Australian Government
Department of Education and Training

# Regulation Impact Statement – Jobs for Families Child Care Package

November 2015

# Contents

# Acronyms

| | |
|---|---|
| **ACECQA** | Australian Children's Education and Care Quality Authority |
| **CCB** | Child Care Benefit |
| **CCR** | Child Care Rebate |
| **ECEC** | Early Childhood Education and Care |
| **ICT** | Information and Communication Technology |
| **JETCFFA** | Jobs, Education and Training Child Care Fee Assistance |
| **POA** | Priority of Access |
| **RIS** | Regulation Impact Statement |

# Executive Summary

## Background

Child care and early learning has a significant positive impact on Australia's economy and is a sector which in recent years has continued to show considerable growth. Child care fee assistance is now one of the Government's fastest growing major outlays, with over $5.6 billion spent on child care fee assistance in 2013–14 and projections that this will increase to around $7.2 billion in 2015-16. Given the increasing use of child care by Australian families and the growing public expenditure on child care fee assistance, it is essential the Government ensures this expenditure is sustainable into the future, while also ensuring the system best meets the needs of Australian families.

The child care sector has evolved and grown significantly since the existing system was introduced in 2000. Despite the Government's significant investment in child care, the system has become complex, increasingly unaffordable, inflexible, poorly targeted and is not meeting the needs of children, families and services. These problems impact on the ability to achieve the Government's policy objectives of encouraging workforce participation, addressing children's learning and development needs and creating a more sustainable child care system for Government.

In 2013, the Government tasked the Productivity Commission to undertake an inquiry into the child care and early childhood learning system and provide recommendations on how to make the system more affordable, flexible and accessible. This inquiry commenced in November 2013 and the final report, the *Productivity Commission Inquiry into Childcare and Early Childhood Learning* (2014), was publically released on 20 February 2015. The report confirmed the need for changes to the system to make it more affordable, simple and streamlined, while better targeting child care fee assistance policies and programmes to encourage greater workforce participation by parents.

In response to this report, the Australian Government announced the Jobs for Families Child Care Package on 10 May 2015. The Government announced it would spend almost $40 billion on child care support over the next four years, including changing our child care system to better support families with access to quality, flexible, and affordable child care targeted at those who need it most. The changes included an increase of $3.5 billion to support implementation of the Jobs for Families Child Care Package, which will assist families with their child care costs, plus $843 million over two years to ensure all Australian children have access to a preschool programme in the year before formal schooling.

This Regulation Impact Statement (RIS) presents the package of options which were considered during the development of the Jobs for Families Child Care Package and is the culmination of extensive consultation with the sector and Australian families over recent years and following the Government's announcement of the Jobs for Families Child Care Package.

## Summary of proposed options and consultation findings

Three options were considered by the Australian Government and are outlined throughout this RIS.

**Option 1: No change – retain the existing arrangements**

Under the first option, families, services and the Australian Government would continue to operate under the existing regulatory and funding arrangements. In effect, a no change option means the constraints and challenges currently facing child care in Australia would continue and, over time, be likely to worsen.

**Option 2: The Productivity Commission's recommended reforms**
The Productivity Commission made a number of recommendations that, if implemented, would fundamentally change the current system. Under this option, the following recommendations would be implemented:

- a single, means tested subsidy based on a benchmark hourly rate
- a more stringent activity test to access child care subsidies
- expansion of the system to provide subsidies to families using more service types, including nannies and mobile services
- support for disadvantaged or at risk children
- support for services operating in unviable markets or disadvantaged communities
- simplified National Quality Framework requirements.

The Commission argued that its recommended approach for child-based assistance would enable improvements in both child development and workforce participation, while remaining broadly within the Government's current funding envelope. It implies a significant shift in child care fee assistance toward low to middle level families which, in the longer term, may provide savings for the community in terms of reduced transfer payments and intervention to address child development problems[1].

The proposed changes within Option 2 would affect all children, families, services and governments. The analysis undertaken by the Commission suggested there would be broader economic benefits from these reforms, as a result of an overall increase in workforce participation, increases in the participation of children in formal child care (particularly in preschool participation) and from distributional changes in the types of families participating in the workforce and accessing child care.

Consultations in early 2015 found the Commission's recommendations would have a number of benefits which would address current system issues, including increased affordability and long term sustainability, a reduction in complexity, increased flexibility, and greater management as a result of fortnightly subsidies paid directly to services. Despite this, most participants considered a national benchmark price based on the median fee would unfairly discriminate against families living in areas with high fees, did not reflect fee variations across states and territories and that the proposed minimum subsidy of 20 per cent would to be too low. While a higher minimum rate is beneficial for higher income families, it would increase the overall cost to Government.

The Commission's recommendation to expand the scope of services to be approved for families to receive child care fee assistance payments to those that meet the requirements of the National Quality Framework will improve flexibility but could also increase regulatory burden. In addition, services not currently regulated under the National Quality Framework could face increased regulatory costs under this approach.

The estimated net regulatory impact of Option 2 is an increase in regulatory costs of $19.248 million per annum.

[1] Productivity Commission 2014, *Childcare and Early Learning* (p. 31-32), Inquiry No. 73, Canberra.

**Option 3: Jobs for Families Child Care Package**
Elements of the Jobs for Families Child Care Package include:

- Child Care Subsidy – a single payment paid directly to service providers which will be better targeted and provide more assistance for low and middle income families. Family eligibility for the new Child Care Subsidy will be determined by a three-step activity test which more closely aligns hours of subsidised child care with the amount of work, training, study or other recognised activity undertaken. The activity test has been designed to minimise regulatory burden and aims to help parents stay in work and support parents' gradual return to work.
- Child Care Safety Net – this will provide targeted assistance to child care services in disadvantaged communities and also disadvantaged or vulnerable families and children, to address barriers in accessing child care. The Child Care Safety Net has three components:
  - *Additional Child Care Subsidy* – targeted additional fee assistance for children and families who are genuinely disadvantaged
  - *Community Child Care Fund* – a competitive grants programme to assist services to reduce barriers to access child care
  - *Inclusion Support Programme* – to assist services to be more inclusive and improve access for children with additional needs.
- Interim Home Based Carer Subsidy Programme – this is a two-year nanny pilot programme commencing in January 2016 which will support up to 4,000 nannies to provide care for up to 10,000 children whose families cannot easily access mainstream services for reasons such as shift work or living in rural, remote areas.

Given the scope of the Jobs for Families Child Care Package, this option will have an impact on children, families, services, providers and the Government. From 1 July 2017, families using child care with incomes of between $65,710 and $170,710 will be, on average, around $30 a week better off. Feedback from consultations indicated broad support for a single subsidy and there was general agreement that greater assistance should be provided to low to middle income earners. Consultations also found the hourly cap was considered to be appropriate and fair given its simplicity and ease of calculation. In addition, the hourly cap allows for variability of child care fees, including those in high cost child care locations.

The Child Care Safety Net is anticipated to allow for improved targeting and increased flexibility compared to the current suite of programmes. Under the Community Child Care Fund there will be the flexibility to re-direct funding to new areas as services become viable as a result of the programme.

Following consultation with the sector, some elements of the Package announced in the 2015-16 Budget have been amended. With regard to the Child Care Subsidy, the changes do not affect families with incomes up to $250,000. That is, the changes to the Child Care Subsidy since the 2015-16 Budget will only affect families with incomes of more than $250,000, or around five per cent of families using subsidised child care.

Other changes include, in particular, responding to feedback to support grandparent primary carers in receipt of income support with increased assistance under the Additional Child Care Subsidy. Further information on this change is on page 83.

The agreed estimated net regulatory impact of Option 3 is a decrease in regulatory costs (a saving) of $104.48 million per annum.

Option 3 is the preferred option, based on quantified regulatory burden costs being lower than Option 2 (the Productivity Commission's recommended reforms) and greater qualitative benefits arising from better addressing problems with the current system than Option 2.

Option 3 is considered to provide the best balance between addressing current system issues and achieving the Government's broad policy objectives, while also providing a lower overall regulatory impost on individuals, community organisations and business. It would also be expected that the broader economic benefits of the Jobs for Families Child Care Package would be similar to Option 2, if not greater.

Leaving the system unchanged (Option 1) is the least preferred option as it does not address any of the shortcomings of the existing system. The system would continue to be significantly funded by Government without it meeting the needs of children, families and services. More detailed analysis of each option and the justification for the preferred option are outlined in Chapters 5 and 6, respectively.

## Implementation options and approaches

As the Jobs for Families Child Care Package was announced by the Government on 10 May 2015, this RIS addresses implementation options for the Child Care Subsidy and approaches to implement the Child Care Safety Net. Consultation on these implementation options and approaches occurred throughout July 2015.

The implementation options for the Child Care Subsidy and the Child Care Safety Net are briefly summarised below. These options are outlined in further detail throughout Chapters 7 and 8.

**Child Care Subsidy**

Following the announcement of the Jobs for Families Child Care Package, a consultation process was conducted nationally to seek feedback on how to best implement the announced Child Care Subsidy.

Through the consultations, feedback was sought on implementation options for the following aspects of the Child Care Subsidy:

- family eligibility to receive child care fee assistance – recognised activities under the three-step activity test, exemptions and children's absences from care
- service eligibility to administer child care subsidises – service approval processes, service eligibility criteria, operating requirements and Priority of Access Guidelines.

Each of the implementation options for family and service eligibility included a no change option and other options for changes to existing approaches. All options were assessed in consideration of the overall net benefit, regulatory impacts and stakeholder feedback to determine a preferred option.

With regard to family eligibility implementation options, stakeholder feedback largely focused on ensuring families were not disadvantaged in accessing child care. A number of the preferred options for implementation now include modifications to reflect feedback received. For example:

- the range of recognised activities will include unpaid work experience and a broader definition for voluntary work than was proposed in consultations
- retaining the existing approach to allowable absences.

A range of implementation options were proposed for changes and/or variations to service approval processes and service eligibility criteria to strengthen the Government's compliance framework and ensure the effective management of subsidies.

With regard to service eligibility implementation options, stakeholder feedback was largely focused on strengthening the Government's capacity to ensure payment integrity, while not imposing increased regulatory burden. A number of the preferred options for implementation now include modifications or new proposals to reflect feedback received. For example:

- an alternative option has been developed for streamlining the approval processes to place ultimate responsibility on the approved provider, without the need for a probationary period

- the eligibility criteria for approval now place increased emphasis on the approved provider and matters related to fitness and propriety, financial management, payment integrity and compliance history.

**Child Care Safety Net**
Consultation sought feedback on proposed implementation approaches for the Child Care Safety Net while noting the wide-ranging complexities in designing policies and programmes to appropriately and efficiently target funding for genuinely vulnerable and disadvantaged families and children.

Consultation focused on the proposed implementation approaches for the Child Care Safety Net:

- Additional Child Care Subsidy – Defining children at risk of serious abuse or neglect, Temporary Financial Hardship, Transition to Work, support for families earning less than $65,710 and support for grandparents
- Community Child Care Fund – Community support in disadvantaged areas, Sustainability support, Capital support and Access to affordability support
- Inclusion Support Programme – Inclusion consultants, specialist equipment library, Inclusion Development Fund, Inclusion Development Fund Manager.

Overall there was support for the Additional Child Care Subsidy, particularly in relation to the full coverage of fees up to 120 per cent of the hourly fee cap for children 'at risk' and families experiencing 'temporary financial hardship', in addition to subsidy arrangements for families transitioning from income support to work (i.e. 95 per cent of the fee cap). The feedback received on the Additional Child Care Subsidy was largely centred on a range of views about potential groups that could be considered for a higher level of assistance. To a large extent these groups were identified in the 'at risk' and 'temporary financial hardship' components of the Additional Child Care Subsidy; however, as a result of strong feedback, a new element will now include grandparents who are primary caregivers and in receipt of income support payments.

Feedback on the Community Child Care Fund indicated there was strong support for establishment of the fund and its focus on providing support to services so they can reduce barriers to access. However, there were some issues raised in relation to the implementation of the Fund, especially in relation to the use of a competitive grants process which was seen to potentially disadvantage smaller regional and remote organisations. There were also suggestions in relation to the proposed exclusion of some care types, particularly family day care, from eligibility for certain elements of the Fund. This was seen as potentially reducing its capacity to reach a broad range of families.

Although there is a need for further consultation to determine final policy and programme design for the Fund, some implementation approaches have changed as a result of stakeholder feedback.
For example, the Access to Affordability Support element of the Community Child Care Fund has been removed from the Package given the feedback for this element. It was considered the element would be overly complex to administer and only applicable to a very small percentage of services.

Feedback on the Inclusion Support Programme provided suggestions relating to evidence requirements to access additional support, how the programme can increase the participation of children with additional needs in child care and the purpose of the Inclusion Development Fund. Feedback was also received on what activities could better help embed inclusive practices in child care services and how to measure whether the programme contributes to quality inclusive practices.

Further consultation on the Child Care Safety Net will occur as programme guidelines are developed.

**Information and Computer Technology System**
Significant ICT system development work will be necessary to support the large scale payments provided under the Child Care Subsidy and other reforms the Government is likely to implement

through the Package. The ICT system will be used to support the Government's deregulation agenda by streamlining processes, sharing information and creating efficiencies wherever possible. It will also provide greater transparency of Government subsidies for families and service providers.

Consistent with normal Government practice, and given the likely cost and risk involved, the ICT development will be subject to both the ICT Two Pass Review and Gateway processes.

**Compliance Framework**
A new Compliance Framework for the Jobs for Families Child Care Package will be introduced which will strengthen the Government's powers in deterring non-compliant activity. The aim of the Compliance Framework will be to encourage, enforce and strengthen compliance in the child care and early learning sector to ensure public funds are spent properly and accountably.

## Transition to the new system

A range of activities will be undertaken to implement the Jobs for Families Child Care Package, including the development of legislation, an ICT system (as discussed above) and Transition Plan.

To ensure service providers have sufficient time to implement necessary changes to their ICT and administration systems, legislation will be prepared for introduction in the 2015 Spring Sitting of Parliament.

Ensuring families and services have early and accessible information about the new system is a critical element to its success. The Transition Plan and Departmental governance arrangements will ensure all impacted stakeholders are supported through the transition from the current system to the new system. A core component of the Transition Plan will be a comprehensive communication and stakeholder strategy.

Further information on the activities necessary to implement the Package is in Chapter 11.

## Status of this RIS

The first key decision point for the Government was to consider and determine its response to the recommendations from the Productivity Commission's inquiry into Childcare and Early Childhood Learning. A short form RIS was prepared to inform the Government's response to the Inquiry and the subsequent announcement of the Jobs for Families Child Care Package on 10 May 2015.

An Early Assessment version of this RIS was then prepared to set out the options that were considered during the development of the Jobs for Families Child Care Package and describe implementation options for the key components of the Package. The Early Assessment version of the RIS was submitted to the Office of Best Practice and Regulation for assessment on 19 June 2015. The RIS was then used to form the basis of consultation with services and families on the implementation of the Jobs for Families Child Care Package throughout July 2015.

This version of the RIS has been refined to include the consultation findings and, based on available information about the likely impacts of the proposed options, set out which options are preferred and why.

The version of the RIS released for consultation included the Child Care Subsidy component of the Jobs for Families Child Care Package as announced in the 2015-16 Budget. Since the announcement of the Jobs for Families Child Care Package, the Child Care Subsidy has been modified for two reasons. First, to respond to stakeholder feedback that the announced subsidy rate was too generous for high income families. Second, the additional $3.5 billion to support the implementation of the Jobs for Families Child Care Package was to be funded by savings measures for the Family Tax Benefit announced in the 2014-15 Budget. These savings measures have not been fully realised. Taking these circumstances into account, the rate of Child Care Subsidy for higher income families has been modified. Further information on the changes is on page 31. The analysis of the Jobs for Families Child Care Package in Chapters 5 and 6 of this RIS is based on the revised Child Care Subsidy.

This version of the RIS will accompany the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 when it is introduced into Parliament during the Spring Sitting 2015. For the purposes of this RIS process, this is the final decision point for the Jobs for Families Child Care Package.

## Context for reading this RIS

In the context of Machinery of Government and Ministerial Portfolio changes since September 2013, the portfolio responsibilities for child care have been transferred between the former Australian Government Department of Education, the Department of Social Services and more recently to the newly established Department of Education and Training.

Where references to the 'Department' are made throughout this document, this infers the Department of Education and Training, unless stated otherwise.

# 1. Background to the problem

## 1.1 Australia's child care sector

The child care sector touches the lives of most Australian families, with almost every child now participating in some form of child care before entering school, or afterwards through outside school hours care.

Historically, the Australian Government's policy focus on child care has been to support the workforce participation of parents to boost Australia's productivity. However, since the 1990s, the Government's role has expanded to also focus on the quality of child care services and the role they play in early childhood development.

Currently, the Government is the primary funder of formal child care and early learning through fee assistance to parents, while states and territories have primary carriage of regulation and licencing.

Public expenditure on child care has grown significantly in recent years, with child care fee assistance one of the Government's fastest growing major outlays. In 2013–14, the Government spent over $5.6 billion on child care fee assistance and this is projected to rise to around $7.2 billion in 2015-16 (excluding Jobs Education and Training Child Care Fee Assistance). With this level of expenditure and given the cost that child care can represent for many households, it is important to ensure that parents and taxpayers are getting value for money from the system.

The child care sector is large and diverse and continues to evolve in response to changing demographics, family preferences, the regulatory environment and government assistance settings.

In response to the growing number of children and families using formal care and families' changing work patterns, over several years child care policies and programmes have attempted to improve accessibility and affordability for families. However, these changes have resulted in the system becoming more complex. As the child care sector is subject to both Australian Government and state and territory regulation, this has created further complexity for services and families and has resulted in duplication and regulatory burden for service providers. Implementation of the National Quality Framework for Early Childhood Education and Care (National Quality Framework) from January 2012, which aims to achieve a more unified national regulatory system that contributes to improved quality in the provision of education and care services, has reduced duplication.

In September 2013, and consistent with its election commitment, the Government tasked the Productivity Commission to undertake an inquiry into the child care and early childhood learning system and provide recommendations on how to make it more affordable, flexible and accessible.

In line with the Terms of Reference for the Inquiry (refer to Attachment A), the Government's objectives in commissioning the Inquiry were to examine and identify future options for a child care and early childhood learning system that:

- supports workforce participation, particularly for women
- addresses children's learning and development needs, including the transition to schooling
- is more flexible to suit the needs of families, including families with non-standard work hours, disadvantaged children, and regional families
- is based on appropriate and fiscally sustainable funding arrangements that better support flexible, affordable and accessible quality child care and early childhood learning.

This was the first detailed review of the system since the 1990s and provided the Government with an opportunity to make a generational policy change that will create a sustainable system that encourages greater workforce participation and productivity, and addresses children's learning and development needs.

The *Productivity Commission Inquiry Report into Childcare and Early Childhood Learning (2014)* was publicly released on 20 February 2015 and can be viewed on the Productivity Commission's website: www.pc.gov.au/inquiries/completed/childcare.

**Child care services**

A wide range of child care services are available in Australia, with a mix of public and private (both for and not for profit) providers. In the September quarter 2014, around 16,700 approved child care services operated in Australia. The Productivity Commission estimates that around 50 per cent of approved services are provided on a for profit basis.

Although the Government heavily subsidises parents' use of child care services and the quality of services is subject to state and territory government regulation, the foundation of the system is a set of market-oriented arrangements where parents make choices about the type, quality, location and other service features that best meet their needs as well as the price they are willing and able to pay.

Child care services can be broken into the following broad service types:

- **Long day care** – a centre-based service that usually operates 10-12 hours per day, 5 days a week and caters for 0-5 year olds. These services may also deliver a preschool programme
- **Outside school hours care** – a centre-based service that provides care for primary school-aged children (5-12 years old) before school, after school and during school vacations
- **Occasional care** – a centre-based service that provides care for children on an hourly or sessional basis, primarily for 0-12 year olds
- **Family day care** – a service where children are usually educated and cared for in the educator's own home and which caters primarily for 0-12 year olds
- **Mobile** – a service that visits different locations usually providing care in isolated or disadvantaged communities in regional and remote areas
- **Budget Based Funded** – services that are funded directly by the Government to deliver education and care in regional, remote or Aboriginal and Torres Strait Islander communities where the market is or was otherwise unviable
- **In-home care** – a service where children are cared for in their own homes by educators
- **Registered care** – care provided by individuals.

There are also a range of informal arrangements that may involve nannies, grandparents, relatives and family friends. Over recent decades there has been a trend away from informal care to formal care provided by qualified educators; however many families continue to use informal care, in combination with formal care, and it is often used outside standard working hours.

**Families and children**

During the September quarter 2014 there were 819,970 families with 1.2 million children (an increase of 8.1 per cent since the September quarter 2013) using approved child care in Australia.

The Productivity Commission found that the number of children attending formal child care services has almost doubled over the 15 years to 2011 and this growth exceeds the growth in the population of children.

This reflects the trend away from informal care arrangements towards formal care, with the proportion of children aged 0-12 years using formal approved child care representing 30.6 per cent of the 3.8 million children aged 0-12 years in Australia in the September quarter 2014[2].

The average number of hours charged per child by approved child care services was 25.3 hours per week, an increase of 4.3 per cent from the September quarter 2013 to the September quarter 2014.

[2] Source: Department of Education and Training administrative data

This increase is part of an ongoing pattern of growing utilisation of approved child care services across Australia. Table 1 provides data on use of approved child care, at the September quarter 2014.

**Table 1: Child care: children, families, hours and services, September quarter 2014**

| Service type | Children | Families | Hours/week (average per child) | Services |
|---|---|---|---|---|
| Long day care | 658,400 | 535,930 | 28.0 | 6,601 |
| Family day care and in-home care | 203,790 | 116,190 | 31.6 | 829 |
| Occasional care | 7,750 | 6,390 | 11.8 | 115 |
| Outside school hours care | 369,630 | 263,200 | 11.7 | 9,172 |
| **Total*** | **1,201,110** | **819,970** | **25.3** | **16,717** |

*As families and children may use more than one service type in any particular quarter and due to rounding, the sum of the component parts may not equal the total.

**Source:** Department of Social Services administrative data.

**Government involvement in child care**

All levels of governments (Australian, state and territory and local governments) have a role in the child care system, primarily through supply and demand funding, regulation and legislation, information provision, and setting national policies.

For many child care policy matters, the Australian Government works collaboratively with state and territory governments to develop national policies.

Governments provide a range of financial assistance to the child care sector to meet the objectives of workforce participation, child development and equity of access. The importance of each of these policy objectives has evolved over time.

The Australian Government is the single largest funder of the sector, through child care fee assistance, support for services and National Partnership Agreements with state and territory governments. State and territory governments have primary responsibility for the approval and regulation of child care services under the National Quality Framework and other laws that apply to children. Local governments have a statutory role as a land use planner, including issuing development consents and construction certificates and strategic land use planning. A number of local governments also provide child care and early learning services to their communities.

These governance, regulation and funding arrangements across the country have increased the levels of complexity and inconsistency for service providers and families. However, it has been recognised that there has been good progress reducing complexity with states and territories working together with the Australian Government to develop nationally consistent legislation and regulation for the National Quality Framework.

***Child care fee assistance***

The Government provides assistance to help families meet the cost of child care predominantly through CCB and CCR.

The Family Assistance Law is the basis for the payment of CCB and CCR, as well as other family assistance payments (such as Family Tax Benefit) to eligible parents. Family Assistance Law sets out the child care service and service provider approval and compliance obligations a service must meet.

A range of legislation and regulations are collectively known as the Family Assistance Law, including:

- *A New Tax System (Family Assistance) Act 1999*
- *A New Tax System (Family Assistance) (Administration) Act 1999*
- *Child Care Benefit (Eligibility of Child Care Services for Approval and Continued Approval) Determination 2000*
- *Family Assistance Legislation Amendment (Child Care Management System and Other Measures) Act 2007*.

CCB is an income-tested payment targeted towards low to middle income families and can be received as a lump sum payment or paid direct to an approved service to reduce child care fees. Different loadings are applied to the standard CCB rate depending on the circumstances of the family, such as the number of children in the family and the type of care they use.

In relation to operating requirements, providers of the following types of services must undertake that:

- long day care, in-home care and family day care services will operate on all normal working days in at least 48 weeks of the year and be available to provide care for any particular child for at least 8 continuous hours on each normal working day on which it operates
- occasional care services will operate for a maximum of nine hours per day
- outside school hours care services will, if they provide before or after school care, operate on each school day. If providing vacation care, services will be available to provide care for at least eight continuous hours on each normal working day for at least seven weeks of school holidays in a year.

Under the Family Assistance Law, only occasional care has a maximum operating hour requirement imposed, with a minimum operating hour requirement set for all other service types.

To be eligible for CCB, an individual or their partner (if they have one) must meet residency requirements, be liable for the child care costs and have an eligible child in their care attending approved child care in Australia. All eligible families can receive CCB for up to 24 hours per child per week. To receive more than 24 hours of CCB in a week, both parents must undertake a minimum of 15 hours per week (or 30 hours in a fortnight) of work, training or study, or satisfy an exemption. The amount of assistance is based on a family’s income.

To be eligible for CCR families must be eligible for CCB (even if they do not qualify for financial assistance because their family income is too high). CCR pays up to 50 per cent of a family’s out-of-pocket child care costs after any CCB is deducted, up to a maximum of $7,500 per child per annum. Parents must participate in work related commitments at some time during a week or satisfy an exemption to receive CCR.

Families on higher incomes tend to receive relatively more CCR as they are eligible for less income-tested CCB. Parents can choose to receive CCR on a fortnightly, quarterly or annual basis, or have it paid direct to approved services on their behalf to reduce fees.

