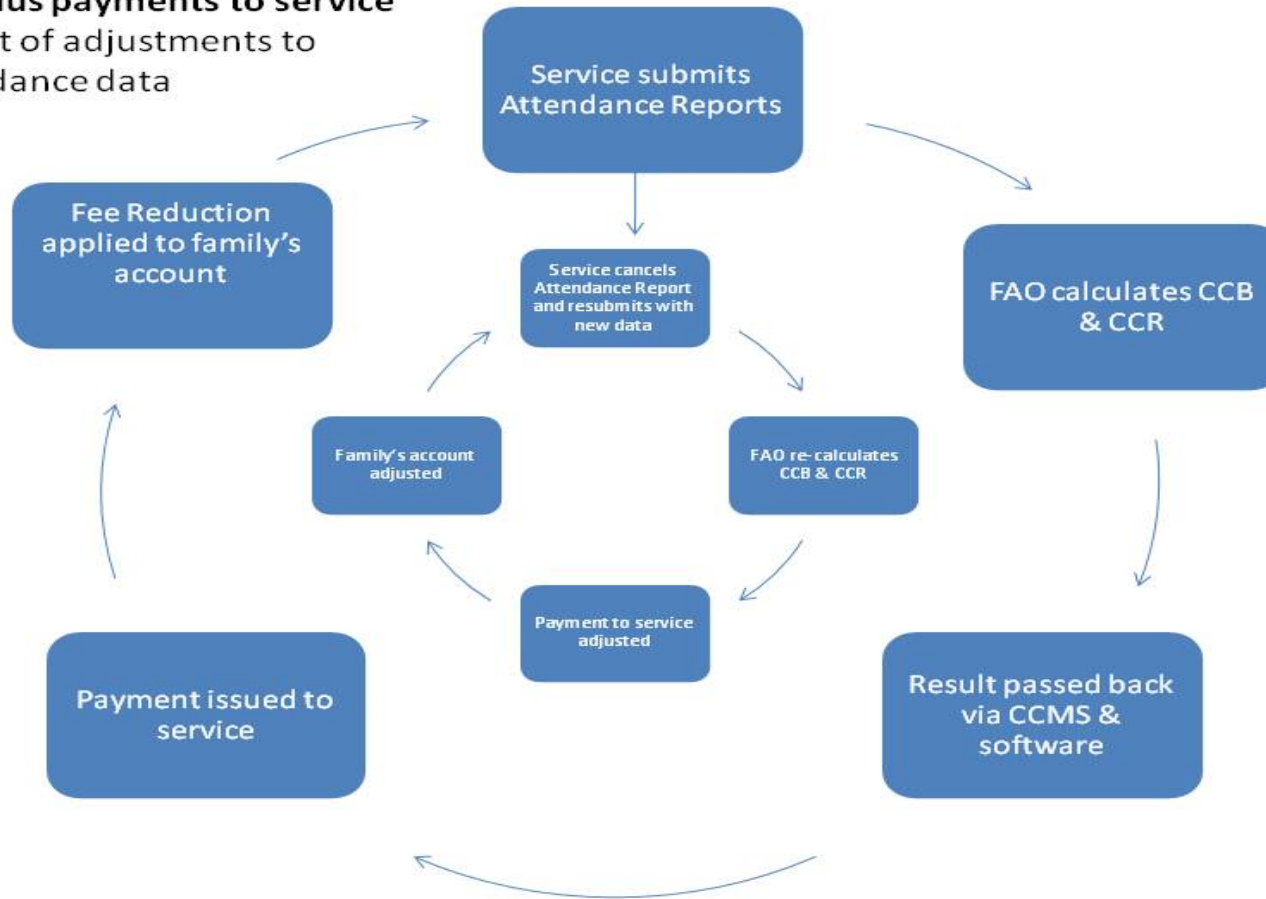
The Department has developed a risk management plan related to implementation of this proposal that outlines potential risks and contingencies in the event of any issues arising.

The Family Assistance Office will contact families during 2011 to advise of changes to the delivery of CCR and to allow families to elect their preferred method of receiving the payment.

Further information on the implementation arrangements for CCR fortnightly payments is at [Attachment A](#).

The measure, once implemented, would be subject to the ongoing review processes that are already in place to monitor any issues that may impact upon the program. These include regular presentations to the sector by staff from the Department's Child Care Management System (CCMS) Section, CCMS Help Desk Support and a fortnightly newsletter that goes out to all approved child care services by CCMS that provides operation information to services, as well as ministerials and enquiries through the Government's Mychild website.

Stimulus payments to service
Impact of adjustments to attendance data



Stimulus payments to family
Impact of adjustments to attendance data