The strongest growth in Australian Government expenditure on child care has been for CCB and CCR. These are ‘demand-driven’ payments, which mean they respond to demand from families for approved child care. Together they constitute around 90 per cent of the Government’s outlays on child care. Between 2003–04 and 2013–14, CCB and CCR expenditure grew from $1.4 billion to around $5.6 billion (excluding JETCCFA).

There are additional fee assistance payments targeted to families in specific circumstances:

- **Special Child Care Benefit** – assists where there is a child at risk of serious abuse or neglect, or for a family experiencing short term financial hardship which has substantially reduced their capacity to pay child care fees. Initial claims are limited to 13 weeks, and reassessed thereafter.
    - Special Child Care Benefit is demand driven and child care services determine access to the payment for the first 13 weeks. Special Child Care Benefit is not intended to be an ongoing support payment.
- **Grandparent Child Care Benefit** – assists grandparents who are the primary carers of their grandchildren and who receive an income support payment. Grandparent Child Care Benefit pays the full cost of child care fees for each child in CCB approved care for up to 50 hours a week. Grandparents need to meet the CCB eligibility requirements except for the work, training, study test to claim Grandparent Child Care Benefit.
- **Jobs, Education and Training Child Care Fee Assistance** (JETCCFA) – helps eligible income support parents with the cost of approved child care while they are working, studying or training. JETCCFA meets the net costs of care, after CCB, up to a maximum of $8.14 per hour per child. In addition there is a $1 per hour parental co-contribution per child. Some exemptions apply. Parents can claim 50 per cent of this co-contribution from CCR, reducing the actual out-of-pocket cost of care to parents to 50 cents per hour (depending on the fee charged).
    - JETCCFA is a demand driven programme with a capped appropriation. Whenever there are changes in related policy areas, such as workforce participation requirements for parents on income support, pressure on this subsidy grows.

***Support for child care services***
In situations of market failure, where barriers or distortions hinder the market's ability to meet and satisfy a demand or identified need, successive Governments have established a range of 'supply-side' (service provider-focused) support and funding programmes that aim to assist the market in responding to demand for child care services.

In principle, these initiatives are geared towards assisting service providers to address sustainability and viability within the following four broad areas:

- **establishment barriers** such as 'up-front' capital, infrastructure costs or delays associated with licensing, local government planning regulations and access to land
- **capacity and capability barriers** such as cost/profitability ratios and/or required skills and expertise to include children with additional needs, including children with disability, Aboriginal and Torres Strait Islander children, children from culturally and linguistically diverse backgrounds and from humanitarian or refugee backgrounds
- **sustainability barriers** such as localised 'shallow' markets (where the market is incapable of swift adaptation to changing economic or demographic drivers resulting in pricing pressures and a mismatch between supply and demand) or 'thin' markets (where there are simply insufficient families with children needing to access care).

Further information on Australian Government funded programmes is at Attachment B.

***National Partnership Agreements***
The Australian Government also provides financial assistance to child care and early learning through National Partnership Agreements with state and territory governments.

The *National Partnership Agreement for the National Occasional Care Programme* is the result of the Government's commitment to re-instate $12.6 million in funding for non-CCB approved occasional care services. This Agreement aims to support non-CCB approved occasional care child care service providers, particularly in rural, regional and remote areas. It is not subject to this RIS.

The *National Partnership Agreement on Universal Access to Early Childhood Education* aims to ensure that every child has access to a quality early childhood education programme in the year before full time school with a focus on participation by vulnerable and disadvantaged children. This Agreement is not subject to this RIS.

The *National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care* incorporates the National Quality Framework. The National Quality Framework includes a National Quality Standard to ensure high quality and consistent early childhood education and care across Australia.

The National Quality Framework applies to most long day care, preschool, family day care and outside school hours care services. The National Quality Framework replaced separate licencing and quality assurance systems across all jurisdictions, including those administered by state and territory governments.

The National Quality Framework operates under an 'applied law system' where a national law is established by a host jurisdiction, in this case Victoria, enacting a law and other jurisdictions adopt the law or pass corresponding legislation.

State and territory governments have primary responsibility for the regulation and approval of relevant child care services under the National Quality Framework. The Australian, state and territory governments provide strategic oversight of the National Quality Framework jointly through the Council of Australian Governments' Education Council.

Through the Education Council, the Australian Government and all states and territories are undertaking a review of the National Quality Framework to ensure the goal of improving quality in education and care services is being met in the most efficient and effective way. This is subject to a separate RIS process.

***Provision of information to parents and providers***
The Australian Government's MyChild website (www.mychild.gov.au), administered by the Department of Education and Training, provides a single, national, searchable database on child care and preschool services, including fees, vacancies, National Quality Framework quality ratings, and hours of operation. There are over one million visits to the site each year.

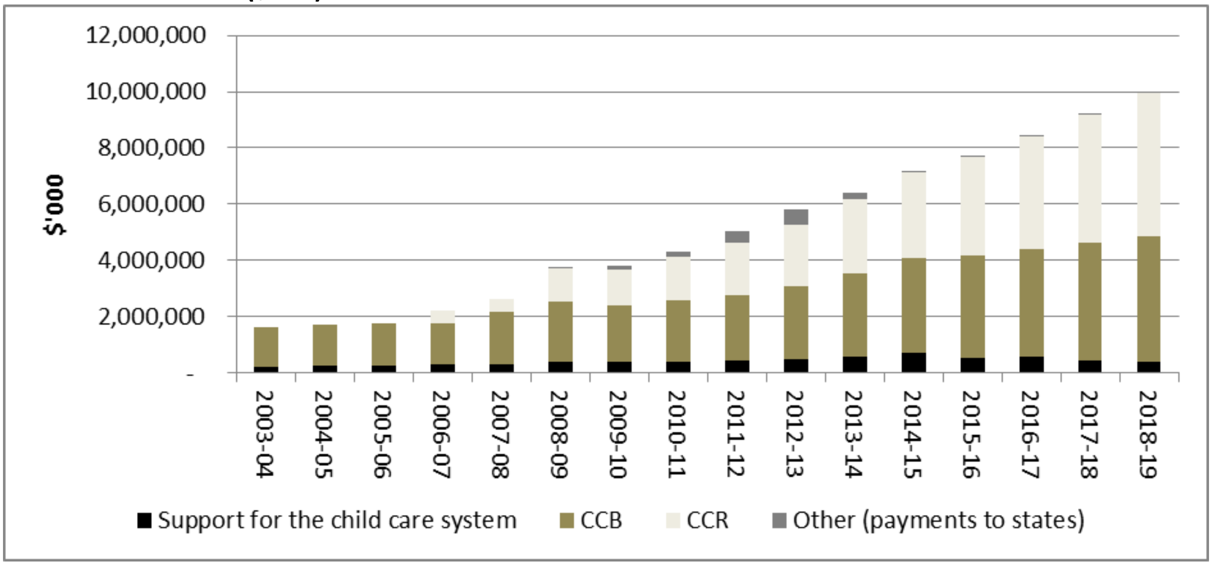
In addition, the Department also provides a number of other services and resources to support child care service providers:

- **Child Care Access Hotline** – a free telephone service providing information to parents including types and location of care, possible vacancies, fee information where provided by approved child care services, how to choose a quality child care service, and Australian Government support. Around 30,000 calls are made to the Hotline each year.
- **Child Care Services Handbook** – an online publication that details policy and legislative requirements, information on Government programmes, and guides to child care assistance. The full range of information is available on the Department of Social Services website (www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/early-childhood-child-care/child-care-service-handbook).

As the agency responsible for payments to families, including the assessment and payment of child care assistance to families, the Department of Human Services provides policy and programme information to parents and educators. It does this through its Australia-wide network and website (www.humanservices.gov.au). Families are able to access the Department's services through online services and mobile phone apps, including the ability to apply for payments and review and change their personal information applicable to child care payments.

In 2015-16 the Australian Government is projected to spend around $7.2 billion on fee assistance (excluding JETCCFA). Australian Government outlays on child care services and fee assistance have increased from $1.6 billion in 2003-04 to over $6.4 billion in 2013-14 (see Figure 1).

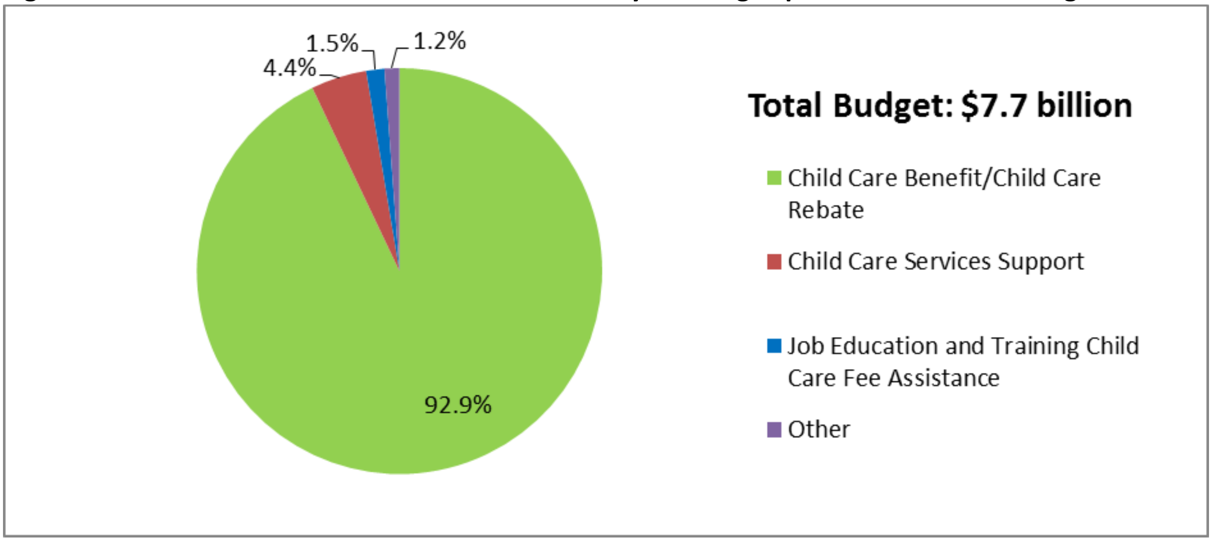
**Figure 1: Australian Government child care and early learning outlays and projected expenditure, 2003-04 to 2018-19 ($000)**




**Source:** Department of Education and Training administrative data

While the majority of financial assistance goes to support families with their fees, there are a range of other programmes. Figure 2 displays the proportion of funding on the variety of different child care programmes.

**Figure 2: Australian Government child care and early learning expenditure 2015-16 budget**




**Source:** Department of Education and Training administrative data

Note: 'Other' includes the Child Care Communications Campaign, the Long Day Care Professional Development Programme and three National Partnership Agreements (National Quality Agenda, Occasional Care and TAFE Fee Waivers).

# 2. What is the policy problem to be solved?

The existing child care system is multifaceted and has resulted in the following problems and challenges for families, services and Government:

- the system is complex for families and services
- child care is becoming increasingly unaffordable for families
- some families cannot find child care that meets their needs and enables them to meet or increase their workforce participation
- the system is inflexible due to current regulatory arrangements
- child care programmes are poorly targeted and not meeting the needs of children, families and services.

These problems impact on achievement of the Government's policy objectives in:

- encouraging workforce participation
- improving children's early learning outcomes
- supporting a sustainable child care system.

These problems were previously identified and considered by the Productivity Commission in the *Inquiry into Child Care and Early Childhood Learning*. In tasking the Productivity Commission to undertake their Inquiry, the Government acknowledged the existing child care system can be improved as:

- families are struggling to find quality child care and early learning that is flexible and affordable enough to meet their needs and to participate in the workforce
- a small but significant number of children start school with learning and developmental delays
- there are shortfalls in reaching and properly supporting the needs of children with disabilities and vulnerable children, regional and rural families and parents who are moving from income support into study and employment
- services need to operate in a system that has clear and sustainable business arrangements, including regulation, planning and funding
- there is a need to ensure that public expenditure on child care and early childhood learning is both efficient and effective in addressing the needs of families and children.

## 2.1 Problems with the existing child care system

**Complexity for families and services**

The existing child care system is complex and many families report that the system is difficult to understand and challenging to easily and quickly access. Both the Productivity Commission and the Australia's Future Tax System Review (Henry Tax Review in 2009) found that the current child care system, particularly in respect of funding arrangements and government involvement, is complex and difficult for families and services to navigate.

This has resulted in some families not receiving the assistance that they are entitled to. In addition, the child care sector is subject to legislation from different levels of government which has resulted in duplication and increased regulatory burden for services.

***Payment design***

Challenges to the sector such as the changing costs of delivery and localised, uneven service provision, mean that some children and families still miss out on accessing quality, affordable child care, while Government expenditure and the cost to taxpayers is growing rapidly.

The calculation of child care fee assistance for families is particularly complicated as the hourly rate of CCB can differ based on:

- the type of care
- whether the care is part–time or full–time
- the number and ages of children a family has in care
- whether the care is work–related.

While tailoring assistance to particular groups is important, it comes at the cost of additional complexity. This can make it difficult for parents and providers to interact with the system and may deter them from doing so. The existence of two child care payments and the way they interact can also add to complexity[3]. Consultations in 2015 indicated some parents do not understand what Government assistance they might be entitled to, and this can add to workforce barriers when making participation choices. Parents have also reported the process for claiming CCB and CCR is complicated, time consuming and bureaucratic in terms of the lengthy forms and repetitive questions.

Additionally, the Productivity Commission found that depending on how parents elect for their subsidies to be paid, there may be a long time lag between fees paid by parents and subsidies paid by the Government. For example, families finding it difficult to accurately estimate their income may choose to claim a nil subsidy throughout the year or overestimate their income in order to receive some subsidy throughout the year, with the full amount of subsidy not being determined until after the end of the financial year. This delay in receiving subsidies can result in parents underestimating the value of the assistance provided by Government.

The Productivity Commission noted that compared with an arrangement where assistance is provided through a single subsidy, current arrangements are expensive to administer both for service providers — which provide advice for families and usually represent the interface through which families claim their subsidises — and Government — whose role is to assess entitlements, pay entitlements to families and to reconcile the amount families actually receive against the amount to which they are entitled once their realised income is known.

While the option of claiming CCB and CCR entitlements in the form of a fee reduction or a lump sum payment gives families a choice around when they receive assistance, the Productivity Commission considers this adds an additional layer of complexity to current funding arrangements. Paying the subsidy direct to providers could help to reduce bad debts.[4]

Some stakeholders have indicated the complexity of working out their entitlements (i.e. Government subsidies, benefits and concessions) makes it difficult for their financial planning and budgeting, particularly for families who have fluctuating or unpredictable incomes. This complexity has contributed to some families not being able to accurately and correctly make decisions about the benefits of increasing their workforce participation.

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[3] *Australia's future tax system – Report to the Treasurer 2009*, http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_2/chapter_f4.htm

[4] Productivity Commission 2014, *Childcare and Early Learning (p. 608)*, Inquiry No. 73, Canberra.

### *Complex government involvement*

The child care sector also has a history of increasingly complex government involvement, as supplier, regulator and funder (to both families and services), with all three levels of government playing a role. This interaction between three levels of government has led to a tendency for some overlap or duplication between the levels and regulatory burden for providers, who often have to respond to requirements from all three levels and navigate across local and state and territory government boundaries. For example, the Productivity Commission noted in its report that a number of local councils impose restrictions on services' operating hours which can reduce the ability for services to provide flexible care. These requirements are in addition to the operating requirements prescribed by the Australian Government in the Family Assistance Law. Table 2 provides a summary of regulation/support of child care services.

**Table 2: Current regulation/support of child care services**

| *Service types* | *Australian Government fee assistance* | *Other Australian Government assistance* | *Regulated by states or territories under the National Quality Framework* | *Regulated under other state or territory legislation* |
|---|---|---|---|---|
| Long day care | ✔ | ✔<br>To support unviable markets | ✔<br>(most) | N/A |
| Family day care | ✔ | ✔<br>To support unviable markets | ✔ | N/A |
| In-home care | ✔<br>(capped places) | ✔<br>Direct funding | ✘ | Only in Tasmania and South Australia |
| Outside school hours care | ✔ | ✔<br>To support unviable markets | ✔ | N/A |
| Occasional care | ✔<br>(capped places) | ✔<br>Direct funding | ✘ | In some jurisdictions |
| Budget Based Funded services | ✘ | ✔<br>Direct funding | ✘ | In some jurisdictions |
| Mobiles | ✘ | ✘<br>Other than Budget Based Funded mobiles | ✘ | In some jurisdictions |

## Affordability

Despite increased Government assistance over many years, child care is becoming increasingly unaffordable for families. The cost of child care directly influences many families' decisions on how much they participate in the workforce or whether they can afford to participate at all. Rates of fee assistance have not kept up with fee growth and some families are unable to access affordable child care in some areas. Service charging practices also impact on affordability for families.

### *Affordability for families*

An important factor families consider when making workforce participation choices, such as deciding to return to work or how many hours to work, is whether the cost of child care is worth the income the primary carer would derive from working.

Without financial assistance, many families would find the cost of child care to be prohibitive. Low to middle income families have reported that without financial assistance they would not be able to afford child care and participate in the workforce. Despite significant Government assistance, some families find the affordability of child care a challenge. Anecdotally, some parents have reported that the costs of child care may even influence their decision whether to have more children.

***Fee growth***

In recent years, despite increased outlays, the amount of fee assistance has not kept pace with increases in fees. In addition, an increasing proportion of fee assistance is going to higher income families rather than lower income families.

A common issue and concern raised by families is about the lack of affordability of child care, especially for children who are younger than school age. Families have also expressed concerns about child care providers continually increasing fees; with some feeling their services regularly raise fees without justification. In consultations there have been calls for government reforms to help place downward pressure on fee growth.

The Productivity Commission found a number of factors may have contributed to the growth in fees including:

- regulatory costs to improve quality, such as qualification requirements and increased educator-to-child ratios
- wage and salary costs above minimum rates to attract and retain staff
- site development and rental costs
- the structure and performance of child care markets
- the impact of government assistance.

There are large variations in fees between states and territories as well as metropolitan, regional and remote areas. This results from the variable costs of operating a service. For example, infrastructure costs can be high in metropolitan and remote areas.

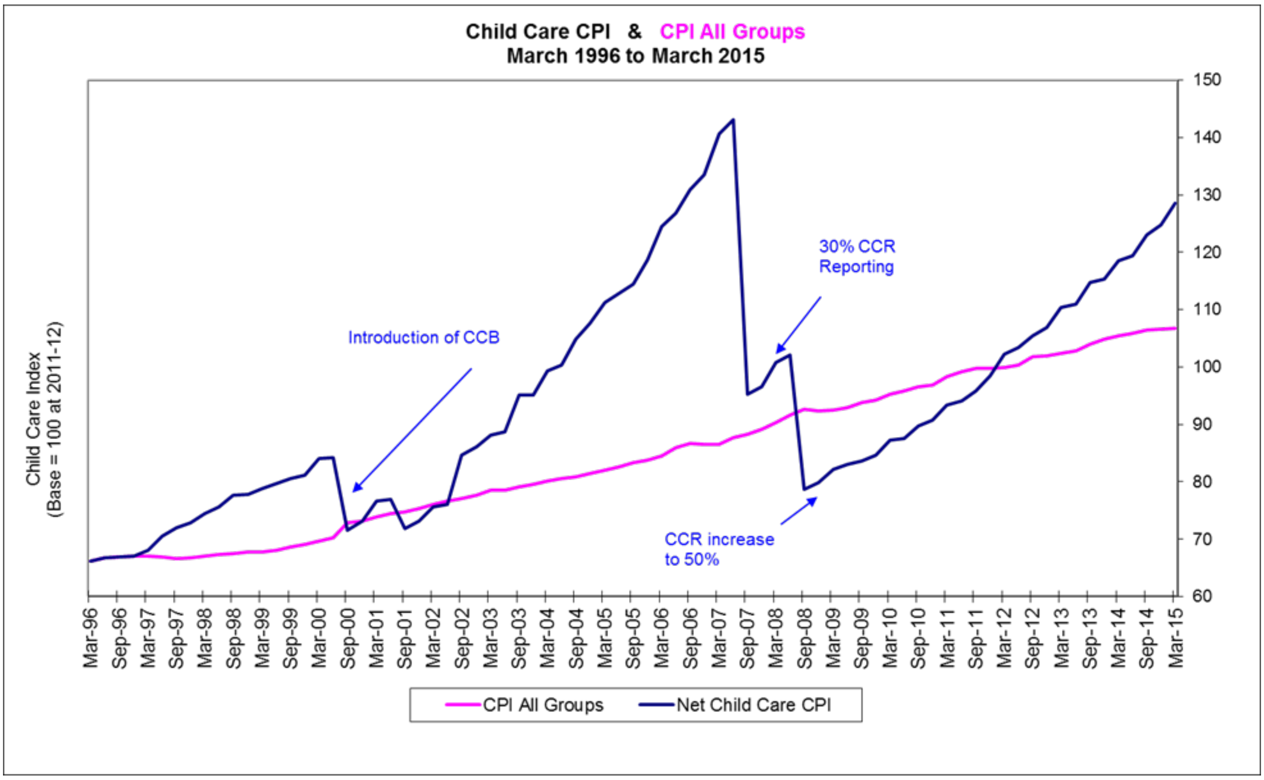
The existing system places little downward pressure on fees. The Government pays a minimum of 50 per cent of fees charged, irrespective of the type of service delivered or family circumstances (up to an annual cap for CCR). The Productivity Commission noted that CCR can weaken parents' resistance to price increases and impact on their child care choices (they may select a more expensive, higher quality service) which can lead to over-servicing by providers and growth in prices.

The most recent data available shows an increase of 9.2 per cent in the average weekly cost of child care per child from September quarter 2013 to September quarter 2014.[5] Additionally, the Productivity Commission stated that following an increase in the rate of CCR in July 2008 (from 30 per cent to 50 per cent of a family's out of pocket expenses), the average annual increase in long day care fees accelerated. However, by July 2009, the rate of increase in fees slowed. Although the rate of CCR increased there was no significant impact on workforce participation.

Figure 3 shows how policy changes to child care fee assistance have impacted on affordability between 1996 and 2013 including the introduction of CCB and CCR.

[5] Department of Social Services administrative data

**Figure 3: Child Care Prices and CPI 1996 to 2015**




Note: To produce an estimate of an average household's gross child care fees payable, the Australian Bureau of Statistics (ABS) collects prices from a sample of child care centres, including family day care, and private and community child care centres in each capital city. The net child care cost index is the gross cost less the estimated CCB and CCR entitlements, based on income and usage profiles of a representative sample of child care users.

The ABS did not include the Child Care Tax Rebate/CCR in the Child Care CPI estimates until 2007. The inclusion of CCR at this point, combined with the one-off 10 per cent increase in CCB that occurred in the 2006-07 Budget, resulted in a large drop in calculated value of the Net Child Care CPI.

### *Service charging practices*

Many providers charge for sessions of care rather than for the number of hours for which care is actually provided. Such fee charging practices are commercial decisions made by providers and each provider decides the fee structure appropriate to their business, including the profit margin.

This is expressly allowed by the Family Assistance Law. Under subsection 10(1) of the *A New Tax System* (*Family Assistance) Act 1999*, CCB and CCR is paid where a service charges a family for a 'session of care'. The Government currently pays subsidies for all hours charged for by services, up to the weekly limit of hours for a session of care for the eligible individual, regardless of whether the child was in attendance for the whole session.

Current charging practices by service providers can lead to situations where families pay for more child care than they need by paying for unused sessions of care, public holidays or sick days.
In addition, families without access to appropriate leave provisions may be required to take leave without pay in order to care for a sick child, while still being required to pay child care fees to the service.

Stakeholder submissions to the Productivity Commission Inquiry highlighted that many families are paying for care they do not need or use. The Productivity Commission found that long day care services, in particular, tend to offer care in full day sessions only. This means that parents who do not need a full day of care (these are typically between 10-12 hours in a long day care service) are required to pay for an entire day regardless of what they actually use. These practices can result in families exhausting their fee assistance entitlement for CCR more quickly than if they were just charged for hours used. It can also reduce the availability of places.

Families with children in an early learning centre or preschool on a part-time basis also encounter accessibility issues. Part-time preschool is often offered on a fortnightly cycle of two days of preschool on one week and three days the next. This creates problems for families as long day care services often cannot offer care on a varying fortnightly cycle, requiring families to pay for a day of care each fortnight which will not be used. Anecdotal feedback is that if other care arrangements cannot be made the family may need to choose to work part-time to negate having to pay for a day of unused care.

Feedback from consultations with stakeholders highlights concerns about families having to pay for a significant amount of unused care. While some families understood that they had to pay a premium to hold their child care place as services need to recover fees to meet their operating costs, many others felt that the system and/or providers were inflexible in not adapting and responding to parental needs for care.

**Accessibility**

Along with significant growth in the number of children using approved care over the last decade, there has been strong growth in the number of child care services.

While the child care sector has grown in recent years to meet the increasing demand for places, many families still have difficulty accessing the kind of care they need, where and when they need it.

The Productivity Commission found some families experience difficulty accessing child care, including finding that:

- there are fewer services offering places for 0-2 year olds
- many children with additional needs, including those at risk of abuse or neglect, attend less than other children
- families often have difficultly securing outside school hours care for preschool and school age children
- some families travel long distances to access child care
- there are reported shortages of child care places in parts of major cities
- the current cap on approved occasional care places greatly restricts accessibility for families.

These barriers to access can impact on the amount of hours that a parent works or their decision to participate in the workforce. In addition, some service providers report that due to existing regulatory restrictions they are finding it impractical to start up or operate viable services in certain circumstances.

The supply of child care can be impacted by:

- **set up and running costs** which can impact on the availability of places, as services may find it too expensive to expand or set up, even in areas of high demand
- **location** – some families have difficulty accessing child care in some areas of Australia, such as inner-city suburbs and mining towns[6], where the cost of entry and operation for service providers outweighs the community's and parents' capacity to pay, even after subsidies and other assistance from governments
- **providers access to capital**[7] (particularly for not-for-profit organisations[8])
- regulatory burden arising through development and building approval processes, constraints due to zoning restrictions, lack of available land, the cost of meeting National Quality Framework requirements and operating requirements
- **eligibility criteria to attract Australian Government subsidies** – providers must meet certain eligibility criteria, including operating hour requirements. This can limit services from opening where it would otherwise be viable to do so, especially in rural and remote areas where demand may not be sufficient to sustain a service for five days a week or for 48 weeks a year (for example, in locations with seasonal employment such as tourism or agriculture).

The effect of these issues on supply can reduce competition in local areas where there is a single dominant provider, or result in insufficient supply in areas where there is little return on investment.

**Flexibility**

Despite the range of service types outlined on page 9, many families still find the current system to be inflexible and are seeking child care arrangements that meet their specific and diverse needs. The current regulatory arrangements for services are inflexible, especially as they relate to operating hours, timing and the type of care being provided. This inflexibility results in some services being unable meet the particular needs of the families they are trying to provide a service for.

Increasingly, parents no longer work '9 to 5' and need more flexibility as to the location, timing and form of care. Shift workers, those working in rural or remote areas and seasonal workers often have difficulty finding child care that suits their needs. This can result in some families perceiving a lack of supply in a circumstance where there is a child care service available, but not in the form and/or at the times they need it.

Current regulatory arrangements interfere with the operation of child care services making them less flexible and creating a disincentive for families to enter the workforce. In addition, some services may be unable to operate a sustainable business model because they are forced to be operational in times of low or no demand.

Feedback from consultations indicates that families consider the child care system has not adapted to meeting the changes of the modern working environment, where most people need more flexible services or prefer in-home care options. The demand for greater flexibility is more acute for parents working longer or non-traditional hours such as emergency service personnel, shift workers or casual workers in the retail or hospitality sectors.

**Poorly targeted programmes**

There are opportunities to improve the efficiency and effectiveness of Government 'supply-side' and 'demand-side' child care programmes. The existing suite of child care support programmes are poorly targeted and not meeting the needs of children, families and services.

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[6] Department of Education n.d., unpublished research.
[7] IBISWorld 2013, *Child Care Services in Australia*.
[8] Lyons, M, North-Samardzic, A & Young, A 2007, 'Capital access of nonprofit organisations', *Agenda,* vol. 14, no. 2, pp. 99-110.

The Productivity Commission found there are at least 20 Australian Government child care assistance programmes and many have overlapping objectives. Additionally, some assistance programmes — such as Special Child Care Benefit, JETCCFA, the Community Support Programme and the Budget Based Funded programme — have been poorly targeted and funds have flowed to services and families well outside their intended purposes.

In practice, many of the supply-side programmes were created to address specific policy issues and have tended to become increasingly complex for Government to administer and for service providers to navigate as those specific issues have evolved.

There are also complex interactions between 'demand-side' funding such as CCB and CCR, and 'supply-side' funding provided direct to services to assist with, for example, establishment costs, special needs children and families, and the cost of operating in remote areas. It is also worth noting that 'supply-side' and targeted programme funding has remained relatively constant over recent years, while at the same time child care fee assistance for families outlays have grown substantially.

These issues will need to be addressed to ensure the long term sustainability of the Government's investment in additional support for families and services.

## 2.2 Impact on Government objectives

The achievement of Government policy objectives with respect to the child care system is influenced by the problems identified and the interactions between them.

**Encouraging workforce participation**

The affordability and accessibility of child care impacts families' workforce participation decisions. However, as highlighted by the Productivity Commission, child care issues are just some of a range of factors which influence workforce participation decisions. Other factors include mothers' preferences to work or keep work skills (compared to caring for their children in the home), financial considerations and family characteristics.

***Affordability***

The affordability of child care for families has a direct impact on their ability to participate in the workforce. The current child care system is increasingly seen as unaffordable and creating disincentives to parents' workforce participation. The Productivity Commission has estimated that there are approximately 165,000 parents (on a full-time equivalent basis) who would like to work, or work more hours but are not able to do so because they are experiencing difficulties with the cost of, or access to, suitable child care.

The way child care assistance interacts with other Government payments, and the implications this has on the work decisions of families is complex. The gains or losses from working an additional day can affect families' disposable incomes differently, depending on their income levels, the number of children in child care and the fees charged.

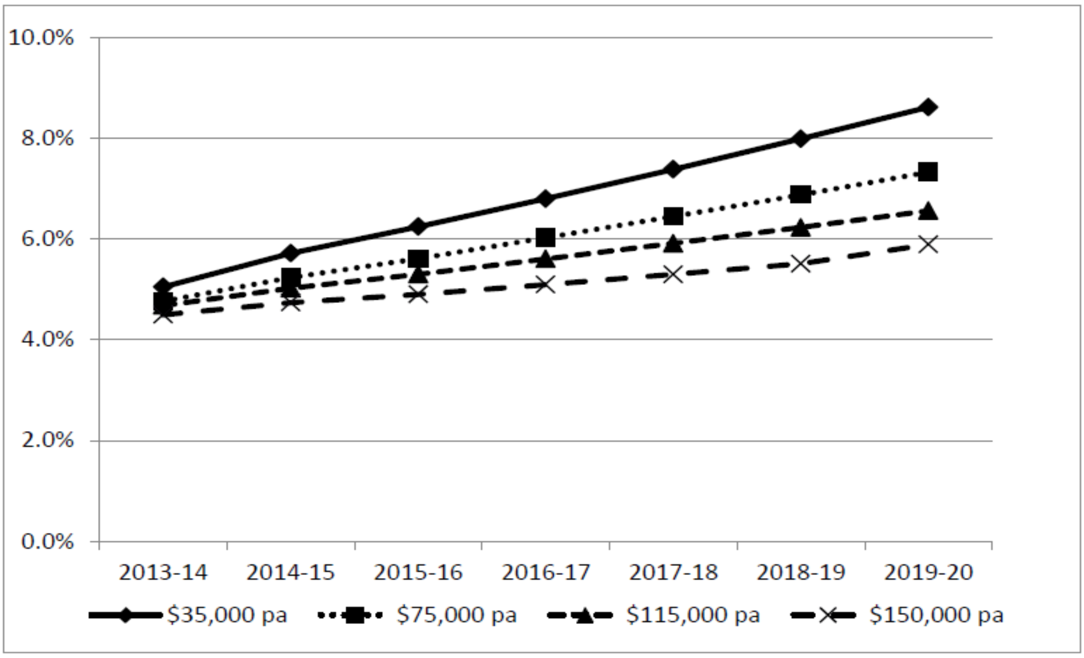
The Productivity Commission found that secondary income earners in couple families and single parent families with children under school age could face a significant disincentive to work more than three days a week due to high effective marginal tax rates from the cumulative impact of income tax and the withdrawal of child care fee assistance, Family Tax Benefit and the Parenting Payment.
In consultations, many families reported the structure of child care subsidises discouraged workforce participation as they were 'better off' working less hours due to reductions in child care fee assistance and other Government assistance. They also felt they were penalised for increasing their work hours.

Despite the range of government subsidies and programmes currently available, some families still find the child care options available to them unaffordable and are left with no choice but for one parent to remain at home to care for children.

In other circumstances, parents are choosing to return to work even though the cost of child care may leave them financially little better off or worse off. This is often to avoid the challenge of re-entering the workforce after taking a significant amount of time off to care for children. Parents who have opted to provide care for their children rather than working often find that without recent work experience it is difficult to compete in the employment market.

It would be expected that women with lower earning potential and families on lower incomes (for whom child care expenses may take up a larger part of their disposable income) would be expected to be more affected by child care fee changes than those with higher incomes.
Figure 4 shows the increase of out-of-pocket costs for families with different income levels over time.

**Figure 4: Out-of-pocket costs as a proportion of disposable income**




**Source:** Department of Education administrative data

### *Accessibility*

Lack of accessible and flexible child care is also a significant issue affecting workforce participation and family stress levels. It can impact on families' workforce participation in the following ways:

- mothers may not return to work, or return part-time to a different role with less potential for promotion
- parents can be required to tag-team with resultant stress levels on parents and potentially children
- families may need to rely on relatives and/or a complex set of formal and informal child care arrangements
- families may be unable to access care for last minute shift changes or vary days that can be used.

Parents with non-standard working/studying conditions and hours have reported that the lack of flexibility in child care service options and practices has made it necessary for them to change their work/study arrangements. For example, some families have had to change to jobs to allow them to work around child care services' operating hours, while other families have needed to select courses of study around child care availability.

Research conducted by the then Department of Education, Employment and Workplace Relations in late 2012 confirmed the importance of child care and noted that flexibility of care (to match parents' work hours) was also important, ranking above affordability alone.

**Improving children's early learning outcomes**
Quality child care services can help children learn and grow in the early years, contributing to their learning in school and later life outcomes. While all children may benefit from participating in quality early childhood services, children from disadvantaged backgrounds and those with additional needs, such as a disability, benefit particularly.

There is a large body of evidence about the value of providing support early in a child's life and balancing risk and protective factors in the early development life stage. Addressing emerging risk difficulties at an early age, before they become entrenched problems, greatly improves the chances of good outcomes for the child.

The Productivity Commission found early learning opportunities can help to identify and address developmental delays early, reduce the risk of harm to certain children and help overcome disadvantage and its longer term consequences, such as welfare dependency. However, the Productivity Commission found that many children with additional needs participate less in child care than other children due to access issues, such as cultural reasons, cost, or because services are unavailable or unwilling to accept children with additional needs.

**Supporting a sustainable child care system**
Constraints and interactions in the child care system create challenges in supporting a sustainable child care system.

***Fiscal sustainability***
There is a tension between improving flexibility and affordability for families while being fiscally responsible. Child care fee assistance accounts for approximately 88 per cent of child care outlays and the main inter-related drivers of expenditure on child care fee assistance are:

- the **number of children** in approved services
- the **number of hours** children spend in approved services – or, rather, the hours charged by approved services
- the **fees** charged by approved services.

An increase in one or more of these drivers can have a significant impact on total expenditure.

For example, if the proportion of children (aged 0-12) in formal care increased by 5 percentage points in 2014-15 (from 29 per cent to 34 per cent of all children) it would add approximately **$1 billion per year** to the child care budget. If the proportion of children (aged 0-12) in formal care increased to 50 per cent of all children in 2014-15 (aged 0-12), it would add approximately **$4 billion per year** to the child care budget.

It is anticipated that CCR will overtake CCB as the Australian Government's largest single child care assistance programme. This trend raises questions about the structure of existing payments.

***Compliance powers***
The Department of Education and Training has a broad ranging programme to encourage, enforce and strengthen compliance with the Family Assistance Law to mitigate the risks associated with relying on child care services to submit accurate information about child care payments. The child care payments compliance strategy focuses on prevention, including education, detection/recovery and deterrence.

Despite such efforts, the Department has identified a range of compliance concerns, including significant non-compliant behaviour by services, particularly in the family day care sector, in relation to incorrect claims for child care fee assistance.

The current legislative and ICT systems do not adequately support activities and impact the ability of the Department to identify, investigate and address non-compliance. The compliance regime under the Family Assistance Law includes a civil penalty regime consisting of infringement notices and civil penalty orders, sanctions and criminal offences.

However, the compliance framework within the Family Assistance Law has a number of limitations, as it does not support a broad range of responses to encourage, monitor and enforce compliance and there is limited capacity within the law to encourage services to meet their obligations through 'stepped' regulatory responses that reflect the seriousness of any non-compliance.

# 3. Objectives of government action

The Australian Government made an election commitment to task the Productivity Commission with an inquiry into how the child care system can be made more flexible, affordable and accessible.

This is the first detailed review of the system since the 1990s and provides the Government with an opportunity to make a generational policy change to address identified problems and achieve its child care priorities, including:

- simplifying and streamlining a complex system that is difficult to understand and navigate
- improving affordability for parents, including taking the steps it can to constrain price growth
- improving access and flexibility
- better targeting assistance for vulnerable children and communities
- reducing regulatory burden through improved data/information sharing and ICT systems.

The goal is to create a more sustainable system that:

- encourages greater workforce participation and productivity, and better meets families' needs
- addresses children's learning and development needs, particularly those who are vulnerable or at risk of poor long-term development outcomes
- improves budget sustainability in the longer term.

As noted in Chapter 2, while Australia's child care system has a number of important strengths, there is substantial scope for improvements in those areas of the child care market over which the Australian Government has responsibility and influence. Through its supply and demand funding, regulation and legislation, information provision and setting national policies, the Government can play a unique and influential role in shaping and regulating the child care sector to achieve better outcomes for Australian families.

# 4. Policy Options

Three policy options were considered in the development of the Australian Government's response to the problems outlined in Chapter 2:

- retaining existing arrangements
- the Productivity Commission’s recommended reforms
- the Jobs for Families Child Care Package (the Government’s preferred option).

This section of the RIS provides an overview of these options and a high level comparison of the options is provided at Table 3 on page 34.

## 4.1 No change option – retain existing arrangements

Under this option, existing child care assistance arrangements would remain in place, including:

- child care fee assistance (CCB, CCR and JETCCFA)
- additional support for vulnerable and disadvantaged children, including Special Child Care Benefit and support to services via the Inclusion and Professional Support Program and the Budget Based Funded Programme
- the National Quality Framework, including outcomes of the current review of the Framework.

## 4.2 The Productivity Commission recommended reforms

The Productivity Commission made a number of recommendations that, if implemented, would fundamentally change the current system. Key recommendations include:

- a single means tested subsidy for families using Australian Government approved services
- a more stringent activity test to access child care subsidies
- expansion of the system to provide subsidies to families using more service types, including nannies and mobile services
- support for disadvantaged or at risk children
- support for services operating in unviable markets or disadvantaged communities
- simplified National Quality Framework requirements.

**Child care fee assistance**

The Productivity Commission recommended a single means tested subsidy, the Early Care and Learning Subsidy, to replace the current fee assistance arrangements. The Productivity Commission recommended the subsidy be:

- based on a benchmark hourly rate, initially set at the median fee for each type of care (long day care, family day care and outside school hours care), with the benchmark determined semi-annually as the median of published fee prices. The Productivity Commission estimates the rates in 2013-14 dollars to be:
    - long day care (children aged from birth – 35 months) – $7.41
    - long day care (children aged 36 months to primary school age) – $7.20
    - family day care (including nannies) – $6.94
    - outside school hours care – $6.00
- means tested, with families with incomes up to $60,000 per annum eligible for subsidy equal to 85 per cent of the benchmark price, tapering to 20 per cent of the benchmark price for families with incomes of $250,000 per annum or above
- paid directly to providers each fortnight.

Some families may not have any co-payment if their fees are significantly lower than the benchmark price – this is where the fee is so low the subsidy rate multiplied by the benchmark price equals the fee charged.

The subsidy would be passed on to families as a fee reduction by approved providers that would satisfy the requirements of the National Quality Framework, and this would include nannies.
The following types of services would generally be an approved service for the purpose of attracting the subsidy:

- centre-based services including long day care, outside school hours care, occasional care, Budget Based Funded and mobile services
- home-based services including family day care and nannies.

The scope of the National Quality Framework would be expanded to include all centre-based and home-based services that are eligible for the child care fee assistance payment.

An approved service would need to meet the following criteria:

- satisfy the requirements of the National Quality Framework
- meet operating requirements.

The registered child care category would be removed.

***Family eligibility***
To be eligible for subsidised child care the Productivity Commission recommended a subsidy would only apply to families who meet residency requirements and whose children are immunised (unless care is occurring in the child's home), and are 13 years and under.

The activity test recommended in the Productivity Commission's report would provide families with up to 100 hours a fortnight of subsidised care if they are engaged in approved work, training or study for at least 24 hours a fortnight or are exempt. The table below shows the Productivity Commission's proposed activity test.

The Productivity Commission found a tighter activity test would increase workforce participation and limit cost pressures.

| Activity (per fortnight) | Number of hours of subsidy ( per fortnight) |
|---|---|
| No activity – only recipients of Parenting Payment | Up to 20 hours |
| 24 hours or more, or exempt | Up to 100 hours |

The Productivity Commission recommended a number of families be exempt from the activity test, including:

- parents receiving an income support payment would be entitled to up to 100 hours of subsidised care per fortnight
- parents receiving Parenting Payment would be entitled to 20 hours only per fortnight without activity.

Unless covered by an exemption, a parent who does not meet the minimum 24 hours of activity per fortnight will not be entitled to any subsidised child care.

**Nannies**
The Productivity Commission recommended fee assistance be extended to nannies provided they are regulated under the National Quality Framework.

The Productivity Commission recommended that while it should not be compulsory for nannies to be employed through an agency or existing child care centre in order to be eligible for assistance, requiring nannies at a minimum to be registered with a coordination unit with at least a diploma qualified coordinator (similar to family day care) would likely provide administrative efficiencies for the Government, and some savings in compliance costs for parents and nannies, including potentially simplifying and/or improving the efficiency of:

- the administration of any child care subsidy payments
- monitoring of compliance.

It suggested families using nannies would need to encourage their nanny to seek approval so that they can access the subsidies available to approved services.

The Productivity Commission also recommended removing the in-home care category of approved care if the Government agreed to bring nannies into the approved child care system.

**Occasional Care**
The Productivity Commission argued the current cap on approved occasional care places greatly restricts the accessibility of occasional care for families particularly for those families who are shift-workers, employed on a casual or contractual basis or who are studying or looking for employment. The Productivity Commission recommended the Government should remove the existing caps on the number of approved occasional care places.

**Changes to service operating requirements**
In order to improve accessibility and flexibility for families, particularly those working non-standard hours, the Productivity Commission recommended removing existing service eligibility requirements related to hours and days per week. The Productivity Commission recommended:

- child care services for children under school age should be operational for at least 48 weeks per year in order to be approved to receive child-based subsidies
- child care services for school age children should be operational for at least seven weeks per year in order to be approved to receive child-based subsidies
- the current requirement for before and after school care services to operate on every school day should be abolished.

**Additional targeted support**
The Productivity Commission's proposed single mainstream payment based on a benchmark rate would provide greater assistance, and reduce out-of-pocket costs, for many low income families compared to the current payment system (CCB/CCR).

However, the Productivity Commission concluded that addressing cost alone is not enough to substantially increase participation among disadvantaged children, and additional support would be needed to respond to barriers that are not addressed through mainstream support. As such, the Productivity Commission recommended overlaying the mainstream payment with additional targeted support via:

- **'At risk' funding** to subsidise 100 per cent of the benchmark rate for children assessed as being at risk of abuse or neglect
- **Community Early Learning Programme** to directly fund services in disadvantaged communities
- **Viability Assistance Programme** to provide time-limited support to mainstream services in regional and remote areas

- **Inclusion Support Programme** to support providers to include children with additional needs such as children with disability, children from culturally and linguistically diverse, refugee or humanitarian intervention backgrounds and Aboriginal and Torres Strait Islander children.

The Productivity Commission recommended ceasing JETCCFA, Grandparent Child Care Benefit and Special Child Care Benefit for families experiencing temporary financial hardship, arguing that its proposed single payment and activity test exemptions will provide sufficient support for these groups.

**National Quality Framework**
The Productivity Commission made a number of recommendations related to streamlining the National Quality Framework. Many of these recommendations are consistent with those being considered through the 2014 Review of the *National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care*.

**Preschool**
The Productivity Commission recommended the Government continue to fund states for universal access to preschool for 15 hours per week for 40 weeks per year based on the number of children enrolled in the preschool programme. This support should be based on the number of children enrolled in state and territory government funded preschool services, including where these are delivered in a long day care service.

**Other Productivity Commission recommendations**
The Productivity Commission made a total of 51 recommendations and 16 findings. While this RIS addresses many of these recommendations, there are a number that are either:

- being addressed through related policy processes (such as the 2014 Review of the *National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care*) or
- outside the Department of Education and Training's responsibility.

A full list of the recommendations is at Attachment C.

## 4.3 Jobs for Families Child Care Package

On 10 May 2015, the Government announced it would spend almost $40 billion on child care support over the next four years, including an increase of $3.5 billion to support implementation of the Jobs for Families Child Care Package, which will assist families with their child care costs. The new child care system will focus on affordable, accessible and flexible child care.

The Jobs for Families Child Care Package is based on the Productivity Commission's recommendations, either in whole, in part, or with modifications taking into account feedback from families and services following the release of the Productivity Commission Report.

The version of the RIS released for consultation included the Child Care Subsidy as announced in the 2015-16 Budget. Since the announcement of the Jobs for Families Child Care Package, the Child Care Subsidy has been modified for two reasons. First, to respond to stakeholder feedback that the announced subsidy rate was too generous for high income families. Second, the additional $3.5 billion to support the implementation of the Jobs for Families Child Care Package was to be funded by savings measures for the Family Tax Benefit announced in the 2014-15 Budget. These savings measures have not been fully realised. Taking these circumstances into account, the rate of Child Care Subsidy for higher income families has been modified. Further information on the changes is on page 31.

Other changes include, in particular, responding to feedback to support grandparent primary carers in receipt of income support with increased assistance under the Additional Child Care Subsidy. Further information on this change is on page 83.

All child care subsidies and support will remain linked to immunisation requirements, which from 1 January 2016 will be strengthened under the Government's '*no jab, no pay*' policy. The only exemption to this policy will be on medical grounds.

The new system will be supported by smart technology to ensure better monitoring of the system, more efficient payment processes and reduced red tape for families and service providers. The system will also assist with protecting the new scheme from abuse and rorting.

**Child Care Subsidy**

From 1 July 2017, the Child Care Subsidy will replace CCB and CCR. The Child Care Subsidy will provide financial assistance to meet the cost of child care for parents engaged in work, training, study or other recognised activity.

The Child Care Subsidy will be based on a percentage of the actual fee paid, up to a maximum hourly fee cap for each service type, with the level of subsidy based on family income.

The Child Care Subsidy announced in the 2015-16 Budget included a subsidy rate of 85 per cent of the actual fee paid (up to an hourly fee cap) for families earning $65,710 or less, tapering down to 50 per cent for families earning around $170,710 or more (in 2017-18 terms).

The Child Care Subsidy rate has been revised so that from implementation, families earning $65,710 or less will receive a subsidy of 85 per cent of the actual fee paid (up to an hourly fee cap). For family incomes above $65,710, the subsidy tapers to 50 per cent for families earning $170,710 and remains at 50 per cent until family income reaches $250,000. For families with incomes of more than $250,000 the subsidy then tapers down to 20 per cent at $340,000 and above. The lower income threshold will be indexed by the Consumer Price Index annually, and the tapers and indexation amount will determine the other income thresholds.

These changes do not affect families with incomes up to $250,000. That is, the changes to the Child Care Subsidy since the 2015-16 Budget will only affect families with incomes of more than $250,000, or around five per cent of families using subsidised child care.

Please note that the analysis in this RIS of the Jobs for Families Child Care Package, and any comparison with the other options, is based on the revised Child Care Subsidy outlined above.

The hourly fee cap will be $11.55 for centre based long day care, $10.70 for family day care, and $10.10 for outside school hours care. The hourly fee caps will be indexed annually by the Consumer Price Index.

For families earning $185,710 or more, an annual cap of $10,000 per child will apply. The annual cap will also be indexed annually by the Consumer Price Index.

Family eligibility will be determined by a three-step activity test which more closely aligns hours of subsidised care with the amount of work, training, study or other recognised activity undertaken.

| Step | Hours of activity (per fortnight) | Number of hours of subsidy (per fortnight) |
|---|---|---|
| 1 | 8 hours to 16 hours | Up to 36 hours |
| 2 | More than 16 hours to 48 hours | Up to 72 hours |
| 3 | More than 48 hours | Up to 100 hours |

Some families who do not meet the activity test will be assisted through the Child Care Safety Net.

Further information on the activity test is provided in Chapter 7, Implementation options for the Child Care Subsidy.

**Child Care Safety Net**

The Child Care Safety Net will provide targeted assistance to child care services in disadvantaged communities and also disadvantaged or vulnerable families and children, to address barriers in accessing child care, while encouraging parents to enter or return to the workforce. The Child Care Safety Net has three components, namely:

- *Additional Child Care Subsidy* – which will provide targeted additional fee assistance to children and families who are genuinely disadvantaged
- *Community Child Care Fund* – a competitive grants programme to assist services to reduce barriers to access child care
- *Inclusion Support Programme* – to assist services to be more inclusive and improve access for children with additional needs.

***Additional Child Care Subsidy***

The Additional Child Care Subsidy will commence on 1 July 2017 and will provide fee assistance in addition to the Child Care Subsidy to increase support for:

- children at risk of serious abuse or neglect
- families experiencing temporary financial hardship
- families transitioning to work from income support
- families with incomes below $65,710 who do not meet the activity test
- grandparent primary carers in receipt of income support, following consultation feedback (see page 83 for details).

***Community Child Care Fund***

The Community Child Care Fund will commence on 1 July 2017 and will comprise competitive grants to services to provide:

- community support: to address barriers for disadvantaged children, or children in regional or remote areas
- sustainability support: for child care services experiencing viability issues
- access to affordability support: to improve affordability for lower income families in high cost areas (this element has since been removed following consultation feedback; see page 93 for details)
- capital support: to increase the supply of care in areas of unmet demand.

From 1 July 2016, the Community Child Care Fund will also provide for the integration of child care, maternal and child health, and family support services in a number of disadvantaged Aboriginal and Torres Strait Islander communities, as recommended by Andrew Forrest in his review of Indigenous Jobs and Training, *Creating Parity*.

***Inclusion Support Programme***

The Inclusion Support Programme will commence on 1 July 2016 and will improve the capacity and capability of child care services to include children with additional needs, particularly children with disability or from culturally and linguistically diverse backgrounds. The programme includes:

- practical inclusion advice and support for services
- access to specialist equipment
- additional funding to services to assist inclusion of children with additional needs.

**Interim Home Based Carer Subsidy Programme**
From early 2016, the Interim Home Based Carer Subsidy Programme (Nanny Pilot Programme) will support up to 4,000 nannies to provide care for up to 10,000 children whose families cannot easily access mainstream services for reasons such as working non-standard hours or living in rural or remote areas. The two year pilot will be evaluated to inform future policy for care provided in the family home.

Families with an annual family income of less than $250,000 who meet the programme guideline requirements will be able to apply to participate in the programme. Families will receive a percentage of the fixed hourly rate of $7.00 per hour per child, at the same assistance rate as proposed under the Child Care Subsidy, with a similar activity test. Families earning around $60,000 or less will receive a subsidy of 85 per cent of the hourly fixed rate. The subsidy gradually tapers to 50 per cent for families earning between $165,000 and $250,000. Up to 50 hours of care will be subsidised per week per child.

Nannies will be required to be at least 18 years of age, have a current Working with Children Check, meet first aid requirements and be attached to a Government-approved service provider.

**Preschool**
The Government has also announced $843 million over two years (2016 and 2017) for preschool programmes across Australia by extending funding to the states and territories under the *National Partnership Agreement on Universal Access to Early Childhood Education*.

**National Quality Framework**
The Government will extend funding of $61.1 million over three years to support the National Quality Framework while working with the states and territories, who have carriage of legislation and regulation for the National Quality Framework, to streamline its operation.

**Table 3: High level comparison of each policy option**

| Element | No change | Productivity Commission recommended reforms | Jobs for Families Child Care Package |
|---|---|---|---|
| **Main fee assistance payment** | • Two payments – Child Care Benefit (CCB) and Child Care Rebate (CCR).<br>• CCB is means tested and rates are limited per hour. Different loadings are applied to the standard CCB rate depending on family circumstances.<br>• CCR covers 50% of out-of-pocket costs and has a non-means tested annual cap ($7,500) per child.<br>• Maximum number of hours of subsidised care is capped at 100 hours per fortnight per child.<br>• Subsidy is paid to parents or providers as fee reduction (on election of the parent). | • Single means tested subsidy based on a national benchmark price. The benchmark price would vary by service type and the age of the child.<br>• Subsidy amount: 85% of the benchmark price for family incomes up to $60,000, tapering to 20% of the benchmark price for family incomes of $250,000 and above.<br>• Maximum number of hours of subsidised care is capped at 100 hours per fortnight.<br>• Subsidy paid fortnightly directly to services. | • Single means tested subsidy based on a percentage of the actual fee, up to a maximum hourly cap. The cap will vary by service type.<br>• Subsidy amount announced in 2015-16 Budget: 85% of actual fee (up to the hourly cap) for family incomes up to $65,710, tapering to 50% of actual fee for family incomes of $170,710 or more.<br>• Revised subsidy amount following consultations: 85% of the actual fee (up to the hourly cap) for family incomes up to $65,710, tapering to 50% for family incomes of $170,710 and continuing at this rate for family incomes of up to $250,000. The subsidy then tapers to 20% for family incomes of $340,000 and above. These changes do not affect families with incomes up to $250,000.<br>• Maximum number of hours of subsidised care is capped at 100 hours per fortnight.<br>• For families earning $185,710 or more, an annual cap of $10,000 per child will apply.<br>• Subsidy paid fortnightly directly to services. |
| **Activity requirements** | • Families can receive up to 24 hours per week of CCB without any activity.<br>• A family that has 15 hours of activity per week or 30 hours a fortnight is eligible for 50 hours of CCB per week.<br>• To be eligible for CCR a family must have work, training or study-related commitment at some time during a week or have an exemption. No minimum number of hours is required. | • Parents must engage in 24 hours per fortnight of work, study or training unless exempt.<br>• Exemptions include income support recipients and those on parenting payment who are entitled to 20 hours per fortnight without activity. | • Eligibility for the Child Care Subsidy will be determined by an activity test that closely aligns the hours of subsidised care with the amount of work, training, study or other recognised activity.<br>• Up to 24 hours of subsidised care per fortnight will also be provided to children from families with incomes less than $65,710 per year who do not meet the activity test to ensure continued access to early childhood learning.<br>• Income support recipients with a participation requirement will have their participation count as eligible activity to determine their subsidy entitlement. |

<table>
<tr><th>Element</th><th>No change</th><th>Productivity Commission recommended reforms</th><th>Jobs for Families Child Care Package</th></tr>
<tr><td>Nannies</td><td><ul><li>Nannies are not an eligible care type and families using a nanny are not financially supported by the Australian Government.</li></ul></td><td><ul><li>Nannies become an eligible care type if they belong to a service that is covered by the National Quality Framework.</li></ul></td><td><ul><li>A pilot programme for up to 4,000 nannies to provide care for up to 10,000 children will be introduced from January 2016 and run until 31 December 2017.</li><li>The programme will be evaluated to inform future Government policy.</li><li>Services would not need to be approved under the National Quality Framework to ensure existing nannies and services can be part of the programme.</li></ul></td></tr>
<tr><td>Additional support</td><td><ul><li>Special Child Care Benefit – rate covers the full cost of child care for at-risk and financial hardship families.</li><li>Inclusion and Professional Support Program – provides services with access to professional development and supports the inclusion of children with additional needs.</li><li>Programmes providing assistance to services in disadvantaged communities or in unviable markets (e.g. Community Support Programme, Budget Based Funded Programme).</li></ul></td><td><ul><li>A programme for at risk children providing 100% subsidy of the benchmark price.</li><li>Cease financial hardship assistance.</li><li>Retain inclusion support for services through a streamlined programme.</li><li>Replace existing programmes with a streamlined number of targeted programmes providing assistance to services in disadvantaged communities or in unviable markets.</li></ul></td><td><ul><li>The Child Care Safety Net will assist vulnerable, disadvantaged and additional needs children.<ul><li>The Additional Child Care Subsidy will provide extra assistance for vulnerable children, including providing a subsidy equal to the actual fee charged, up to 120% of the hourly fee cap, for at risk children and families experiencing temporary financial hardship.</li><li>The Inclusion Support Programme will assist parents who have children with additional needs access child care.</li><li>The Community Child Care Fund will increase access to child care in disadvantaged communities.</li></ul></li></ul></td></tr>
</table>

# 5. Impact analysis of each policy option

## 5.1 No change option – retain existing arrangements

Under this option, families, services and the Australian Government would continue to operate in the context of existing regulatory and funding arrangements for child care.

Consultations found the current child care system is seen as being complicated, expensive (particularly in certain locations), difficult or time consuming to access, and generally inflexible for families with non-standard working hours or conditions. Participants also considered the structure of the system rewarded limited workforce activity as families have access to up to 48 hours of subsidised child care per fortnight with no activity and access to the CCR if they engage in 'some' activity. Some participants considered this has impacted on accessibility as some child care places are being used by some families who do not need child care.

Without any changes to the way child care is funded and managed, existing child care assistance arrangements would remain in place. The costs to Government would continue to rise and would become unsustainable. The poor targeting of current child care programmes and lack of stronger compliance powers would continue. This means there would be limited ability to ensure the right families were receiving the right assistance.

Many families would continue to struggle to find quality child care that is flexible and affordable enough to meet their needs and to participate in the workforce; and families would continue to find the child care system complex and difficult to navigate.

Long term issues with payment and delivery, including supports to disadvantaged children and grants to services, would also not be addressed. These issues include sharp practices and instances where funds have flowed to services and families outside their intended purposes (e.g. Special Child Care Benefit and the Community Support Programme) either as a result of sharp practices or poor programme targeting. It would also result in significant reporting burdens remaining, for example:

- Inclusion and Professional Support Program administration (Inclusion Support Subsidy application forms and inefficient ICT system)
- Registered Care (20 page application form and need to provide receipts of care)
- Budget Based Funded Programme administration (services using manual processes for reporting, utilisation and acquittals).

In effect, a no change scenario means the problems and challenges identified in Chapter 2 would remain, and over time may worsen.

## 5.2 The Productivity Commission recommended reforms

The Productivity Commission's recommendations represent significant changes to Australia's child care and early learning system. The proposed changes would affect all child care participants — children and families, child care service providers, and governments.

**Impact on families**

The Productivity Commission argued its recommended approach for child-based assistance would enable improvements in both child development and workforce participation, while remaining broadly within the Government's funding envelope. It implies a significant shift in taxpayer funded child care assistance toward those employed on low to middle level family incomes that may, in the longer term, provide savings for the community in terms of reduced transfer payments and reduced intervention to address child development problems.[9]

[9] Productivity Commission 2014, *Childcare and Early Learning* (p. 31-32), Inquiry No. 73, Canberra.

Consultations in early 2015 found the Productivity Commission's recommendations would have a number of benefits, including simplification of a complex and complicated system; being easy to manage with fortnightly subsidy paid directly to services; increased care options and more flexibility; and potentially greater child care affordability. However, most consultation participants did not agree a national benchmark price based on the median fee appropriately reflected the fee variations within suburbs, towns, cities, in growth corridors and across different states and territories, and would unfairly discriminate against families living in areas with high fees due to demand or operational costs. Some families also considered the Productivity Commission's proposed minimum subsidy of 20 per cent to be too low. Many participants considered subsidies should be targeted to those who most need assistance and to help ensure the sustainability of Government expenditure.

The Productivity Commission's recommended activity test, while more stringent than the current system, has two steps to differentiate subsidy eligibility. In consultations most families considered the initial 'step' proposed by the Productivity Commission was too high and not consistent with the graduated manner in which many people return to work. In terms of regulatory impact, under the Productivity Commission's recommended activity test, parents would need to provide evidence they are meeting the activity test (for example, a statement from an employer or proof of enrolment in study). This evidence would need to be provided annually or as circumstances change. The regulatory impact of this requirement on individuals is estimated to be $20.996 million per annum.

Removing the registered child care category would impact on all families currently using registered care. However, expanding the scope of services to be approved for families to receive child care fee assistance payments would:

- support parent's participation in the workforce
- improve availability of flexible care arrangements to suit the needs of families including families in regional and remote locations
- provide greater access and choice in care options from a broader range of service types.

***Affordability***

The Productivity Commission estimated the average rate of assistance across all income groups would be around 65 per cent, largely unchanged from the average rate of assistance provided under the current CCB and CCR programmes. For those with a family gross income under $130,000, mainstream child care services would likely be more affordable under the proposed scheme than under the existing combinations of CCB and CCR. For example, the average rate of assistance would be 65 per cent for those in the $100,000 to $130,000 income range under the Productivity Commission's approach, compared with around 53 per cent under the current CCB and capped CCR.[10]

Consultations in early 2015 on the Productivity Commission's recommendations found that the following families would financially benefit most from the Productivity Commission's model:

- low to middle income families
- families with multiple children
- families with non-standard working hours
- single parent families
- families using nannies
- families using child care services that charge below the median fee.

[10] Productivity Commission 2014, *Childcare and Early Learning* (p. 31-32), Inquiry No. 73, Canberra.

***Workforce participation***

The Productivity Commission's analysis suggests for those parents who face lower out-of-pocket costs for child care, their demand for child care services and their willingness to work could be expected to expand and some may substitute formal child care services for informal care currently used. Consultations found that increasing financial assistance was likely to increase workforce participation among families who were not working at all, as well part-time and casual employees.

In contrast, for parents facing higher out-of-pocket costs, their demand for child care services and their willingness to work could be expected to contract, unless they also have access to informal types of care (such as grandparents) which can substitute for higher cost formal care.[11] Consultations found upper-middle to higher income families, families where a primary carer has low or no activity, families using child care services that charge above the median fee (e.g. major metropolitan locations and growth corridors) and JETCCFA recipients would financially benefit the least from the Productivity Commission's model. Nevertheless, the Productivity Commission's approach is expected to markedly improve the incentives to work beyond three days per week.[12]

Many consultation participants were concerned that a reduced subsidy for middle and higher income families (i.e. a taper to 20 per cent) could discourage workforce participation, particularly for the primary carer. However, feedback indicates that families whose primary driver for working/study is non-financial would increase their participation if child care was more flexible and accessible as under the Productivity Commission's model.

The Productivity Commission emphasises that, given the broader tax and welfare settings, there is only so much that changes to child care assistance and accessibility can do to improve workforce participation.[13] The Productivity Commission estimated:

- the changes in workforce participation would be relatively small in aggregate
- the number of mothers in employment would be expected to rise by around 1.2 per cent, or 16,000 mothers, on a full-time equivalent basis (or around 25,000 on a part-time basis). Most of this increase would come from low to middle income families with parents who are not working under the current CCB and CCR arrangements but are induced to work by assistance arrangements under the proposed Early Care and Learning Subsidy
- total hours worked would also be expected to rise for each family income group up to $130,000. At higher income levels, hours worked may fall slightly in aggregate compared to the current situation, although the Productivity Commission stated its modelling does not take into account that many parents choose to work for little short term financial gain, in anticipation of greater longer term benefits from continued workforce attachment.[14]

[11] Productivity Commission 2014, *Childcare and Early Learning* (p. 36), Inquiry No. 73, Canberra.
[12] Productivity Commission 2014, *Childcare and Early Learning* (p. 36), Inquiry No. 73, Canberra.
[13] Productivity Commission 2014, *Childcare and Early Learning* (p. 36), Inquiry No. 73, Canberra.
[14] Productivity Commission 2014, *Childcare and Early Learning* (p. 37), Inquiry No. 73, Canberra.

**Impact on services**

The Productivity Commission's recommendations include:

- expanding the scope of services to be approved for families to receive child care fee assistance payments
- removing the in-home care category of approved services once nannies have been brought into the approved care system and removing the registered care category under the Child Care Benefit.

The Productivity Commission recommended that the subsidy would be available to all services that meet the requirements of the National Quality Framework. Subject to this requirement, the Productivity Commission's recommendations would impact on all child care services currently approved for CCB and CCR and services that are not currently approved for the purposes of CCB and CCR that may become eligible in future. While this would improve flexibility by expanding the range of services available, it could also increase regulatory burden. Services not currently regulated under the National Quality Framework could face increased regulatory costs under this approach.

Currently, the National Quality Framework only applies to most long day care, family day care, preschool or kindergarten and outside schools hours care services. Occasional care services, Budget Based Funded services, mobile services and nannies are excluded from the National Quality Framework under the *Education and Care Services National Law* (National Law) and the *Education and Care Services National Regulations* (National Regulations). Under the Productivity Commission's approach, these service types would need to be brought into the scope of the National Quality Framework.

For example, the regulatory impact of including nannies in the scope of the National Quality Framework is estimated to be $124.740 million per annum. This is based on nannies needing to meet qualification requirements as well as other requirements such as developing policies and procedures and a Quality Improvement Plan. This would be a major transition for nannies and would take some time to implement (qualification changes under the National Quality Framework were phased in over a six year period).

Expanding the scope of the National Quality Framework to include additional service types would require agreement by all governments and legislative reform (noting the National Law and the National Regulations are state and territory legislation). This issue is being considered by the Australian and state and territory governments through the Council of Australian Governments' Education Council, as part of the 2014 Review of the *National Partnership Agreement on the National Quality Agenda on Early Childhood Education and Care* and is subject to a separate RIS process.

State and territory governments have previously expressed reservations about regulating nannies under the National Quality Framework due to the additional regulatory burden that would fall onto the states and territories, but also on the nannies or services themselves. In consultations on the Productivity Commission's model, participants were concerned nannies would be difficult to regulate and could impact the sustainability of the system.

The service approval criteria, in particular changes to operating hours requirements, would have an impact on services that operate under block funding arrangements and provide a platform to encourage the transition of these services from service-based block funding to fee-based business models.

**Impact on communities and governments**

***Broader economy-wide benefits***
The Productivity Commission analysis suggests there would be broader economy-wide benefits from regulatory and funding reforms as a result of:

- an overall increase in the workforce participation of parents
- an increase in the participation of children in formal child care (particularly any increases in preschool participation) and/or
- from distributional changes in the types of families that are participating in the workforce and child care.[15]

In its report, the Productivity Commission included analysis in relation to Gross Domestic Product and they estimate first-round Gross Domestic Product impacts (i.e. ignoring any flow-on impacts on wages or child care fees) associated with the workforce participation effects of the Early Care and Learning Subsidy to be around 0.1 per cent, or an additional $1.3 billion in 2013-14.[16]

The Productivity Commission qualified this analysis by stating this estimate does not include a monetary value for any longer term benefits associated with improved child development outcomes. Nonetheless, the Productivity Commission expected that:

- in the longer term, the proposed changes in the child care system should result in additional benefits to the community associated with preschool attendance, better child development outcomes associated with early identification and intervention to address developmental delays, and increased uptake of child care by children from disadvantaged and lower socio-economic backgrounds
- increases in workforce participation are also likely to have flow-on benefits for child development as evidence suggests outcomes are improved for children whose parents have some workforce attachment.[17]

The Productivity Commission suggested such benefits are highly uncertain and contingent on the quality of both child care services and the education system.[18]

***Cost to Government and sustainability***
The Productivity Commission argued that under its proposed approach child-based child care assistance would be around $5.9 billion per year, around $266 million above the budgeted $5.7 billion for 2013-14.

[15] Productivity Commission 2014, *Childcare and Early Learning* (p. 38), Inquiry No. 73, Canberra.
[16] Productivity Commission 2014, *Childcare and Early Learning* (p. 38), Inquiry No. 73, Canberra.
[17] Productivity Commission 2014, *Childcare and Early Learning* (p. 39), Inquiry No. 73, Canberra.
[18] Productivity Commission 2014, *Childcare and Early Learning* (p. 39), Inquiry No. 73, Canberra.

The Productivity Commission argued there are aspects of its proposed recommendations that are likely to move Government assistance to a more reliable and sustainable footing over the longer term. For example:

- using a benchmark price as the foundation for child-based assistance would mean the Government is no longer subsidising the full cost of additional premium services that provide mostly private benefits to the child and family using them and little additional benefit to the community. The Productivity Commission argued this should dampen growth in total Government expenditure on assistance, and enable its recommended approach to remain financially sustainable for taxpayers. However, there is a risk that current low fees could rise in response to the introduction of a benchmark price. That is, there is a risk the benchmark price could become the 'floor' price
- allowing centre-based providers to offer a broader range of care services, particularly for younger children, would also enable child care services to be more affordable to both families and taxpayers more generally
- the provider-based funding programmes — the Community Early Learning Programme, Inclusion Support Programme and the Viability Assistance Programme — would all have capped budget funding that could be adjusted to fit within budget constraints.[19]

The Productivity Commission estimated that child care usage would rise by 35 million hours (1.2 per cent in 2013-14) under the Early Care and Learning Subsidy. Expanding the range of services that could be approved for fee assistance would mean more families (and children) may potentially be eligible for fee assistance and this would place upward pressure on Government expenditure.

**Regulatory impact**

The estimated net regulatory impact of the Productivity Commission recommendations is an increase in regulatory costs of $19.248 million per annum. The regulatory impact has been assessed by comparing the arrangements under the Productivity Commission's recommended reforms against existing requirements.

Some assumptions have been made about the regulatory impact of the Productivity Commission's recommended reforms, particularly around support for children with additional needs. The net regulatory impact also takes into account:

- a streamlined application process for services seeking approval to administer the Early Care and Learning Subsidy
- automated attendance reporting through the proposed ICT system (as described on page 101)
- the ceasing of the Professional Development component of the existing Inclusion and Professional Support Program (as described on page 95)
- compliance measures, such as random spot checks and invoicing requirements for services (as described on page 103).

[19] Productivity Commission 2014, *Childcare and Early Learning (p. 41)*, Inquiry No. 73, Canberra.

**Table 4: Estimated regulatory impact of the Productivity Commission recommendations**

| **Average annual regulatory costs (from business as usual)** | | | | |
|---|---|---|---|---|
| Change in costs ($ million) | Business | Community organisations | Individuals | Total change in costs |
| Total, by sector | -$0.718 | -$0.718 | $20.684 | $19.248 |
| | | | | |
| Cost offset ($ million) | Business | Community organisations | Individuals | Total, by source |
| Agency | N/A | N/A | $19.248 | $19.248 |
| Are all new costs offset?<br>☑ Yes, costs are offset ☐ No, costs are not offset ☐ Deregulatory—no offsets required<br>Amendments to the *Education Services for Overseas Students Act 2000* (OBPR Reference Number: 17028) | | | | |
| Total (Change in costs – Cost offset) ($ million) = $0 | | | | |

## 5.3 Jobs for Families Child Care Package

The Jobs for Families Child Care Package is intended to have a range of impacts on families, child care services and the Government. The range of reform measures would assist in addressing the problems identified and in meeting the Government objectives outlined in Chapters 2 and Chapter 3, including:

- improving affordability for parents and better targeting assistance for low and middle income families, vulnerable children and disadvantaged communities
- constraining fee increases
- improving access and flexibility, including through the Nanny Pilot Programme
- improving budget sustainability in the longer term
- supporting workforce participation and early childhood development.

The Jobs for Families Child Care Package will provide greater choice for more than 1.2 million families by delivering a simpler, more affordable, more flexible and more accessible child care system.

A stronger three-step activity test that more closely aligns the level of activity with the number of hours of subsidised care is intended to impact family behaviour resulting in changes to workforce participation and usage of child care.

The Child Care Subsidy is expected to impact on all approved services and will be simpler for child care services to understand and navigate than current arrangements, and could provide services with greater flexibility.

The 1 July 2017 start date has been chosen to give families and service providers time to adjust to the new model and support seamless introduction of new systems and arrangements.

As indicated earlier, the Child Care Subsidy has been revised following stakeholder feedback and to improve budget sustainability. The following impact analysis is based on the revised Child Care Subsidy.

**Impact on families**

***Child Care Subsidy***

The Child Care Subsidy will be simpler for families to understand and supports the Government's objective to improve affordability for families using approved child care, particularly low and middle income families. From 1 July 2017, families using child care with incomes of between $65,710 and $170,710 will be, on average, around $30 a week better off.

The annual cap of $10,000 per child is more generous than the current $7,500 annual cap per child for the Child Care Rebate and no annual cap will apply for families earning less than $185,710 when the subsidy commences in 2017.

Feedback from consultations indicates broad support for a single subsidy, and there was general agreement that greater assistance should be provided to low to middle income earners.
Some stakeholders also indicated support for lower subsidies for higher income families, including no subsidy at all for very high income families. The revised Child Care Subsidy model is consistent with the Productivity Commission's recommendation for a minimum subsidy rate of 20 per cent but at a significantly lower family income level ($250,000 rather than $340,000). The Productivity Commission considered that a minimum subsidy rate of 20 per cent recognises the social and economic importance of workforce participation for women at all income levels.

A minimum co-contribution from all child care users was seen by stakeholders as acceptable, fair and necessary. A co-contribution can encourage parents to be conscious of the fees charged and help keep downward pressure on child care fees.

A single subsidy based on family income should improve the transparency and simplicity of support available. As noted by the Productivity Commission in its report, the proposal for a single means-tested subsidy to replace current child care payments was almost universally accepted as a major improvement on the current system.[20]

Under the Child Care Subsidy fee assistance is based on actual fees charged, up to an hourly cap. Consultations found this approach was considered to be appropriate and fair as it:

- allows for variability in child care fees, including those in high cost child care locations
- allows for variability in use of child care services – the same rate of subsidy regardless of type of service so the parent could choose which option suited them most
- is simple to understand
- is easy to calculate – as individuals would be aware of their actual fees.

**Activity test**

The new activity test supports the Government's objective of encouraging workforce participation.

Closer alignment between the hours of subsidised care and the hours of recognised activity will create a stronger incentive for parents to increase their workforce participation if they want to access more subsidised care. However, some families who do not meet the activity test may no longer have access to subsidised child care. Research commissioned by the Department of Social Services on low income families' use of child care and their workforce related activity found the majority of low income families are likely to either meet or be exempt from the proposed activity test. The research also found that for 17 per cent of all families surveyed, their hours of activity would likely increase. This indicates the Child Care Subsidy will have a positive effect on workforce participation.

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[20] Productivity Commission 2014, *Childcare and Early Learning* (p. 600), Inquiry No. 73, Canberra.

While the activity test may require some families to report changes in their recognised activity, having three broad steps will reduce the reporting burden for families with variable work hours. The activity test is based on fortnightly activity to minimise the need for reporting and help smooth out irregular hours.

Feedback from consultations indicates both families and sector representatives broadly support a closer alignment between the number of hours of subsidised care and the level of work, training, study or other recognised activity by the family, by having more steps in the activity test than proposed by the Productivity Commission. There was also broad support for having a small initial step which was seen as important to facilitate the graduated return to work used by many mothers.

Stakeholders raised issues about the impact of the activity test on those working casual or irregular hours and suggested allowing parents to average their hours of activity over a longer period of time. Further information on how this is addressed is provided in Chapter 7 on page 60.

The regulatory impact of the Child Care Subsidy on families is expected to be $0.548 million per annum. Further information on the regulatory impact is provided in Chapter 7.

***Nanny Pilot Programme***

Introducing a Nanny Pilot Programme improves flexibility by expanding the range of services available, particularly for families experiencing difficulties obtaining care due to working non-standard hours, living in remote or rural areas, and other access issues, such as the need for multiple care types for their children. Consultations in early 2015 with families found the majority of participants were supportive of expanding Government financial assistance for child care to include nannies. This support was evident across all family income levels.

The Nanny Pilot Programme will operate in parallel to the in-home care programme (which is only available to children who meet certain eligibility criteria) and provide eligibility to a broader range of families to access a nanny.

The Nanny Pilot Programme will be a targeted programme which is likely to impact a small number of families (up to approximately 4,000 families – assuming an average of 2.5 children per family). Families will be required to submit an application form that will confirm their eligibility and provide details that will be used to prioritise families to participate in the programme. It is expected it would take a parent one hour to complete the application.

Those families who meet the eligibility requirements and are selected to participate in the Nanny Pilot Programme will be eligible for a subsidy that will be provided as a fee reduction for the cost of a nanny. Subsidising the cost of a nanny should provide these families with more flexibility and greater choice about the way they access child care for their children. The programme aims to assist families to access affordable care that meets their needs and facilitate greater workforce participation. Families participating in the Nanny Pilot Programme will be required to inform service providers of any change of circumstances and also be required to report to the Department of Education and Training in instances where they have been incorrectly invoiced by the service provider.

Around 10 per cent of families participating in the programme will be contacted as part of random spot checks to ensure they are complying with programme requirements. The spot checks would take around 30 minutes to complete. Families will also be required to complete some data and evaluation activities for the programme, but these requirements would be minimal.

The regulatory impact of the programme on families is expected to be $0.136 million per annum.

***Child Care Safety Net***
The Child Care Safety Net will overlay the Child Care Subsidy by providing targeted assistance to disadvantaged or vulnerable families and children and child care service providers in disadvantaged communities to address a range of access, affordability, locational and socio-cultural barriers to child care.

Children most likely to benefit from early learning are under-represented in the child care system, including children with additional needs, Aboriginal and Torres Strait Islander children and children from disadvantaged families. The Child Care Safety Net will provide targeted assistance to these children and families, so more children who genuinely need additional assistance will receive it.

The Community Child Care Fund is designed to provide additional support to services to reduce barriers for children and families in their community to access and engage in child care. These barriers may include:

- level of community engagement and perceptions around the value of child care/early childhood education
- dispersed and/or disadvantaged populations
- fragmented service delivery – services in the community operating in 'silos' impacting on awareness and access to child care
- fluctuating demand, low population or issues impacting child care sustainability
- adjustments to infrastructure required to meet unmet demand for child care places.

The Additional Child Care Subsidy will target additional support to children and families who are genuinely disadvantaged, to minimise barriers to participation and provide access to early learning.  The Additional Child Care Subsidy will be better targeted through the setting of clearer parameters, revised approval processes and new evidentiary requirements. This will provide greater clarity for services and families about who the payments are intended to support (for example, through clearer definitions of at risk of serious abuse and neglect and temporary financial hardship). It is expected that approximately 95,000 children at risk of serious abuse or neglect, or from families under temporary financial hardship or families who are transitioning to work, will be assisted through higher subsidies.

The Additional Child Care Subsidy will also provide up to 24 hours per fortnight of subsidised child care to children from families with incomes less than $65,710 per year who do not meet the activity test to ensure continued access to early childhood learning for these low income families.
The 24 hours is equivalent to two six hour sessions per week. Service providers will have flexibility to deliver these sessions.

As most of the funding under the Child Care Safety Net will be provided through payments and grants to child care service providers, the regulatory impact on families under the Child Care Safety Net is low. The only exception is for families transitioning to work from income support who will be required to apply directly for the Additional Child Care Subsidy. The regulatory impact arising from application and reporting for these families is expected to be broadly neutral when compared to the current JETCCFA programme.

Consultations with families and child care sector representatives found that there is broad support for greater assistance being provided to low and middle income earners, especially disadvantaged or vulnerable families and that any additional Government funding on child care should be targeted to those most in need.

**Impact on services**

***Child Care Subsidy***
As noted in the Productivity Commission's Inquiry, there was strong support for its recommendation that the fee assistance subsidy should be paid directly to the provider of the family's choice. A number of providers said this would assist them in reducing bad debts, and reduce the incentives for families to move from provider to provider, leaving bad debts and pocketing the cash rebate.[21]

Estimated benefits and costs include:

- reduced complexity for services regarding fee payment
- reduction in bad debts
- reduced regulatory burden by streamlining the service approval/application processes and automatic reporting of children's attendance through the ICT system.

Proposed changes to the existing activity test under this option could also impact provider behaviour, particularly charging practices in long day care services. The current long day care charging model is a daily fee (typically 10-12 hour blocks). Providers may choose to change their charging practices to align with the hours of subsidy available under the proposed activity test.

Service providers that are funded through the Budget Based Funded programme but are currently ineligible for CCB and CCR will be assisted to transition to the Child Care Subsidy (noting that some families who use these services may also be eligible for assistance under the Additional Child Care Subsidy).

The regulatory impact of the Child Care Subsidy on services is expected to be a saving of $105.164 million per annum. The impact takes into account changes to service eligibility for the Child Care Subsidy, proposed ICT system developments (automated reporting of children's attendance at sessions of care) and the new Compliance Framework. Further information on these changes is provided in Chapters 7 and 9.

***Nanny Pilot Programme***
There would not be a significant impact on service providers participating in the programme.

The programme will engage a small number of service providers (approximately two per state or territory) through an open selection process. It is expected it would take applicants 25 hours to complete and submit a response to the selection process.

The Department will pay service providers through Commonwealth grant arrangements. Service providers will pass the subsidy on to families through a fee reduction.

Service providers will receive an administrative payment to acknowledge their role in administering the programme on behalf of the Department, which is five per cent of the subsidy payments. Service providers will utilise the administration fee to engage families, provide the home-based carers (nannies) and receive the subsidy on behalf of families. Providers will only be selected if they have existing systems in place to meet these requirements so regulatory burden is minimised. Providers will be responsible for requesting updated details from participating families on a quarterly basis – it is expected that these requirements would take services around 30 minutes to complete.

Services will also be responsible for ensuring compliance with the programme, including ensuring the hours of care being provided and claimed for under the programme are correct. It is expected services will undertake these compliance activities four times per year and it would take four

[21] Productivity Commission 2014, *Childcare and Early Learning* (p. 608), Inquiry No. 73, Canberra.

employees four hours to complete (this time includes travel time and would vary depending on the service's experience).

Services will be required to meet agreed reporting requirements as part of the programme, such as invoicing. It is expected it would take services 30 hours throughout the two-year programme to meet the agreed reporting requirements.

The regulatory impact of the programme on services is expected to be $0.024 million per annum.

There is a potential for the programme to attract educators from other services types to become nannies, increasing the workforce pressures faced by some providers.

***Child Care Safety Net***
It is anticipated across the interrelated elements of the Child Care Safety Net more than 10,000 services would either obtain assistance from this programme or seek assistance on behalf of families. To be eligible for funding under the Child Care Safety Net, service providers will be required to be approved for the Child Care Subsidy.

Compared to existing programmes, the Child Care Safety Net places a greater focus on outcomes. In applying for funding under the Community Child Care Fund, services will be required to demonstrate a plan to improve outcomes for children and their families, and that they are willing to make changes that would improve the long term viability of their own service.

While the Community Child Care Fund will require services to apply for funding through a competitive grants process, many of these services are currently in receipt of Government support and would already be required to undertake some form of related administrative process. Further administrative impact on services by the Community Child Care Fund will be minimised by the provision of clear eligibility criteria, detailed application guidance and improved grant monitoring processes.

The Child Care Safety Net will also support greater flexibility compared to the current suite of programmes. Under the Community Child Care Fund there will be the ability to target funding to new areas as projects are completed and as services become more viable as a result of the programme and no long need ongoing support.

A summary of the regulatory impact for each component of the Child Care Safety Net is outlined in table below.

| Component of the Child Care Safety Net | Description of the regulatory impact | Total regulatory impact per annum $ million |
|---|---|---|
| Additional Child Care Subsidy | • Services will be required to refer a child who they have identified as 'at risk of serious abuse or neglect' to the relevant state or territory authority – this notification is likely to take a service 10 minutes to complete.<br>• Around five per cent of services will be required to provide documentation relating to Additional Child Care Subsidy approvals – this is likely to take services 10 minutes to meet this requirement for each approval.<br>• Families will apply directly to the Department of Human Services for temporary financial hardship assistance and the Department of Human Services will assess their eligibility. Compared to current Special Child Care Benefit arrangements, this change is likely to save services 30 minutes per application. | -$0.174 |

| Component of the Child Care Safety Net | Description of the regulatory impact | Total regulatory impact per annum $ million |
|---|---|---|
| Community Child Care Fund | • Services will be required to apply through a competitive grants process to access funding under the Community Child Care Fund. It is expected it would take an average of 22 hours in total to complete an application. | $0.478 |
| Inclusion Support Programme | • The Professional Development component of the existing Inclusion and Professional Support Program will cease from 1 July 2016. This will result in reduced regulatory burden on services. | -$1.226 |

The regulatory impact of the Safety Net on services is expected to be a saving of $0.922 million per annum.

**Impact on communities and governments**

***Broader economy-wide benefits***

The Productivity Commission considered and modelled economy wide impacts for its proposal (refer to page 40). Given the Jobs for Families Child Care Package is broadly consistent with the directions recommended by the Productivity Commission it would be expected that the broader economy wide benefits of this option would be similar, if not better. On this basis, it is expected the Jobs for Families Child Care Package will generate a range of broader economy wide benefits, similar to those indicated by the Productivity Commission in its report[22] including:

- an increased uptake of child care by children from disadvantaged and lower socio-economic backgrounds
- better child development outcomes associated with early identification and intervention to address developmental delays
- increases in workforce participation, leading to greater economic productivity and also flow-on benefits for child development as outcomes are improved for children whose parents have some workforce attachment.

While it is difficult to estimate the impacts on workforce participation due to data limitations and behavioural variables, it is expected the Jobs for Families Child Care Package will encourage families to increase their involvement in paid employment. It is expected that families increasing their workforce participation will do so by a small amount of activity. A marginal attachment to the workforce could grow over time and result in a stronger workforce participation impact.

***Government***

Under the Jobs for Families Child Care Package, families will always make a contribution to their child care fees.[23] Parents will be able to compare the fees they are paying against the fees other services charge, and the hourly cap, and make informed decisions about what they are getting for their fees. During consultations with families, a minimum contribution from all child care users was seen as acceptable and fair.

If a family is charged more than the hourly subsidy cap, they will need to meet the full amount they are charged over the cap. This would create a strong signal at the upper end of the market to help constrain fee growth.

[22] Productivity Commission 2014, *Childcare and Early Learning* (p. 38), Inquiry No. 73, Canberra.

[23] Noting the high capped level of subsidies for children at risk of serious abuse or neglect and temporarily financial hardship families means the intention is that these families will have their full fee subsidised (subject to a higher cap).

A co-contribution should encourage families to consider their child care service options and, in combination with a tighter activity test, exert downward pressure on fee prices. This is expected to help increase affordability for families, particularly low income families, as well as help minimise growth in Government child care fee expenditure. The Child Care Subsidy rate will also assist in improving budget sustainability for Government as less assistance is targeted to higher income families.

Introducing better targeted programmes, building improved ICT systems, and developing an enhanced legislative and compliance architecture, should lead to a more fiscally sustainable programme with strong payment integrity and a better return on investment for both the Government and Australian families.

***Communities***

The Jobs for Families Child Care Package, in particular the Child Care Safety Net, is likely to have a positive impact on families accessing child care across regional and remote communities.

The Community Child Care Fund will address community level barriers to accessing child care including the impact of dispersed and/or disadvantaged populations and fluctuating demand, low population or issues impacting child care sustainability that may be experienced in regional and remote locations.

**Regulatory impact**

The agreed estimated net regulatory impact of the Jobs for Families Child Care Package is a decrease in regulatory costs (a saving) of $104.48 million per annum.

The regulatory impact has been assessed by comparing the arrangements under the Jobs for Families Child Care Package against current requirements and includes the estimated significant reduction in regulatory burden that will be achieved through the ICT system developments and the use of smart technology in respect of recording and reporting children's attendance at services' sessions of care.

**Table 5: Estimated regulatory impact of the Jobs for Families Child Care Package**

| **Average annual regulatory costs (from business as usual)** | | | | |
|---|---|---|---|---|
| Change in costs ($ million) | Business | Community organisations | Individuals | Total change in costs |
| Total, by sector | -$52.582 | -$52.582 | $0.684 | -$104.480 |
| | | | | |
| Cost offset ($ million) | Business | Community organisations | Individuals | Total, by source |
| Agency | N/A | N/A | N/A | N/A |
| Are all new costs offset?<br>☐ Yes, costs are offset ☐ No, costs are not offset ☑ Deregulatory—no offsets required | | | | |
| Total (Change in costs – Cost offset) ($ million) = -$104.480 | | | | |

# 6. Best option from those considered

This section discusses why Option 3 (the Jobs for Families Child Care Package) is the preferred option for addressing ongoing challenges and issues embedded in the current child care system.

The analysis in this Chapter is based on the Child Care Subsidy as revised since the 2015-16 Budget, responding to stakeholder feedback and to support budget sustainability.

As outlined in Chapter 2, there are five main problems with the current child care system:

- the system is complex for families and services
- child care is becoming increasingly unaffordable for families and for Government
- many families cannot find child care that meets their needs and enables them to meet or increase their workforce participation
- the system is inflexible due to current regulatory arrangements
- child care programmes are poorly targeted and are not meeting the needs of children, families and services.

These problems impact on the ability to achieve the Government's policy objectives of encouraging workforce participation and better meeting families' needs for child care, addressing children's learning and development needs, particularly those children who are vulnerable or at risk of poor development outcomes, and creating a more sustainable child care system for the Government.

Option 3 is the preferred option, based on quantified regulatory burden costs being lower than Option 2 (the Productivity Commission's recommended reforms) and greater qualitative benefits arising from better addressing problems with the current system than Option 2.

Option 1, leaving the system unchanged, is the least preferred option as it does not address any of the shortcomings of the existing system.

Table 6 indicates the degree to which Options 1, 2 and 3 address the problems across the existing child care system. The three options have been ranked from one to three according to the degree to which they address the problems with the existing system. The option that is considered to address the problem best is ranked 1 while the option that least adequately addresses the problem is ranked 3.

**Table 6: Ranking of options against problems with the existing system**

| Problem | **Option 1** No change option | **Option 2** Productivity Commission recommended reforms | **Option 3** Jobs for Families Child Care Package |
|---|---|---|---|
| Complexity | 3 | 1 | 1 |
| Affordability | 3 | 2 | 1 |
| Accessibility | 3 | 2 | 1 |
| Flexibility | 3 | 2 | 1 |
| Poorly targeted programmes | 3 | 1 | 1 |

## Ranking justification for Options 2 and 3

**Complexity**
Option 2 and 3 both address the problem of complexity by introducing a single mainstream payment and streamlining processes through ICT system developments. While the multi subsidy tapers in Option 3 are more complex than the single taper in Option 2, the Child Care Subsidy in Option 3, based on the actual fee families are charged, will be simpler for families to understand and easier for them to calculate than Option 2. The benchmark price in Option 2 may not have any relevance to the fees families are charged. Recalculating the benchmark price every six months, as recommended by the Productivity Commission, would add further complexity.

In terms of the activity test, the evidentiary requirements recommended by the Productivity Commission would also be more complex and onerous than the approach adopted in Option 3 which would rely on families' self declaration of activity (with random spot checks for a proportion of families to ensure they are complying with the activity test requirements).

**Affordability for families and Government**
Options 2 and 3 both address the problem of child care becoming increasingly unaffordable for families by providing greater child care fee assistance, particularly to low and middle income families, and introducing a benchmark price (Option 2) or hourly fee cap (Option 3) to place downward pressure of fee growth.

However, Option 3 has been ranked higher because the Child Care Subsidy allows for variability in child care fees and takes into account geographical differences because it is based on a proportion of the actual fee. This will help improve affordability for families living in high fee areas (up to the limit of the hourly fee cap) and may lead to increased workforce participation as the cost of child care is a key factor parents consider when making decisions about workforce participation.

Due to the use of an hourly fee cap, and the more generous subsidy rates, families with incomes between $170,000 and $250,000 will, on average, be better off under Option 3 than Option 2.

**Accessibility**
Options 2 and 3 both address the problem of child care being inaccessible for some families by expanding the range of care types eligible for child care fee assistance and introducing better targeted programmes for child care services and disadvantaged or vulnerable families and children.

However, Option 3 provides support for a broader range of circumstances than Option 2 as it will provide additional support to families facing temporary financial hardship, families transitioning to work and grandparent primary carers in receipt of income support. Option 2 does not provide additional support for these families and, without it, these families may no longer have access to subsidised child care which would impact on early childhood development outcomes and create barriers to workforce participation. Option 2 also provides a lower rate of subsidy for children considered at risk of serious abuse or neglect by subsidising only 100 per cent of the benchmark rate. This may create a barrier for these children accessing child care. By comparison, Option 3 provides a subsidy equal to the actual fee charged, up to 120 per cent of the hourly fee cap, for at risk children.

**Flexibility**
Options 2 and 3 both address the problem of the system being inflexible by changing service operating requirements and expanding the range of care types eligible for child care fee assistance. However, Option 3 has been ranked higher as its Nanny Pilot Programme has a smaller regulatory impact (around $0.160 million per annum) than Option 2 (around $124.740 million per annum).

The approach to subsidising nannies under Option 2 would take a considerable time to implement and, therefore, would not address the problem of flexibility in the short term. The Nanny Pilot Programme will commence from January 2016 to support families who cannot easily access mainstream services. The two year pilot will remove some barriers to workforce participation by making child care more flexible for families. The pilot will also inform future policy for care provided in the family home.

**Poorly targeted programmes**
Option 2 and 3 both address the problem of programmes being poorly targeted by introducing a smaller number of better targeted programmes to provide assistance to services and vulnerable or disadvantaged families.

The approach to implementing the Community Child Care Fund under Option 3 provides additional support to that outlined in Option 2. For instance, under Option 3 capital grant funding will also be provided for services needing to adjust infrastructure to meet unmet demand for child care places.

In addition, the Community Education and Learning Programme recommended under Option 2 is not a preferred model to address barriers to community engagement.

There is no doubt that services operating in disadvantaged Aboriginal and Torres Strait Islander communities face considerable challenges and that children in these communities need high quality, culturally appropriate services. Experience with block funded grant programmes in child care is that they have become locked into a historical context, unable to adapt and grow in the same way as mainstream services. It is difficult for these services to maintain comparable quality and inequality can become entrenched. In addition, programmes reach the limit of their allocation and are closed preventing the establishment of new services.

Therefore, Option 3 is preferred as it will include all services in the same system with additional support available as needed. This will encourage the mainstream system to develop the capability to effectively support culturally strong Aboriginal and Torres Strait Islander services.

**Other considerations**

***Impact of changes on workforce participation***
Historically, changes to child care fee assistance have had a negligible impact on female workforce participation.

Both Options 2 and 3 are expected to have a positive impact on workforce participation. The cost of child care is a key factor parents consider when making decisions about workforce participation. Both Options 2 and 3 may lead to increased workforce participation by improving the affordability of child care, particularly for low and middle income families.

The design of the activity test was taken into consideration when assessing which option has the highest net benefit, better addresses the identified problems and achieves the Government's policy objectives.

In terms of encouraging workforce participation, the Jobs for Families Child Care Package seeks to remove barriers to increased participation and strengthen the link between the payment of subsidies and workforce participation through the activity test. While it is difficult to estimate the impacts on workforce participation due to data limitations and behavioural variables, it is estimated that families increasing their workforce participation under the Jobs for Families Child Care Package will do so by a small amount of activity.

The Government considers there is a strong case to deliver a new child care system that provides assistance for parents engaged in work, training or study or other recognised activity. The activity test in Option 3 has greater alignment of hours of subsidised care with the amount of work, training, study or other recognised activity undertaken than the Option 2 activity test. Closer alignment between the hours of subsidised care and the hours of recognised activity will create a stronger incentive for parents to increase their workforce participation if they want to access more subsidised care. Research commissioned by the Department of Social Services on low income families' use of child care and their workforce-related activity found that for 17 per cent of all families surveyed their hours of workforce related activity would likely increase in response to the Jobs for Families Child Care Package.

The activity test in Option 3 also has a lower entry requirement to subsidised child care (8 hours of activity per fortnight). The lower entry requirement aims to support parents' gradual return to work which may result in greater workforce participation outcomes. For an ongoing attachment to the labour force to result, often initial engagement is the most important step. A marginal attachment to the workforce could grow over time and result in a stronger workforce participation impact. The Productivity Commission's activity test provides less incentive for parents to return to work as they would need to engage in at least 24 hours of activity per fortnight to be eligible for subsidies.

The activity test in Option 3 will result in a lower regulatory burden compared to Option 2 as families will not be required to provide evidence of activity unless they are requested to do so as part of a sample survey of random spot checks. The survey will only affect around five per cent of families in receipt of the Child Care Subsidy and its regulatory impact is estimated to be $0.548 million per annum (further information is provided on page 60). Under Option 2 families would need to provide evidence they are meeting the activity test annually or as circumstances change. This would have a considerable regulatory impact on families (estimated to be around $20.996 million per annum) and also places an administrative burden on workplaces.

***Impact of changes on early childhood development outcomes***
Option 3 is considered to have a more positive impact on early childhood development outcomes compared to Option 2 as it will provide support to genuinely disadvantaged and vulnerable families so they can access early learning without significant financial and accessibility barriers. It also provides better child development outcomes associated with early identification and intervention to address developmental delays, particularly through the participation in child care of children with additional needs, Aboriginal and Torres Strait Islander children and children from disadvantaged families. In consultations in early 2015, stakeholders raised concerns about the Productivity Commission's approach to supporting children with additional needs as stakeholders considered it did not provide enough assistance to address barriers for disadvantaged and vulnerable children to access child care.

Option 2 provides no additional assistance for grandparents in receipt of income support who are primary carers of their grandchildren, families experiencing temporary financial hardship or families on income support transitioning into work. Option 3 includes support for these groups including a more generous subsidy for children considered at risk of serious abuse or neglect. Option 3 supports a greater number of disadvantaged and vulnerable children accessing early childhood learning. Option 3 is also preferable as low income families will get 24 hours per fortnight without meeting the activity test to support early learning.

***Impact of changes on sustainability for Government***
Option 3 is considered to better meet the Government's objective for a more sustainable child care system. The use of hourly fee caps under Option 3 send a strong message about what a 'high fee' service is and places downward pressure on fee increases as families will not be subsidised for the gap between the hourly fee cap and higher fees. This will help restrain Government expenditure over time.

Under Option 2, there is a risk that current low fees could rise in response to the introduction of a benchmark price. This could impact on the calculation of the median price (the benchmark) and increase Government outlays overtime as the benchmark would effectively become the "floor" price each time it is set.

# 7. Implementation Options for the Child Care Subsidy

## 7.1 Overview

Following the Government's announcement of the Jobs for Families Child Care Package, national consultations on the Early Assessment version of the RIS commenced on release of the RIS on 29 June 2015 and concluded on the 31 July 2015. Feedback was sought on how the following components of the Child Care Assistance could be implemented (including on options where relevant) and how they would impact on families and services:

- Child Care Subsidy
    - Family eligibility
    - Service eligibility
- Child Care Safety Net (refer to Chapter 8)
    - Additional Child Care Subsidy
    - Community Child Care Fund
    - Inclusion Support Programme
- Changes to the ICT system to support the reforms (refer to Chapter 9).

The feedback from the RIS consultations is described throughout Chapters 7, 8 and 9. Chapter 10 and Attachment D provide an overview of the consultation process.

## 7.2 Child Care Subsidy

**Family eligibility for the Child Care Subsidy**

Family eligibility for the Child Care Subsidy supports Australian Government policy objectives, including:

- supporting workforce participation
- supporting children's learning and development needs
- targeting child care fee assistance to those who need it most including disadvantaged and vulnerable families and children.

The implementation of the Jobs for Families Child Care Package provides an opportunity to review current eligibility requirements to ensure they meet the Government's policy objectives.

This section explores implementation options relating to the treatment of activities and exemptions under the activity test. Feedback was also sought on options relating to children's absences from care.

**Family eligibility – Activity test for eligibility for the Child Care Subsidy – recognised activities**

| Option Number | Description |
|---|---|
| **1.1** | No change – aligned to recognised activities for the Child Care Benefit and Child Care Rebate work, training, study test. |
| **1.2** | Defined range of activities with some activity types having restricted access of only up to 18 hours per week (36 hours per fortnight). |
| **1.3** | Defined range of activities with some time limits on how long some activities are acceptable. |
| **1.4** | Combination of Options 1.2 and 1.3. |

***Existing arrangements***

The Family Assistance Law provides a range of approved work, training and study related activities that families need to undertake in order to satisfy the activity test to access child care subsidies (CCB and CCR).

All families receive up to 48 hours of CCB per fortnight without having to meet the work, training and study test. Families are then entitled to up to 100 hours of CCB per fortnight if each parent participates in work related activities for at least 30 hours per fortnight.

There is no requirement for families to provide evidence of their recognised work or work-related activity in their application for CCB. Families are asked to declare the type of work-related activity they participate in and whether they participate in that activity for at least 30 hours per fortnight.

To be eligible for CCR, both parents are required to participate in work-related activities at some time during the week. There is no minimum number of hours required. Eligibility for CCR is automatically assessed when a family lodges a claim for CCB.

***Child Care Subsidy***

Family eligibility for the new Child Care Subsidy will be determined by a three-step activity test which aligns hours of subsidised child care with the amount of work, training, study or other recognised activity undertaken. The activity test has been designed to minimise regulatory burden and support and encourage workforce participation. The new activity test aims to help parents stay in work and support parents' gradual return to work.

| Step | Hours of activity (per fortnight) | Number of hours of subsidy (per fortnight) |
|---|---|---|
| **1** | 8 to 16 hours | Up to 36 hours |
| **2** | More than 16 to 48 hours | Up to 72 hours |
| **3** | More than 48 hours | Up to 100 hours |

Both parents, unless exempt, must meet the activity test to be eligible for subsidised child care. In the case where two parents are eligible for different steps, the parent with the lowest entitlement will determine the hours of subsidised care for the child. Individuals will be able to combine time spent undertaking approved activities.

To minimise unnecessary regulatory burden, families will continue to self-declare the number of hours they participate in recognised activities to determine the amount of subsidised child care they will receive. However, the new compliance framework will involve random spot checks for a proportion of families to ensure they are complying with the requirements of the activity test. Clear guidance on evidence requirements for these spot checks would be developed for families.

Some families who do not meet the activity test will be assisted through the Child Care Safety Net. For example, up to 24 hours of subsidised child care per fortnight will be provided to children from families with incomes less than $65,710 per year who do not meet the activity test, to ensure continued access to early childhood learning for the children in these low income families.

For consultation on the identified options, it was proposed the definition of voluntary activity that would meet the activity test for the Child Care Subsidy would be aligned to that used for the purposes of meeting participation requirements for income support payments.

The table below sets out the proposed treatment of the range of recognised activities for each option:

| Activity | No change (Option 1.1) | Option 1.2 | Option 1.3 | Option 1.4 |
|---|---|---|---|---|
| Paid work, including self-employment | ✔ | ✔ Linked to hours of activity | ✔ Linked to hours of activity | ✔ Linked to hours of activity |
| On annual, long service, sick or other paid leave – including those who are self employed | ✔ | ✔ Linked to hours of activity of job prior to leave | ✔ Linked to hours of activity of job prior to leave | ✔ Linked to hours of activity of job prior to leave |
| Jury duty, volunteering for the state emergency services | ✔ | ✔ Linked to hours of activity | ✔ Linked to hours of activity | ✔ Linked to hours of activity |
| On paid or unpaid parental leave | ✔ | ✔ Linked to hours of activity before leave | ✔ Linked to hours of activity before leave | ✔ Linked to hours of activity before leave |
| Unpaid work in a family business | ✘ | ✔ Broadly defined, linked to hours of activity | ✔ Broadly defined, linked to hours of activity | ✔ Broadly defined, linked to hours of activity |
| Setting up a business | ✔ | ✔ Linked to hours activity | ✔ Linked to hours of activity – **restricted to 6 months** | ✔ Linked to hours activity – **restricted to 6 months** |
| Training or studying to improve work skills | ✔ | ✔ Linked to hours of activity – some restrictions on attending same level course | ✔ Linked to hours of activity | ✔ Linked to hours of activity – some restrictions on attending same level course |
| Looking for work and not in receipt of income support | ✔ | ✔ Eligible for **up to 18 hours per week** | ✔ Linked to hours of activity if they are registered with a job agency – **restricted to 12 months** | ✔ Eligible for **up to 18 hours per week** – **restricted to 12 months** |

| Activity | No change (Option 1.1) | Option 1.2 | Option 1.3 | Option 1.4 |
|---|---|---|---|---|
| Voluntary work | ✓<br>Encompasses voluntary work that does or does not improve work skills | ✓<br>Eligible for **up to 18 hours per week** if through a recognised voluntary organisation | ✓<br>Linked to hours of activity if voluntary work is through a recognised voluntary organisation – **restricted to 12 months** | ✓<br>Eligible for **up to 18 hours per week** if through a recognised voluntary organisation – **restricted to 12 months** |
| Receipt of Newstart Allowance with a participation requirement | ✓ | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity |
| Receipt of Youth Allowance with a participation requirement | ✓ | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity |
| Receipt of Parenting Payment with a participation requirement | ✗ | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity |
| Receipt of Abstudy | ✓ | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity |
| Receipt of Austudy | ✓ | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity |
| Receipt of:<br>- Disability Support Pension (DSP) and:<br>- under 35 years of age, and<br>- has an assessed work capacity of at least eight hours per week, and<br>- youngest dependent child is 6 years of age or older.<br>- Newstart Allowance with an assessed partial capacity to work | ✓<br>Parents in receipt of DSP are currently treated as exempt regardless of whether they have capacity to work. | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity | ✓<br>Linked to hours of activity |
| Caring for an adult or another child with disability and in receipt of Carer Payment or Carer Allowance | ✓ | ✓<br>Linked to activity Definition change: Carers must be caring for an adult or <u>another</u> child | ✓<br>Linked to activity Definition change: Carers must be caring for an adult or <u>another</u> child | ✓<br>Linked to activity Definition change: Carers must be caring for an adult or <u>another</u> child |
| Other Recognised Activity | No change | Determined on a case by case basis with **limits on hours for some activities** | Restricted range of activities with no limits on hours | Determined on a case by case basis with **capacity to limit hours/duration** |

A key difference to existing arrangements is the proposed treatment of individuals in receipt of an income support payment with a participation requirement, as these individuals will have their participation requirements recognised as activity and aligned to a step in the activity test.
Under existing arrangements, individuals in receipt of Newstart Allowance, Youth Allowance, Austudy and Abstudy are classified as meeting the activity test regardless of whether they have a participation requirement. In most cases, an income support recipient whose youngest child is aged 6 years or older, requires 15 or more hours participation per week. These parents would therefore be entitled to up to 72 hours (Step 2) or up to 100 hours of subsidised child care (Step 3) per fortnight (depending on the hours of activity they undertake). If the youngest child is younger than 6 years old and the parent is not undertaking any activity, they will not be eligible for subsidised child care unless the family earns below $65,710 per annum and is eligible for assistance under the Child Care Safety Net. If an individual in receipt of income support is participating in more activity than required, their hours of subsidy will reflect the hours of participation.

***Cost***
Proposed changes to the range of recognised activities that will satisfy the activity test and their treatment in Options 1.2, 1.3 and 1.4 will not have a significant regulatory cost. However, these changes will impact on family eligibility for the Child Care Subsidy, which can affect families in terms of accessibility and affordability of child care.

***Benefits***
Having additional recognised activities will increase accessibility for families and may lead to more families being eligible for subsidised child care. This is particularly important for families who will no longer be entitled to a minimum amount of subsidised child care without meeting an activity test.

Options 1.2, 1.3 and 1.4 have a clear focus on workforce participation as they only recognise activities where individuals are engaged in the workforce or undertaking recognised activities that will help them transition into the workforce, and restrict the eligibility period for those who are not currently engaged in the workforce. These options recognise that activities such as voluntary work can assist those who are gradually returning to work; however, by limiting the number of subsidised hours individuals receive this also provides an incentive to get into and stay in work.

***Feedback from stakeholder consultations***
Stakeholders indicated support for the proposed list of recognised activities that would satisfy the activity test. There were varying degrees of support for limits on hours per week for some activities, for example, those participating in voluntary work only receiving 36 hours per fortnight (Step 1) of subsidised child care. However, there was very little support for limiting how long certain activities would apply, for example, restricting eligibility to six months only for setting up a business.

Stakeholders were supportive of a broad definition for voluntary work, studying and parents with caring responsibilities in particular, and not limiting caring to only children with disabilities. Suggestions for additional recognised activities included paid and unpaid work experience, all types of unpaid leave and non-contact hours associated with training. In relation to evidence requirements, suggestions included a letter from an employer/organisation, an activity statement/timesheet or documentation from a general practitioner or other health professional.

While generally supportive of the principle of linking the amount of activity to subsidised hours of child care, many stakeholders expressed concern about how this will administered for families with highly variable working hours, have complex rostering arrangements or who are casual or shift workers.

***Preferred option and assessment of net benefit***
A modified version of Option 1.2 is the preferred option. Stakeholder feedback largely focused on the number of hours of subsidy that would be available per child per fortnight. However, there was support for expanding the current range of recognised activities. In response to this feedback, the range of recognised activities listed in Option 1.2 will be expanded to also include unpaid work experience and a broader definition for voluntary work.

Parents will not need to notify changes of circumstances if their fortnightly average hours of activity do not change within the three broad activity steps.

In response to feedback, to assist those working casual or irregular hours (such as fly-in fly-out workers or shift workers) families will be able to estimate their fortnightly average hours of activity over a three month period. Parents will be expected to notify any change of circumstances where their fortnightly average hours of activity, estimated over the quarter, would cause them to move to another step of the activity test. ICT will be developed to help families better understand their entitlement and report changes of circumstances if they need to

Families will be encouraged through electronic reminders to notify of changes in circumstance that would cause them to be entitled to a different amount of subsidised child care. If the hours of activity change significantly and change a family's entitlement (for example, a parent becomes entitled to more hours of subsidy as they will work additional shifts), the family would report the change of circumstances to the Department of Human Services as soon as practicable. The Department of Human Services will then reassess the family's entitlement.

This approach is likely to have the greatest net benefit as it is more closely aligned with the Government's objective to support workforce participation while not unnecessarily increasing regulatory burden. The new list of recognised activities has a clear focus on workforce participation as it only includes activities where individuals are engaged in the workforce or undertaking recognised activities that will help them transition into the workforce. While this approach supports looking for work and voluntary work as a pathway to finding employment, by limiting the number of subsidised hours individuals receive, this also provides an incentive to get into and stay in work.

***Regulatory Impact***
Changes to the range of recognised activities for the activity test would not have a regulatory impact as it affects eligibility for the Child Care Subsidy and current arrangements would continue where families self-declare their activity.

However, as the activity test will involve random spot checks of five per cent of families to ensure compliance with the activity test, there will be an additional regulatory burden as this is a new requirement. It is expected that it would take families 15 minutes to meet spot check requirements. Families would need to provide evidence of their activity, such as documentation from their employer/organisation or doctor. There will be no regulatory impact on services as they will not be required to collect this additional information.

The regulatory impact is estimated to be $0.548 million per annum. However, this will be offset by the proposed ICT system which will provide for the use of smart technology to automate reporting of children's attendance at child care services. More information about the proposed ICT system is on pages 99-101.

**Exemptions to the activity test**
The Family Assistance Law provides for exemptions to the current work, training, study test for CCB so that individuals or families in some circumstances can access up to 100 hours of subsidised child care per fortnight without activity.

Existing exemptions to the current work, training, study test are as follows:

| Exemption | Number of hours |
|---|---|
| Child is at risk of serious abuse or neglect | 100 hours |
| Individual or their partner is disabled | 100 hours<br>Parents in receipt of DSP are currently treated as exempt regardless of whether they have an assessed capacity to work. |
| Individual or their partner is the grandparent or great grandparent of the child | 100 hours |
| Individual or their partner is living overseas | 100 hours |
| Individual or their partner is in prison or otherwise lawfully detained | 100 hours |
| Exceptional circumstances | Case by case basis |

Under the new Child Care Subsidy, there will be exemptions to the activity test for parents who legitimately cannot meet activity requirements or for disadvantaged or vulnerable families so that their children can access early childhood learning.

In the case where one parent is exempt from the activity test and the other meets the requirements, the hours of subsidised child care will be determined by the parent without the exemption. For example, if one parent spends 35 hours per fortnight in paid work and the other parent is unable to work because of a disability, the family would be eligible for 72 hours (Step 2) of subsidised child care per fortnight.

***Feedback from stakeholder consultations***
Stakeholders strongly supported the continued operation of the current exemption categories for the activity test, and agreed that supporting evidence be required to verify an exemption. Examples of supporting evidence included child protection documentation (for children at risk), legal documentation (for individuals with partners in prison) and family support agency support letters.

A range of additional circumstances that could give rise to an exemption were suggested, focussing on the needs of the child:

- families impacted by significant trauma (violence, separation, death or bereavement, terminal illness)
- serious illness or medical condition preventing an individual or partner working or being able to care for the child
- families with one parent overseas (fly-in fly-out or on deployment)
- families living in rural and remote locations due to living arrangements, parents working extended hours (e.g. in the mining sector), weather conditions (e.g. heat) and limited outlets for parents and children
- respite care for families experiencing mental health issues
- where the primary carer of the child is a kinship or foster carer.

There was also strong consensus from the sector for exempting grandparents as primary carers of a grandchild from the activity test, irrespective of their circumstances or income.

Stakeholder feedback also suggested that exemptions to the activity test be subject to review, and recommended reviews at six months, 12 months, or when circumstances change.

***Additional feedback***
Stakeholders sought clarification on how the activity test and children's eligibility for 15 hours of preschool would operate, and raised the possibility of an activity test exemption for 15 hours of preschool (under the *National Partnership Agreement on Universal Access to Early Childhood Education*) provided in a preschool programme in a long day care.

***Preferred approach***
Taking stakeholder feedback into account, the existing exemptions to the activity test will be retained and an additional exemption category included for families if their child is attending a preschool programme in a child care service – this exemption would apply for the period of the preschool programme.

In response to stakeholder feedback, the exceptional circumstances exemption will encompass a wide range of circumstances, including families affected by domestic violence, serious illness or medical condition preventing an individual from working, and families impacted by significant trauma.

An exemption to the activity test was also considered for kinship an  d foster carers. It was established that most kinship or foster carers who are the primary carer of a child are likely to already be eligible for an exemption from the activity test; either by way of caring for a child who is identified as 'at risk of serious abuse or neglect' or by falling under the exemption for grandparents or the arrangements for grandparents receiving an income support payment under the Additional Child Care Subsidy.

***Regulatory Impact***
Changes to the exemption categories for the activity test would not have a regulatory impact as it affects family eligibility for the Child Care Subsidy.

**Family eligibility – allowable absences**

| Option number | Description |
|---|---|
| 2.1 | No change – 42 days irrespective of usage with capacity to extend. |
| 2.2 | Align allowable absences to number of hours entitled to with an addition of up to 12 days for public holidays if care is provided on those days. |
| 2.3 | Align allowable absences to number of hours entitled to with an addition of up to 12 days for public holidays if care is provided on those days with capacity to approve additional days through an application process. |

Under Family Assistance Law, families are entitled to receive CCB and CCR if their child is unable to attend approved child care and they are charged a fee, for up to 42 absence days in a year, representing around 30 standard absences and 12 public holiday days. State based regulatory requirements require children to be withdrawn from care for a variety of reasons including running a temperature and 'gluey eyes' which results in absence days over and above normal sick days, particularly when the child is first in child care.

In most cases, eligible parents do not need to obtain supporting documentation for the first 42 absence days. In addition, the Government may continue to pay CCB and CCR for additional absence days, including for reasons such as illness (with medical certificate).

The allowable absence provisions are designed to:

- ensure continuity of fee relief for families where they are required to pay for child care when their children are absent from care due to situations such as illness, family holidays and other absence reasons, including public holidays
- simplify administration for both individuals and child care services. For example, it reduces the burden on parents to obtain documentation for the first 42 days of absences, and consequently on services to maintain records of the absence reasons and supporting documentation in this period.

Analysis of information from 2013-14 highlights that nine out of 10 families use 25 or less allowable absence days (with two out of three families using less than 10). Only three per cent of families use more than 40 allowable absence days a year.

There is currently no difference in the number of allowable absences between families who use part-time or full-time care and no requirement that children be booked into days that are public holidays to benefit from the additional 12 days.

While noting the rationale for the allowable absence provisions, there is also a concern the number of allowable absences is not tailored to the individual needs of families. In some cases, the allowable absence limits may be too generous for some families and unnecessarily expensive for Government. This relates both to the number of initial allowable absences (42) and additional allowable absences that can be approved (as long as supporting documentation is provided). This arrangement is potentially open to abuse.

Under Option 2.2, the maximum number of allowable absences would be aligned to the maximum number of Child Care Subsidy hours the family would be entitled to according to the new activity test, as follows:

| Activity test step | Hours of subsidy per fortnight | Percentage of allowable absences | Number of allowable absences (based on 30 allowable absences per year) | **Total** (adding 12 public holiday days[24]) |
|---|---|---|---|---|
| 1 | Up to 36 hours | 36% | 11 | **23** |
| 2 | Up to 72 hours | 72% | 22 | **34** |
| 3 | Up to 100 hours | 100% | 30 | **42** |

The aim of this option is to better match what child care allowable absences families may actually need by referencing that need to the number of hours of subsidised care to which they are entitled. Under this option, the additional allowable absences arrangements would cease.

[24] The initial absence days were increased from 30 to 42 days in 2007 to take into account public holidays. As all families have access to the same number of public holidays, the number of public holidays have not been pro-rated for an allowable absence entitlement purposes.

Under Option 2.3, as with Option 2.1, the maximum number of allowable absences would be aligned to the maximum number of Child Care Subsidy hours the family would be entitled to according to the new activity test. However, unlike Option 2.2, once the allowable absence day limits have been reached, services would have the capacity to seek approval of additional absence days through an application process.

This option aims to better regulate the number of additional allowable absence days available through an application process that considers what families may actually need.

***Cost***
Under Option 2.2, some families with legitimate need for additional absence days (beyond that indicated by their subsidy entitlement) would not be able to access those additional absence days.

In terms of regulatory costs, it is anticipated that a move to aligning the number of allowable absences to subsidy entitlement would increase the complexity of assessing the number of entitled allowable absences under both Options 2.2 and 2.3.

However, if effectively implemented, Option 2.2 is unlikely to bring about any significant regulatory cost increases if its design can be effectively incorporated into the new ICT system. The ICT system would streamline processes, sharing information and creating efficiencies where possible. Some one-off costs associated with implementing such changes would be incurred and would require further investigation as part of the ICT system development.

Under Option 2.3, there is likely to be some additional regulatory burden for both families and services with the introduction of an application process for additional absence days. It is anticipated that the new ICT system could help streamline and ameliorate any such regulatory burden.

***Benefits***
Both Options 2.2 and 2.3 better target Government assistance to child care need and better align maximum allowable absence entitlements according to family circumstances. This has the potential to reduce the number of allowable absences taken and may free up child care places for other families. Option 2.3 provides greater capacity and flexibility to adjust the maximum number of allowable absences according to need through an application process.

***Feedback from stakeholder consultations***
There was strong consensus among stakeholders for no change to the current arrangements for allowable absences (Option 2.1). Stakeholders considered the current arrangements were simple and efficient to administer, and the proposed options would add complexity and regulatory burden on families and services. A common sentiment among stakeholders was that there was not sufficient evidence to show that the current system of allowable absences was being misused.

A majority of stakeholders agreed that evidence should be provided to support absence days or applications for additional days, but cautioned against onerous evidence requirements that may place unnecessary burden on families. Examples of supporting evidence included medical/doctors certificates, statutory declarations, death certificates, work rosters/letters from employers, travel documents, and documentation showing legitimate reasons for absences.

The feedback suggested the main reasons that families access allowable absences are:

- illness – diagnosed conditions, care for sick family members, ill carers
- serious family issues – unemployment, family deaths, shared care arrangements
- work commitments – work away from home, fly-in fly-out, shift work
- living remotely – shift workers, travel restrictions
- family holidays and travel – including visiting family interstate or overseas
- cultural reasons, particularly Aboriginal and Torres Strait Islander families.

In addition, a number of respondents objected to the need to pay for care when a child is absent even with allowable absence provisions, particularly for public holidays, as this creates additional barriers for families wishing to access child care services. Some families who work on public holidays have to find alternative child care arrangements where their usual service is not open. In these cases both families and Government can incur a doubling of costs for those days (as the family may be eligible for subsidies at both centres).

***Preferred option and assessment of net benefit***
Based on stakeholder views and taking into account regulatory impacts, a modified Option 2.1 is the preferred option. This option retains the 42 days of allowable absences per year. The Government would have flexibility under the legislation to define the circumstances that can or cannot be included under the 42 allowable absences days to address inappropriate use of absence days in the future.

This option presents the least regulatory impact as it is simpler and there is no application process.

***Regulatory Impact***
The modified version of Option 2.1 would not have a regulatory impact as it affects family eligibility for the Child Care Subsidy.

Options 2.2 and 2.3 would result in some regulatory burden by creating additional complexity for services and families as they may need to monitor absences more closely. It is expected this burden would increase if the proposed ICT system could not support the alignment of absence days to the activity test. The application process in Option 2.3 would create additional burden if families are required to apply for additional absence days.

**Service eligibility for the Child Care Subsidy**
Under existing arrangements, for CCB to be payable for a particular session of care, families must use services approved under the Family Assistance Law.

The operator of a service (the provider) applies for approval of the service under the Family Assistance Law and must satisfy the eligibility rules for approval. Following approval, approved services must comply with conditions for continued approval. It is a condition of continued eligibility that services comply with the requirements of the National Law and other relevant laws (including state or territory and commonwealth) laws that apply to the service.

To become CCB approved, services must meet certain standards and requirements. For example, the applicant for approval must be a suitable person to operate a service. There are also requirements concerning the provision of care including the operating hours of a service and compliance with all applicable laws, including the National Law.

Service approval requirements will continue for the Child Care Subsidy – along with meeting family eligibility requirements, families must use approved services to be paid the subsidy.

Service approval requirements support a number of Government policy objectives, including supporting workforce participation and the integrity of the payments made to services on behalf of families. In considering whether these objectives are being met, there are concerns around whether current service eligibility requirements are generating unintended policy consequences. For example:

- different approval processes under the Family Assistance Law and National Law result in duplication in the provision of information by providers and services
- services may not be viable in some locations where a part-time service may better support the needs of local families

- families may pay for child care that is not used in order to retain a place or as a result of service charging practices
- requirements for giving priority of access to a child care place for certain children may displace existing enrolled children.

Stakeholder views were sought on options to address these issues and further Government policy objectives, and feedback informed the identification of preferred options.

**Service eligibility for the Child Care Subsidy – approval process**

| Option number | Description |
|---|---|
| 3.1 | No change – each service is approved for the purposes of the Child Care Benefit. |
| 3.2 | Align process with National Quality Framework with an Approved Provider assessment and Approved Service assessment including ability to impose conditions on approvals. |
| 3.3 | Same as Option 3.2 with the addition of being able to apply a probationary period for new providers and services. |

Currently, under Family Assistance Law there is only provision for assessment of service approval to receive and administer child care payments (CCB) on behalf of families. As part of the approval process consideration is given to the suitability of the applicant, which is usually the provider (operator), but there is not a separate provider approval process for the provider. The relevant criteria are considered every time an application for service approval is made, including when an approved service is sold or taken over by an existing provider. Services are essentially treated as if they are brand new irrespective of the history of the provider or service.

Under the National Quality Framework there are separate provider and service approvals. The provider approval is nationally recognised and enables the provider to apply for one or more service approvals. Once granted, the provider approval is ongoing unless suspended, cancelled or surrendered and is valid in all states and territories. The National Law also includes the capacity for a state or territory regulatory authority to impose conditions on the provider and/or service approval(s). An approved service can be transferred to another approved provider without going through a new application process.

Options 3.2 and 3.3 would align the approval process for the Child Care Subsidy under the Family Assistance Law with that required for the National Quality Framework, by introducing a separate assessment of provider approval and service approval for the purposes of administering the new Child Care Subsidy.

As far as possible and subject to information sharing protocols and requirements, this could be supported with streamlined application processes and improved sharing of supporting information between the state and territory regulatory authorities and the Australian Government (for example, ICT enabled). This streamlining would reduce red tape for applicants seeking to operate more than one service.

Option 3.3 also introduces a probationary period of at least six and up to 12 months for new providers and services following initial assessment of approval by the Australian Government. During the probationary period providers and services would need to meet the eligibility criteria for approval and providers would be ‘on-notice’ that where concerns about compliance with child care laws emerge during the probationary period there would be power for the Government to take appropriate action including placing additional conditions on an approval, or for serious non-compliance, suspending or cancelling an approval.

***Cost***

Option 3.1 maintains the status quo, that is, a separate approval is required for each service. For the larger child care providers this means they are required to put in a new application each time they wish to acquire a new service. Maintaining the status quo would mean little change (or additional regulatory burden) for the majority of single-service providers.

Neither Option 3.2 nor Option 3.3 involves any significant additional regulatory costs for applicants. Option 3.2 may initially increase regulatory costs for new providers, but would see a reduction in red tape over time for multi-service providers as the scope of the service approval is likely to be narrower than under existing arrangements. The provider approval would not need to be reconsidered each time an application for service approval is sought, so the range of information required to be provided with an application would be narrower as eligibility requirements related to the provider (the applicant) would have been established as part of the provider approval.

Under Option 3.3 there would be little or no extra burden on compliant providers during or following a probationary period.

***Benefits***

Options 3.2 and 3.3 will assist in aligning the approach to assessment of providers by state and territory regulators and the Australian Government, including assessment of business entities. This would also help to streamline and improve information sharing between the levels of government. Larger providers with multiple services are likely to experience a reduction in regulatory burden as a result of any streamlining of service approval requirements that may result from not having to re-demonstrate provider approval requirements if they seek to have additional services approved.

Probationary periods would not add any administrative burden and will help ensure that the Government is able to be responsive to emerging risks with new providers and services.

***Feedback from stakeholder consultations***

Overall, the strongest consensus was for Options 3.2 and 3.3 – that the approval process for Child Care Subsidy eligibility should be aligned with the approval process for the National Quality Framework.

In terms of eligibility criteria, some stakeholders suggested there is too much attention in the existing process on the service rather than the owner or the operator of a service (i.e. the provider). Other suggestions included consideration of the provider’s history of compliance, delivery of an educational programme and providing minimum safety standards.

Stakeholders considered the transfer of one approved service to another approved provider should be streamlined. Stakeholders reported that at present, providers incur unnecessary costs and the process can be disruptive for families where subsidy approvals are delayed. While a significant number considered that the current period of six weeks is appropriate for notification of a transfer, some stakeholders argued for shorter (four weeks) or longer (6-12 months) notification timeframes.

There were divided opinions on probationary periods and when they might apply. Stakeholders supporting the concept of probationary periods suggested they could be imposed on new providers or in the cases of non-compliance with Family Assistance Law. In terms of their application, it was suggested probationary periods should apply for between three months and three years.

Some stakeholders questioned the need for a probationary period and there was some confusion about their potential impact (for example, would it mean automatic cancellation of approval if there were compliance concerns). Some also expressed strong objections due to concerns probationary periods may negatively impact on providers' capacity to secure financing for new services.

***Additional feedback***

While the options presented to stakeholders focused on the approval process rather than the scope of services eligible for the Child Care Subsidy, there was a strong view from stakeholders that all services approved to administer subsidies should be included in the scope of the National Quality Framework to ensure quality. In this context, stakeholders also expressed support for streamlining the application processes for new and existing approved providers. As noted in Chapter 5, expanding the scope of the National Quality Framework would require the agreement of all state and territory governments, and the issue is not being considered as part of this RIS.

***Preferred option and assessment of net benefit***

An alternative option has been developed in response to stakeholder support for streamlining the approval process and placing more emphasis on the approved provider (operator).

Rather than the two separate provider and service approvals proposed in Options 3.2 and 3.3, only one approval would be required for providers to administer the Child Care Subsidy (and the Additional Child Care Subsidy) on behalf of the Australian Government. In this arrangement the entity that is approved to operate a service under the National Quality Framework (or licensed under other state or territory child care law) will be approved to administer the Child Care Subsidy.

The provider approval would include details of the service/s approved to administer subsidies. Once granted, a provider approval would be ongoing unless surrendered, suspended or cancelled.

New providers would be required to make an application for approval and meet prescribed eligibility criteria. Where possible, matters considered under National Law approvals will not be duplicated, minimising regulatory burden. There would be a separate process for an approved provider to apply to add a new service to their approval (or remove a service), and this process would be streamlined by consideration of a smaller set of criteria than would be considered for the provider approval or under existing arrangements. While an application would need to be made to include additional services in the approval, matters related to the provider approval would not generally need to be reconsidered each time (as occurs now). Suitability to administer subsidies is discussed page 69.

The streamlined process would also make it easier to allow an approved provider to transfer a service to another approved provider and minimise any disruption on families using the service.

Moving to a provider approval process also provides an opportunity to facilitate streamlining of the approval application process and information sharing between state and territory regulatory authorities and the Australian Government.

More clearly basing the approval on the provider supports intentions to strengthen the compliance framework. It also clarifies for providers (and the services they operate) who holds the approval, and that ultimate responsibility for effective management of subsidies on behalf of the Australian Government rests with the provider. As the new Compliance Framework (page 101 refers) will enable the Department of Education and Training to address non-compliance as effectively as imposing a probationary period, a probationary period would not be introduced under this approach.

| ***Regulatory Impact*** |
|---|
| Option 3.1 retains the status quo, that is, a separate approval is required for each service. Retaining the status quo would mean little change for the majority of single-service providers.<br>For multi-service providers, this means they are required to submit a new application each time they wish to acquire a new service and undergo a full reassessment of their eligibility.<br><br>Option 3.2 and Option 3.3 would result in a reduction in red tape over time for multi-service providers as they remove the need for a provider to reapply for, submit an application for and undergo a full reassessment of their eligibility each time they open a new or purchase an existing service. However, under these options providers would be required to hold two approvals – a provider approval and a service approval.<br><br>The alternative option would further streamline the approval process by having just one approval for providers and a streamlined application process for providers to add a service to their provider approval.<br><br>The streamlined application process and improved sharing of supporting information between the state and territory regulatory authorities and the Australian Government would reduce red tape for applicants seeking to operate more than one service. This would be supported by the proposed ICT system.<br><br>The regulatory impact has been costed with the preferred option for *Service eligibility for the Child Care Subsidy – eligibility criteria to approve a provider/service to administer subsidies* as the two changes are interdependent (page 73 refers). |

**Service eligibility for the Child Care Subsidy – eligibility criteria to approve a provider/service to administer subsidies**

| Option Number | Description |
|---|---|
| 4.1 | No change – maintain existing eligibility criteria for assessment of suitability to operate a child care service. |
| 4.2 | Strengthen eligibility requirements including capacity to require additional information, particularly with respect to financial management capability. |
| 4.3 | Same as for Option 4.2 with the introduction of the ability to apply a probationary period. |
| 4.4 | Same as for Option 4.2 with the ability to reassess suitability at any time. |
| 4.5 | Both Options 4.3 and 4.4. |

All options seek to address Australian Government concerns to safeguard payment integrity and the need for appropriate assessment of a child care provider’s suitability and capability to operate and manage a child care service in order to effectively and accurately administer the new Child Care Subsidy.

Under existing arrangements, families can nominate a service to which their subsidies are paid to be passed on as a fee reduction (the majority of instances) or nominate to receive the subsidy themselves. The new Child Care Subsidy will be paid directly to the service, to be passed on to families as a fee reduction.

The Government's current eligibility criteria for approval and continued approval of a service for the purposes of CCB provide for assessment of the suitability of the applicant to receive and administer the payment. Where the applicant is an individual, the applicant must be a suitable person to operate a child care service. Where the applicant is not an individual, the applicant's key personnel must be suitable people to operate a service. This includes experience in the child care sector, knowledge of and record of compliance with child care laws, record of financial management (including instances of bankruptcy, insolvency or external administration and any debts due to the Commonwealth in relation to the operation of child care services), criminal history, insurance and capacity to use electronic interface.

Under existing arrangements there is limited capacity to review a service's ongoing approval status without formal compliance action being undertaken.

Option 4.2 proposes to strengthen the range of approval criteria by specifically enabling the Delegate to require additional information in relation to an application, particularly with respect to an applicant's financial management capability. For example, further information may be sought on an applicant's financial backers or business partners.

This would be accompanied by strengthened provisions enabling the refusal of approval of an applicant who cannot adequately demonstrate suitability to administer the subsidy (including in relation to financial management) or who has a demonstrated history of non-compliance with applicable laws.

Options 4.3 and 4.4 seek to strengthen the assessment of suitability of the applicant and the approval process with the introduction of either the ability to apply a probationary period to a provider and/or service, or the power to reassess suitability at any time (for example, based on evidence of non-compliance with requirements or concerns with on-going suitability or capability). Option 4.5 would strengthen the approval process by the inclusion of both these powers.

Under Option 4.3 and 4.5, the probationary period would be up to 12 months. Where concerns about compliance with applicable laws, or on-going suitability or capability emerge during the probationary period there would be power for the Government to take appropriate action including placing additional conditions on an approval, or for serious non-compliance, suspending or cancelling an approval.

***Cost***

Options 4.2, 4.3, 4.4 and 4.5 may involve minor additional regulatory costs for services through the provision of additional information on financial management capability in an application for provider and service approval, or in responding to concerns raised through a reassessment of suitability in Option 4.4 (for example, through providing submissions).

There would also be costs to the Government in additional compliance monitoring during the probationary period proposed in Options 4.3 and 4.5, as well as in any reassessment of suitability in Option 4.4 or 4.5. Compliance monitoring of services would be assisted by improved data analytics under the new ICT system.

***Benefits***

Better assessment of suitability and capability of child care providers to administer subsidies will benefit families using child care services through increased confidence in payment integrity, as well as the Australian Government and state and territory regulatory authorities. Better supporting the integrity of the payment system would also protect taxpayers more broadly.

***Feedback from stakeholder consultations***
The majority of stakeholders supported strengthening the eligibility requirements, including the capacity to require additional information, particularly with respect to financial management capability. However, there was not a clear preference expressed for any of the proposed options (Options 4.2 to 4.5).

Stakeholders considered the following should be taken into account in determining a provider's suitability to administer the Child Care Subsidy:

- suitability to operate a service
- financial viability and financial management capability, including past financial record
- history of compliance with all regulatory requirements
- governance arrangements.

It was also suggested that an assessment of the need for new services should be undertaken prior to a service approval being granted (such as an analysis of vacancy rates or demand in the local area), in addition to an assessment of suitability.

There were divided views about imposing probationary periods. Stakeholders in support considered a probationary period should be imposed on new providers, providers with a history of non-compliance and providers who fail to satisfactorily address compliance concerns or significant complaints.

Stakeholders indicated a similar range of circumstances when reassessment of suitability should occur. Additional circumstances suggested included allegations of fraud, criminal convictions or allegations related to the organisation or its staff, a significant change in the organisation's governance arrangements and serious incidents or misconduct.

***Preferred option and assessment of net benefit***
An alternative option has been developed in response to stakeholder support for strengthening the requirements to be considered in order for a provider to administer the Child Care Subsidy.

The alternative option is based on Option 4.4 but has been modified to give effect to the provider approval set out in the previous section, *Service eligibility for the Child Care Subsidy – approval process* and the new Compliance Framework (page 101 refers).

For a provider to be approved for the purposes of administering the Child Care Subsidy, the provider must have the appropriate state or territory approval or licence where required, and the provider and each person with management or control must be a fit and proper person to be involved in the administration of the subsidies.

Eligibility criteria for the provider approval (for determining fitness and propriety) will more clearly focus on matters related to financial management, payment integrity and compliance history. This is on the basis that matters related to suitability to operate a service and ensure service quality (currently considered as part of existing eligibility criteria) are regulated under the National Law or other state or territory licensing requirements.

The matters to be considered as part of the approval to administer the Child Care Subsidy (including in relation to any person with management or control of the provider) will include:

- any non-compliance with a law of the Commonwealth or a state or territory
- any proceedings currently before a court or tribunal that involve a relevant person
- any adverse decision under a Commonwealth or state or territory child care law
- any convictions for an offence against a Commonwealth, state or territory law
- any order to pay a pecuniary penalty for the contravention of a civil penalty provision of a Commonwealth or state or territory law
- any acts involving fraud or dishonesty
- arrangements to ensure compliance with the Family Assistance Law including in the operation of any services for which the provider is responsible and for management and supervision of staff to ensure compliance with the Family Assistance Law
- the record of administering Commonwealth, state or territory funds
- any debts due to the Commonwealth (whether or not the debt has been discharged)
- the record of financial management, including any instances of bankruptcy, insolvency or external administration
- if the provider operates a large long day care centre, whether they are and are likely to remain financially viable
- any other relevant matter.

In deciding whether to approve a provider in respect of a particular service and include that service in the provider's approval, the provider must have the appropriate state or territory approval/licence to operate the service and each person responsible for the operation of the service must be fit and proper. Matters considered in determining provider approval (as outlined above) would not be reconsidered at the time of an application to add an additional service to the approval, unless there were concerns about the fitness and propriety of the approved provider or if the personnel who would be in charge of the new service had not already been considered as part of the initial provider approval (as a person with management or control of the provider). Other matters to be considered will include:

- any conditions on the provider's approval
- any non-compliance by the provider with a law of the Commonwealth or state or territory
- the provider's record of administering payments under Family Assistance Law
- the capacity of staff working at the service to use the electronic system for managing child care payments under Family Assistance Law
- any other relevant matter.

To safeguard the Government's significant investment in child care, the new Compliance Framework will allow the Department to reassess providers to determine their continued suitability to administer child care fee assistance payments. The reassessment will involve a targeted approach to ensure that providers who meet certain criteria of concern continue to meet their ongoing eligibility requirements (page 101 refers).

This option is considered to have a greater net benefit as it will strengthen the Government's capacity to ensure payment integrity through a clearer focus on the provider's capacity to administer subsidies, while reducing the regulatory burden on providers.

| |
|---|
| ***Regulatory Impact***<br>Option 4.1 retains the status quo, that is, the existing criteria for assessment of suitability to operate a child care service is maintained. This would mean that providers would continue to provide the Department with information and documentation about matters that are also considered by state and territory regulatory authorities under the National Law or other state licensing regimes.<br>This duplication creates unnecessary regulatory burden for providers.<br><br>Options 4.2, 4.3 and 4.4 would increase the regulatory burden on providers as a broader range of eligibility criteria than the current criteria would be considered as part of the approval process. Providers would be required to provide additional information and documentation.<br><br>The alternative option would reduce the regulatory burden on new providers as the eligibility criteria would be narrower, focusing on matters relating to financial management, payment integrity and compliance history. The regulatory burden on multi-service providers would also be reduced as matters related to the provider would generally not be considered when the provider seeks to add a service to their approval, so they would be required to submit less information and documentation.<br><br>The regulatory impact is estimated to be a saving of $0.150 million per annum. This is based on the assumption that the alternative option will result in a one hour saving for providers (assuming it takes providers approximately two hours to complete a service approval application under the current arrangements). The regulatory impact also takes into account changes to the approval process outlined on page 69. |

**Service eligibility for the Child Care Subsidy – operating requirements**

| Option number | Description |
|---|---|
| 5.1 | No change – retain hours, days and weeks per year requirements. |
| 5.2 | No restrictions on hours or days per week but services must operate for 48 weeks per year unless providing outside school hours care for predominantly school age children which must operate for at least seven weeks per year. |
| 5.3 | Same as Option 5.2 with the capacity for services in rural and remote locations to apply for exemptions to the number of weeks required. |

The *Child Care Benefit (Eligibility of Child Care Services for Approval and Continued Approval) Determination 2000* prescribes, among other things, certain operating requirements for services seeking approval under the Family Assistance Law.

The following requirements were introduced to support workforce participation by ensuring the availability of child care and early learning. Providers of the following types of services must undertake that:

- long day care, in-home care and family day care services will operate on all normal working days in at least 48 weeks of the year and be available to provide care for any particular child for at least 8 continuous hours on each normal working day on which they operate
- occasional care services will operate for a maximum of nine hours per day
- outside school hours care services will, if they provide before or after school care, operate on each school day. If providing vacation care, services will be available to provide care for at least eight continuous hours on each normal working day for at least seven weeks of school holidays in a year.

As far as the Family Assistance Law is concerned, only occasional care services have a maximum operating hours per day requirement imposed, with a minimum operating hour requirement set for all other service types.

The current operating requirements have forced some services to operate in a business model that may not be viable in some locations, particularly rural and remote locations where it may not be viable to operate a service five days per week. Additionally, parents are no longer working standard '9 to 5' hours and need a more flexible child care system to support their participation in the workforce.

The Productivity Commission recommended the Government abolish operational requirements that specify minimum or maximum operating hours for all services approved to receive subsidies:

- services for children under school age (such as long day care and family day care) should be operational for at least 48 weeks per year
- services for school age children (such as outside school hours care) should be operational for at least seven weeks per year. The requirements for before and after school care to operate on every school day should also be abolished.

***Costs***
Options 5.2 and 5.3 are unlikely to have significant regulatory costs. However, they could have a significant impact in terms of service eligibility to attract the Child Care Subsidy, flexibility for services and accessibility for families. Option 5.1 would continue to adversely impact on flexibility for services and accessibility for families by retaining minimum operating periods for long day care, in-home care, family day care and outside school hours care services. This option also limits the number of hours occasional care services can operate each day.

Under Options 5.2 and 5.3 some services may decrease their operating periods to the most profitable times. This may have an adverse impact on accessibility for families if they are unable to access care when required.

Currently, occasional care services are not subject to operating weeks per year requirements. This would be a new requirement for these services under Options 5.2 and 5.3.

***Benefits***
Option 5.1 would continue to provide certainty to families that their service (with the exception of occasional care) will operate for a minimum number of hours, days and weeks per year.

Option 5.2 would provide services with the flexibility to respond to the needs of families by changing operating hours and days. This may improve accessibility for families and also improve service viability, particularly where it is not viable for services to operate five days per week.

Option 5.2 includes an operating weeks requirement to support workforce participation by providing families with certainty their service will operate for a minimum number of weeks per year. This requirement would also exclude standalone preschools and preschools operating in schools from becoming eligible to attract the Child Care Subsidy (or the Additional Child Care Subsidy) as they generally operate for less than 48 weeks per year.[25] However, under all options there will be provisions in the new legislation to explicitly exclude standalone preschools and preschools operating in schools from eligibility for the Child Care Subsidy.

[25] The Australian Government provides funding for preschool through the *National Partnership Agreement on Universal Access to Early Childhood Education* (refer to page 13).

In addition to the benefits outlined for Option 5.2, Option 5.3 would provide additional flexibility for services in rural and remote areas by allowing them to apply for an exemption if they are unable to operate for the minimum number of weeks per year. This may improve service viability in locations with fluctuating populations (for example due to seasonal harvests) and help services that traditionally operate under service-based block funding transition to the Child Care Subsidy.

***Feedback from stakeholder consultations***

There was strong stakeholder support to remove the restrictions on operating hours and days, but retain the minimum number of weeks per year requirement while allowing services in rural and remote locations to apply for an exemption if they are unable to operate for the required weeks. Stakeholders suggested these exemptions could be granted to services in communities with fluctuating populations or those impacted by the weather (e.g. wet season).

Stakeholders reported flexible operating requirements would have a positive impact on increasing workforce participation. Stakeholders considered the changes would benefit families by increasing availability, providing greater choice and improving affordability as families may not need to pay for unused hours of care. Stakeholders considered the changes would allow services in smaller communities to operate and also improve service viability.

Some stakeholders noted it would be difficult to assess how services would respond to changes and the changes could have unintended consequences. It was suggested that families may be adversely affected if services reduce their operating periods in terms of flexibility and affordability (i.e. services may increase fees to recover lost revenue). Some potential consequences for services include increased staff costs and workforce issues (for example, difficultly organising staff outside standard hours). It was also noted that the periods services operate can be impacted by local government requirements and award conditions.

***Preferred option and assessment of net benefit***

Option 5.3 is the preferred option. This option is likely to have the greatest net benefit as it provides flexibility for services to respond to community needs by removing operating hours and day requirements.

As highlighted in the stakeholder feedback, changes to operating requirements would provide more choice for families and have a positive impact on workforce participation. The capacity for services in rural and remote locations to apply for an exemption to the weeks per year requirement would provide those services with additional flexibility to meet the needs of their local communities (for example, by allowing services to operate in locations where would be not be viable to operate 48 weeks per year due to fluctuating populations for instance).

The impact of the changes could be monitored to identify and help address any unintended consequences.

***Regulatory Impact***

The regulatory impact of changes to operating requirements would be negligible as some services may still be required to meet operating requirements prescribed by local governments.

As noted in the Productivity Commission report, 30 services across Australia have been granted an exemption to the current requirements. Changes to operating requirements may result in a very small reduction in red tape, as services would not need to apply for an exemption each year if they require flexibility with operating days and hours.

**Service eligibility for the Child Care Subsidy – Priority of Access (POA) requirements**

| Option number | Description |
|---|---|
| 6.1 | No change – maintain existing POA requirements associated with service eligibility. |
| 6.2 | Remove POA requirements, but work with states and territories to ensure access to places for children at risk of serious abuse or neglect (e.g. temporary exemption from capacity restrictions). |
| 6.3 | Change POA to focus only on children at risk of serious abuse or neglect (who attract the Additional Child Care Subsidy) and children whose parents are working. |

POA Guidelines established through the *Child Care Benefit (Eligibility of Child Care Services for Approval and Continued Approval) Determination 2000* stipulate families with the greatest need for child care are given priority access. The Guidelines require services "…to allocate available child care places where there are more families requiring care than places available".

There are three levels of priority:

- Priority 1 – a child at risk of serious abuse or neglect
- Priority 2 – a child of a single parent who satisfies, or parents who both satisfy, the work, training study test
- Priority 3 – any other child.

Within each of the levels, priority is to be given to children in:

- Aboriginal and Torres Strait Islander families
- families with a disabled person
- families who are on the maximum rate of CCB or who (or whose partner) is in receipt of income support
- families with a non-English speaking background
- socially isolated families
- single parent families.

Children can be asked to leave a service in order to enable higher priority children to attend, but only where the service has advised a parent on first enrolling their child that under the Guidelines they could be requested to surrender their place for a higher priority child.

The Productivity Commission recommended removing the POA Guidelines, arguing that a more targeted subsidy system that delivers more assistance to children with additional needs, coupled with a tighter activity test, will help to facilitate access to child care for children who are likely to benefit most from attending.

However, the Productivity Commission recommended that if the POA Guidelines are retained, a mechanism needs to be implemented for families to lodge complaints in cases where they feel they have been unfairly treated by a service's application of the Guidelines.

Under existing arrangements information is not collected on the application of the POA Guidelines and there is little evidence the POA Guidelines are effective in ensuring children with the greatest need for care are given priority access. There is also no monitoring of compliance with the POA Guidelines.

Option 6.2 would remove the POA requirements, but the Government would work with states and territories to ensure access to places for children at risk of serious abuse or neglect.

The National Regulations allow centre-based services (long day care and outside school hours care services) to accommodate extra children in emergency situations (for example, in circumstances where a child is in need of protection under a child protection order or if the parent of a child needs urgent health care that prevents them from caring for the child). Services are permitted to care for one extra child, or two or more children if they are from the same family, for up to two consecutive days. Any changes to this provision to give effect to Option 6.2 would require the agreement of the states and territories and the Australian Government.

Option 6.3 would change the POA requirements so that there are only two priority categories:

- Priority 1 – a child at risk of serious abuse or neglect
- Priority 2 – a child of a single parent who satisfies, or parents who both satisfy, the activity test through paid employment.

The current requirement to give priority to children from certain families within each level of priority would be removed for both Options 6.2 and 6.3.

***Cost***
There may be costs associated with both Options 6.2 and 6.3 because removing or simplifying the POA Guidelines (as a regulatory tool) could have adverse effects on access to child care for certain groups of children.

In contrast, current rules make additional/special needs children an explicit priority.

***Benefits***
Under Option 6.2, there is likely to be a decrease in regulatory costs as POA requirements would be removed. Similarly, though to a lesser degree, there would be a decrease in regulatory costs under Option 6.3 as the POA Guidelines would be simplified and would be easier for parents to understand and services to implement.

***Feedback from stakeholder consultations***
There was reasonably strong support to retain the POA Guidelines with stakeholders also supporting reform or some simplification (although a significant proportion of stakeholders did not have strong views on how these are simplified). Stakeholders considered there should be greater flexibility for services to apply the Guidelines so they can meet the needs of their community, with many suggesting the Guidelines should only apply to vacancies.

There were mixed views on the enforcement of the POA Guidelines. Some stakeholders considered the Guidelines to be difficult to enforce, while others suggested introducing compliance activities to monitor how services apply them.

***Preferred option and assessment of net benefit***
Option 6.3 is the preferred option as streamlining the existing POA Guidelines will ensure highest priority children can access child care, while supporting workforce participation. Streamlining would also make the Guidelines simpler for services to implement and easier for families to understand.

It is intended that the streamlined POA Guidelines will only be applied to vacancies. A complaints mechanism, such as a hotline, would be established to support the application of the Guidelines.

| ***Regulatory Impact*** The regulatory impact of changes to POA requirements would be negligible as there is little evidence that the existing POA Guidelines are being effectively implemented. |
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# 8. Approaches to implementing the Child Care Safety Net

## 8.1 Overview

The Child Care Safety Net will provide targeted additional support to genuinely disadvantaged families through a number of specific measures that facilitate access to quality early learning for children who need it most. The Child Care Safety Net has three components:

- *Additional Child Care Subsidy* – which will provide targeted additional fee assistance to children and families who are genuinely disadvantaged
- *Community Child Care Fund* – a competitive grants programme designed to assist services to reduce barriers to accessing child care
- *Inclusion Support Programme* – to assist services to be more inclusive and improve access for children with additional needs.

The RIS process provided an opportunity for consultation on approaches to implementing the Child Care Safety Net to ensure it targets genuinely disadvantaged children and families. Further consultation will be undertaken leading up to July 2017 as the Department develops the legislative framework (including Determinations for the Additional Child Care Subsidy) and programme guidelines to support the implementation of the Child Care Safety Net.

## 8.2 Additional Child Care Subsidy

The Additional Child Care Subsidy will provide additional support to children and families who are genuinely disadvantaged, to minimise barriers to participation and provide access to early learning. It will provide:

- a subsidy equal to the actual fee charged (up to 120 per cent of the hourly fee cap) for child care to assist children at risk of serious abuse or neglect, irrespective of their families' income or the activity of the parents
- a subsidy equal to the actual fee charged (up to 120 per cent of the hourly fee cap) for families experiencing temporary financial hardship, for up to 13 weeks per event
- a subsidy equal to 95 per cent of the actual fee charged up to the hourly fee cap for families transitioning from income support to work and undertaking study or training
- access to 24 hours per fortnight of early learning for children from low income families where the family does not meet the activity test.

The support provided under the Additional Child Care Subsidy is greater than that proposed by the Productivity Commission, which recommended a payment capped at the median benchmark price to assist children at risk of serious abuse or neglect, no assistance in terms of supporting transition to work or families experiencing temporary financial hardship, and access to 20 hours of subsidised child care per fortnight for families in receipt of Parenting Payment.

There have been a range of issues with the current programmes in terms of payment integrity and program sustainability, particularly in relation to assistance to support children at risk of serious abuse or neglect and families experiencing temporary financial hardship. There are instances of services using this assistance as a mechanism for retrospectively recovering unpaid fees, or charging rates that far exceed the average fees charged in each care type. While the current assistance is intended to facilitate access to or maintain engagement with mainstream child care, there are also instances where it is being utilised to fund non-mainstream services including those that are more health-related or respite care in nature.

The Additional Child Care Subsidy is replacing the Special Child Care Benefit, Grandparent Child Care Benefit and JETCCFA components of the current system. The Productivity Commission found the current system overly complex and burdensome.

The Additional Child Care Subsidy will better target funding to those families who most need it and reduce both service and family regulatory burden. For instance, families currently accessing JETCCFA have to navigate a means-tested CCB payment, the JETCCFA subsidy, claim the CCR and then pay the out-of-pocket costs. The new transition to work component of the Additional Child Care Subsidy will simply provide a subsidy equal to 95 per cent of the actual fee charged up to the hourly fee cap, which will be paid directly to the service. Equally, a service will be able to simply approve a family immediately for a child deemed to be at risk of serious abuse or neglect and, with an improved ICT system, will have easier and more transparent reporting to an appropriate authority.

In consultations, overall there was support for the Additional Child Care Subsidy, in particular in relation to the additional assistance for children 'at risk of serious abuse or neglect', families experiencing 'temporary financial hardship' and for those families transitioning from income support to work. Stakeholders agreed further work is required on the definition of children 'at risk'. There was also strong interest in supporting grandparents in receipt of income support payments who are the primary carers of their grandchildren.

**Element 1: Children at risk of serious abuse or neglect**

There are a range of definitions of 'at risk of serious abuse or neglect', and these have evolved over time.

In terms of what constitutes abuse, in general terms it is where children would experience physical assault, sexual assault, psychological/emotional abuse (including witnessing or being exposed to domestic violence) and neglect (e.g. malnutrition, lack of medical care). 'At risk' would encompass those whose current circumstances or environment leaves them in a situation where they are likely or probably going to experience one or more forms of the above types of abuse. In contrast, children who are not in such an environment (e.g. circumstances such as a parent being hospitalised, or the family is on a low income), or who may have been previously exposed but are no longer (e.g. the perpetrator is no longer in contact with the children and/or the child has been placed with other carers) may not be considered to be 'at risk'.

One option to guide services and departmental decision making could be using relevant state and territory definitions which would result in child care providers being consistent with the definitions and practices used in their locality.

A more general definition might provide greater consistency on a national basis in terms of granting of assistance, but could lead to inconsistencies with local child protection systems in terms of their arrangements, practices and procedures.

***Feedback from stakeholder consultations***

There was strong consensus in favour of defining 'at risk of serious abuse or neglect' 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).

However, there was also support for a broadening of the definition, for example to include grandparents who are primary carers. While there was support for the definition there were also differences in the degree of understanding among participants about levels of risk. Those with expertise in defining abuse and neglect were more likely to recommend that the definitions be broad and consistent with best practice evidence. For example, the definitions should build on the existing definitions that apply to the Special Child Care Benefit, including reference material in the Guide to the Special Child Care Benefit, such as indicators of abuse or neglect.

There was also agreement among stakeholders that where a serious risk is identified, mandatory reporting processes would require notification of Child First or other relevant child protection agencies.

Support was indicated to standardise or align the definition with common definitions used such as the New South Wales ‘Keep Them Safe’ policies, state and territory legislative definitions as well as the National Framework for Protecting Australia’s Children.

Some concerns were raised in relation to the reduction of time from 13 weeks to 6 weeks for the initial approval process for children ‘at risk’, in relation to the provision of evidence within this timeframe. Some support was also indicated for differential review periods for children ‘at risk’, whereby those children who are clearly ‘at risk’ (long term) would have a longer review period than the current 13 week review period.

In addition to feedback from the consultations, the Department has been consulting with other key stakeholders, including:

- the Ministerial Advisory Council and its Stakeholder Reference Group
- the Early Learning and Care Council, which represents the interests of larger providers, both private and not-for-profit.

Concern was expressed about ensuring continuity of care for children who are deemed ‘at risk,’ (possibly through electronic tracking of some sort) as well as careful management of the child’s transition out of an ‘at risk’ status.

A wide variety of responses were made regarding when a child should no longer be considered ‘at risk’. It was a commonly held position that third parties, such as medical professionals and support agencies, could advise on when the child is no longer ‘at risk’.

***Next steps***

Underpinning approaches to defining risk will be measures to address the range of issues with the current programmes in terms of payment integrity and programme sustainability, particularly in relation to assistance to support children at risk of serious abuse or neglect. The Additional Child Care Subsidy design will build upon the experience gained through current programmes to ensure support is targeted to those families that are genuinely in need, while ensuring greater transparency and accountability on the part of service providers to ensure taxpayer funds are not wasted.

The Department will undertake further consultations with states and territories and relevant child protection areas with a view to arriving at a definition that reflects the concerns and practices currently faced by the states and territories, without adding any further regulatory burden. Consultations are being held with the relevant departmental area responsible for the National Framework for Protecting Children.

**Element 2: Temporary financial hardship**

The nature of ‘temporary financial hardship’ assistance is to provide short-term support to families who are experiencing significant financial stress due to exceptional circumstances. Such circumstances could include: the sudden and unexpected death of a spouse/partner or child; involuntary unemployment (for example, suddenly made redundant); or being affected by a disaster event that has been formally declared by the Australian Government, and where the families concerned would be eligible for disaster assistance.

***Feedback from stakeholder consultations***

There was general support in favour of defining ‘temporary financial hardship’ 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) .

However, participants were divided as to how to define exceptional circumstances, with some suggesting that assessment should be on a case by case basis.

Some concern was expressed about the length of time for which people could be eligible for temporary hardship funding and suggestions were made that there should be flexibility around this and that the period of funding should be based on the presenting circumstances. However, there was division over whether eligibility should be determined by the service provider or subject to a third party application process (for example, by application to the Department of Human Services). Despite some feedback suggesting that services have the discretion to authorise, there was also reluctance from services to take responsibility for this role.

Feedback on what would assist services to respond in a proportionate way to levels of hardship included clear guidelines and policies, third party evidence, medical certificate, death certificate or advice from doctor and evidence of income or guidance from Centrelink.

Some concerns were raised in relation to the reduction of time from 13 weeks to 6 weeks for the initial approval process for 'temporary financial hardship', in relation to the provision of evidence within this timeframe.

***Next steps***

The intent of the 'temporary financial hardship' element of the Additional Child Care Subsidy is to provide short term support to help families adjust to a change in circumstances, ensure continuity of care and support the child's physical safety, health and wellbeing. Other elements of the Additional Child Care Subsidy are targeted to provide longer term support to children identified 'at risk' and could be accessed by eligible families who fall outside a definition of 'temporary financial hardship' or who may need support outside of the 13 week timeframe.

While the Productivity Commission recommended that temporary financial hardship support cease under the new child care system, the Government considers that it has a role in supporting families with the cost of care when they are experiencing an event that significantly impacts on their ability to pay child care costs.

The need to respond quickly in these circumstances, and identify those most in need, will necessitate a tighter definition compared with 'at risk.' The starting point supported through consultations on the definition provided above, including death of a spouse/partner or child, unexpected loss of employment and natural or other disaster, will provide the basis for the new temporary hardship payment. Feedback on the definition of 'exceptional circumstances' emerging from the consultations will be considered in the context of their appropriateness for inclusion under a temporary payment arrangement, noting that some families' circumstances may fit the eligibility criteria for other elements under the Additional Child Care Subsidy.

Given the breadth of circumstances under consideration it is likely that there may be instances where the grounds for the Additional Child Care Subsidy are not clearly risk or hardship based.
The Department notes the feedback on documentation and evidence that services would need to determine 'temporary financial hardship.' The Department will be working closely with the Department of Human Services to ensure that clear policies and guidelines are put in place, including addressing the need for credible third party evidence from suitable agencies and professionals to be obtained prior to a claim being made.

The Government has also given consideration to feedback around the process for determining eligibility. The assessment process for eligibility will be undertaken by the Department of Human Services (for a period of up to 13 weeks per event) rather than having services do an initial assessment (for up to six weeks) followed by Department of Human Services approval (up to seven additional weeks per event) as this will reduce administrative burden for services. Families may also feel more comfortable discussing financial barriers with the Department of Human Services rather than services themselves, as it already has significant financial information about the family. The Department of Human Services is also able to discuss other Australian Government assistance that may be available for the family.

**Element 3: Transition to Work**

The 'transition to work' assistance will be linked to approved activities that will support a parent's return to or increased participation in the workforce. Amongst these will be study activities, and for this support to be effective, a parent should be progressing through the study/training. What would be defined as acceptable progression still needs to be determined and could include bi-annual or annual confirmation of enrolment and evidence of results.

***Feedback from stakeholder consultations***

Stakeholders were asked what evidence should be available to confirm parents who receive transition to work assistance are satisfactorily progressing in their studies. The most common suggestions provided by stakeholders were as follows:

- statements of attainment, assessment declarations or transcripts
- ongoing reporting by a Registered Training Organisation/educational institution – possibly via a reporting system
- study plans
- a letter from an employer
- evidence from Centrelink (collecting similar data)
- evidence from the relevant training organisation every three months of progress of studies
- attendance records.

Stakeholders gave diverse feedback with regard to the frequency of review from three months, six months and 12 months, which partly reflected the length of the study/training being undertaken.

Some participants were keen to ensure that the system is flexible and recognises that some parents will take a longer time to make this transition than others – it is very dependent on skills, location and availability of work.

Some participants expressed quite a firm view that it is not an appropriate role for service providers to take responsibility for the assessment and collection of this evidence.

***Next steps***

Implementation of the 'transition to work' element of the Additional Child Care Subsidy will need to consider the impact of any changes in related policy areas, such as workforce participation requirements for parents on income support, to ensure that pressure on this subsidy is managed appropriately.

Implementation of this element under the Additional Child Care Subsidy will give consideration to the changes recently introduced to the JETCCFA payment under the current system, the purpose of which were to ensure payments were managed within the available funding allocation and ensure recipients are targeted to access the programme in the most cost effective way. The Government will be working through eligibility, assessment and delivery issues, including timeframes for receipt of the 'transition to work' payment and review timeframes with the Department of Human Services to ensure this objective is continued and strengthened.

Development of an improved ICT system to support payment and child care programme reforms will be a part of supporting functions such as determining family eligibility and enabling compliance and reporting requirements to be met.

**Element 4: Support for families earning less than $65,710**
In addition to the work underway on the three components outlined above, the Additional Child Care Subsidy also includes access to 24 hours per fortnight of early learning for children from low income families (less than $65,710 in 2017-18) who do not meet the activity test. It will be paid at 85 per cent of the hourly fee cap. The 24 hours is equivalent to two six hour sessions per week.

**Grandparent primary carers in receipt of income support**
In response to a request for general feedback about the Additional Child Care Subsidy, stakeholders put forward a range of views about groups that could be considered for a higher level of assistance. To a large extent these groups are identified in the 'at risk' and 'temporary financial hardship' components above. However there was clear and consistent feedback that grandparents who are the primary carers of children should be included under the Additional Child Care Subsidy.

***Next steps***
The Government is aware of the combination of often adverse circumstances that produce unique challenges for grandparents with primary responsibility for raising their grandchildren. The upward trend in grandparent provided care signals a need for the inclusion of this cohort under the Child Care Safety Net.

The broader Jobs for Families Child Care Package currently contains a number of pathways for grandparent primary carers to access subsidised child care through exemptions to the activity test under the Child Care Subsidy or under the Additional Child Care Subsidy categories of 'at risk', 'temporary financial hardship' or low income family.

There is insufficient coverage for grandparent carers on income support who need to access longer-term higher hours of child care for a child who is not deemed 'at risk'. A new component of the Additional Child Care Subsidy will be introduced to support grandparent primary carers on income support at the same level of assistance as applied to children 'at risk' or 'temporary financial hardship.'

**Levels of evidence**
The consultations identified a range of evidence that could be provided by families and services. This list will continue to be refined and developed in consultation with stakeholders and targeted to the various components of the Additional Child Care Subsidy to help reduce regulatory burden.

## 8.3 Community Child Care Fund

Getting children into early childhood learning improves a family's ability to break a cycle of poverty and intergenerational welfare dependence. This is one of the most effective early intervention strategies available.

The Community Child Care Fund will provide grants to child care services through a competitive process to reduce barriers to accessing child care, particularly in disadvantaged, regional or remote communities, and in areas of demonstrated high demand but with low child care availability.
The Government will commit approximately $304 million to the Community Child Care Fund over the next four years.

The Community Child Care Fund will encompass four elements:

- **Community support in disadvantaged areas** – to increase participation of children in child care, particularly children from disadvantaged communities.
- **Sustainability support** – to provide time-limited support for services experiencing viability issues.
- **Capital support** – to assist with capital costs in areas of high unmet demand to increase child care places.
- **Access to affordability support** – to provide access to child care for lower income families who live in regions where cost is a barrier to participation.

The Community Child Care Fund will also support the integration of child care, maternal and child health and family support services in a number of disadvantaged communities, as recommended by the Forrest Review of Indigenous Jobs and Training, *Creating Parity*.

The Community Child Care Fund is not simply a replacement of existing programmes; it is larger and more sophisticated in its design. It is designed to complement and supplement the other elements of the Child Care Safety Net and the Child Care Subsidy on the following basic principles:

- **targeted** to services that need assistance most
- **time limited** to improve programme responsiveness over time
- c**ompetitive** to ensure value for money
- **flexible** to promote innovative, community driven solutions.

There is likely to be a net benefit, to the extent that increased access to quality education and care by children from disadvantaged backgrounds (through a greater focus on supporting services cater to these children) and increased sustainability of services outweighs the preliminary cost to services of transitioning to mainstream funding sources and to more efficient business models and operating practices.

The competitive basis of the programme means that service needs will be assessed holistically and will be subject to regular review. This is intended to address some of the concerns raised by the Productivity Commission that many current programmes are not well targeted, are open to misuse and fail to reach those families and children who could most benefit. In applying for funding under the Community Child Care Fund, services would need to demonstrate that they have a clear focus on improving outcomes for children and their families and are willing to make changes that would improve their viability in the longer term. This would enable improved transparency for Government of their financial arrangements, as well as ensuring services are committed to operating as efficiently as possible.

As a single grant programme addressing a number of supply issues and barriers to participation, the Community Child Care Fund would mean a single entry point for services, which will provide opportunities for streamlining grant application processes. This will assist with reducing regulatory burden.

While the Community Child Care Fund will require services to apply for funding through a grants application process, many of the services who would be applying for funding are already in receipt of Government support and would be required to undertake some form of related administrative process. The provision of clear eligibility criteria and detailed application guidance is also expected to help guide services through the application process and thereby minimise both the number of services applying who may not be eligible for the programme, as well as the time and effort required for applicants.

It is also anticipated that the proposed ICT system and the Department of Education and Training's grant processes would allow services to complete applications and meet reporting requirements electronically which is expected to be significantly more efficient than the current system of funding, which in many instances is reliant on paper based application forms.

**Feedback from stakeholder consultations**

There was strong support for the establishment of the Community Child Care Fund and its focus on providing support to services so that they can reduce child care access barriers, particularly for disadvantaged and vulnerable families. There was also strong support for funding to be allocated flexibly, allowing communities to drive solutions, as well as targeting funding to services that need it most.

There were some concerns raised in relation to the implementation of the Community Child Care Fund, particularly in relation to the use of a competitive grants process to allocate funding. This was seen as an issue for smaller regional and remote organisations, who may not have the necessary experience to effectively compete in a competitive grants round. There were also stakeholders who were concerned that a competitive grants process may divert resources to the writing of applications rather than focusing on establishing partnerships and meeting the National Quality Framework requirements. It was noted that alternative approaches consistent with Commonwealth procurement guidelines should be considered, including utilising local area input and expertise in decision making. This would allow for a greater focus on community engagement and ownership as a mechanism to select providers. The option of using a two-step process, with an initial assessment through an Expression of Interest, was also canvassed.

The principle of time limited support raised some concerns, particularly in relation to the element of Sustainability Support (discussed below). A number of stakeholders noted that for smaller organisations, a three year grant period may be insufficient to address current accessibility issues and to become sustainable. This was seen to be a particular concern for current Budget Based Funded services that would be transitioning to the mainstream subsidy system for the first time and were operating in multiple locations and disadvantaged, often remote, Aboriginal and Torres Strait Islander communities.

There was also some feedback that the proposed eligibility criteria needed further clarification including whether outside school hours care services are eligible and that excluding family day care from some elements would reduce the capacity of the Community Child Care Fund to reach a broad range of families. It was particularly noted that family day care services, due to their size and flexibility, are well suited to provide care in disadvantaged communities. As such, there was support for the eligibility criteria for the Community Child Care Fund to focus on the intended outcome of the grant funding, and that family day care be included as an eligible care type.

**Next steps**

The Department will continue to consult with key stakeholders to refine the programme design for the Community Child Care Fund. Issues, such as developing an equitable and robust grant application and assessment process, will be considered as part of those discussions. This may include options to support services to navigate the application process and not restricting eligibility to particular service types.

The Department is committed to working closely with existing services, such as services operating in rural and remote locations, to support them in the transition to the new child care system. In particular, Budget Based Funded services, including mobile services, will receive intensive tailored support over the next two years to review administrative processes, business models and staff expertise. It is planned that this support will be coordinated through departmental staff who already have strong relationships with services and will be able to tailor support to the particular circumstances of each service. Specialist support will be also available through targeted consultancies that will help roll out the necessary ICT infrastructure, staff training and support for business model changes as well as governance training.

**Element 1 – Community support in disadvantaged areas**
Children from disadvantaged backgrounds face a range of additional barriers in accessing child care and yet research has confirmed they have the potential to benefit most. While the higher subsidy rates provided through the Child Care Subsidy (and the Additional Child Care Subsidy for eligible families), will go some way to addressing affordability issues, there are also potentially community-level barriers which will remain, including:

- lack of community engagement
- low perceived value of child care and/or early education
- dispersed and/or disadvantaged populations, creating higher cost service delivery and/or difficulties in accessing the service
- fragmented service delivery – services in the community are operating in 'silos' impacting on awareness and access to child care.

The overarching objective of this element is to increase participation in child care of children from disadvantaged communities. Under this element, grants, for up to three years, would be provided and linked to a business plan outlining how the service would improve access for children from disadvantaged communities and how the funding would improve the long-term sustainability of the service.

The funding would be provided for community-driven innovative solutions which could include some or all of the following:

- **Engage staff to do outreach**
    - Build relationships with families and support families to access child care
- **Open days/promotions**
    - Build community engagement and value in child care
- **Community liaison/Integration**
    - Build relationships with complementary community services
- **Transport assistance**
    - Capped annual amount
    - Not tied to assets.

The following eligibility criteria were proposed for feedback during stakeholder consultations:

- all service types would be eligible for transport assistance
- centre-based services would be eligible for promotions funding due to this service type needing high participation for ongoing sustainability
- centre-based services would be eligible for integration and outreach funding due to this service type needing high participation for ongoing sustainability.

Applicants would also need to:

- demonstrate they are servicing a disadvantaged area or community (possible data sources that may be used to confirm this could include the Australian Early Development Census, Socio-Economic Indexes for Areas and the ABS Census)
- have completed a business plan prior to application, outlining how grant funding will improve their long-term sustainability
- provide evidence of how the grant funding would help address community-level barriers to increase participation in the child care service.

***Feedback from stakeholder consultations***

There was general support for the Community Support element of the Community Child Care Fund, particularly given its focus on disadvantaged communities. As indicated below, stakeholders put forward a range of activities that could be supported under this element and would help to address access barriers for vulnerable children.

However, some feedback was also received that the proposed eligibility criteria were too focused on the type of care and that the exclusion of some care types under certain elements would reduce the capacity of the Community Child Care Fund to reach a broad range of families. On this basis, it was felt that grant eligibility should focus mainly on a service's ability to achieve desired programme outcomes, with service type being a secondary consideration.

#### Increasing participation of vulnerable children in child care services

A number of stakeholders identified integrated service models as the most effective way of engaging vulnerable children. Other suggestions included:

- culturally sensitive practices and focus on relationships
- the need for flexibility for vulnerable families
- early intervention programmes
- linking with other programmes including the education system, particularly those providing soft entry points for child care
- transport assistance for mobile and outreach services.

#### Expected community support outcomes

Aside from increased attendance in child care, suggested positive outcomes for children, families and the broader community included:

- improved developmental outcomes for children (health, behaviour, social, language, literacy)
- an increase in children attending child care regularly throughout the year
- an increase in children attending child care for at least two consecutive days per week
- an increase in children completing an approved preschool programme
- improved life outcomes and reduced risks to children and families
- smoother transition to school
- reduced isolation and increased community connectedness
- improved workforce participation and employment outcomes
- increased service quality
- increased trust between families and early years educators.

#### Increased awareness and greater integration

The majority of stakeholders consulted supported increased awareness and greater integration as acceptable interim outcomes, with an acceptable timeframe of 12 months. Stakeholders also said that integration of disadvantaged children should be an outcome in its own right.

***Next steps***
The Department will continue to engage with stakeholders to refine the design of the Community Support element of the Community Child Care Fund. In particular, as noted above, stakeholder feedback will be sought on the Community Child Care Fund eligibility criteria to ensure they are more consistent with an outcomes based approach.

Further work will also be undertaken to define areas of 'disadvantage'. Particular consideration is being given to the use of 'heat maps' which will enable a range of data sources, such as the Australian Early Development Census and Socio-Economic Indexes for Areas (SEIFA), to be taken into account.

**Element 2 – Sustainability support**
There are circumstances in which services may face difficulties establishing or maintaining their viability. Factors that can influence viability include fluctuating demand, low population or other issues, such as the closure of a large employer. In areas of limited supply, service level uncertainty and/or closure has the potential to increase child care access barriers and reduce workforce participation.

The overarching objective of this element is to provide time-limited support for services experiencing viability issues to help them improve child care access and to support the service to improve their long-term sustainability. Proposed changes to service operating requirements (page 75 refers) may assist services operating in areas with fluctuating or low populations.

Under this element grants would be made available for up to three years, linked to a business plan outlining a pathway to sustainability, to assist services that are not currently viable without additional support due to factors such as fluctuating demand, low population in the area or other issues.

As part of the broader establishment of the Community Child Care Fund, the Government would work with sector peak bodies to develop business planning templates specific to each eligible care type. All services seeking grant funding would be required to use these documents to prepare plans outlining their current financial situation and likely future position with and without Government funding (the business planning templates could also be made available to other services to assist with general capacity building in the sector).

Once assessed for support, services may be eligible to receive operational funding or project-based funding to allow them to operate while they transition to a more sustainable business model. The amount of funding and the length of the funding agreement will be dependent on the specific requirements of each service.

The following eligibility criteria were proposed for feedback during stakeholder consultations:

- centre based services would be eligible
- family day care services may be eligible in exceptional circumstances
- in-home care services would be ineligible.

Applicants would also need to:

- demonstrate that they provide the only suitable service operating in the area (where appropriate)
- have completed a business plan prior to application
- provide evidence of demand for service
- have a demonstrated strategy for transitioning to a more sustainable business model beyond the grant period.

***Feedback from stakeholder consultations***

Overall there was strong support for the Sustainability Support element of the Community Child Care Fund, with stakeholders identifying a number of factors that could contribute to viability issues for services. As noted previously, some concerns were raised in relation to the eligibility criteria and the time limits on the length of funding (i.e. one-off and time-limited), noting that some services may not be able to achieve a satisfactory level of sustainability during the period of a grant, needing support beyond this period.

**Viability issues**

Stakeholders identified a range of viability issues faced by services, including:

- extraordinary circumstances and sudden threats to business
- availability and quality of staff versus the number of staff required (for example, minimum of two staff at all times) and qualifications
- high staff turnover
- regulatory burden, including National Quality Framework documentation
- economic fluctuations, including changes in unemployment
- variation in enrolments across the year (school holidays, sorry days, special events)
- the high costs of running services to an acceptable standard
- distance and availability of transport
- ageing infrastructure and buildings not being fit for purpose
- oversupply of services in some areas
- local government decisions, such as restrictions on service size and location.

Feedback indicated that viability funding would not be an appropriate response to all of these issues and that a clear purpose is needed to define broadly the circumstances when it is appropriate.

**Strategies to improve viability**

Suggested strategies included:

- support with change management and changing business models
- flexibility with regulations
- access to training
- improvements to buildings and flexibility/assistance to move to new location
- changing operating hours
- providing community support
- improved planning to take into account demand and oversupply.

**Distance and travel**

Suggestions regarding how the Department should determine where a service operates included:

- assess the local community, local child care market and likely demand
- draw on disadvantage and vulnerability indexes
- whether services would have access to public transport
- town limits or Local Government Area
- realistic travel distances for rural and remote (may include timeframes rather than distance).

### Defining sole provider

There was significant support for the definition of a sole provider being the only service in an area. Suggestions regarding definitions of sole provider were:

- only one available or only suitable service operating in the area
- one service where the nominated supervisor is the provider
- align to existing legislation and do not create a new definition when one already exists
- it would depend on service type, suitability and community need.

### Exceptions in viable markets

Consultation feedback suggested a range of exceptions could be made for services operating in viable markets. These fit broadly into three categories:

*External events impacting on the service, such as:*

- services impacted by sudden loss (fire, flood, repurposed building)
- changing economic circumstances (e.g. large employer closing)
- sudden loss of premises or increase in rental costs.

*Services going through a transition or adjustment, such as:*

- government building accommodation ageing and needing refurbishment
- services transferred to new provider to allow for quality improvement and minimal disruption to care of children
- services over 50 years old.

*Services meeting an important community need, such as:*

- small services that are not economically viable but if lost will result in reduced access for families
- services operating in low socioeconomic areas
- rural and remote services
- services offering a unique service.

Conversely, there was also some feedback that no exceptions should be given for services operating in viable markets.

***Next steps***

The Department will continue to undertake further work to refine the programme design for the Sustainability Support element of the Community Child Care Fund. Key issues to be addressed will be the eligibility criteria and providing greater guidance on defining area of operation.

The Department acknowledges the importance of support for services to transition to a fee-based business model and that a time-limited programme may not provide enough support for those disadvantaged communities that may have longer term issues. The Department proposes to consult further in this area. As noted previously, a particular focus over the next two years will be to provide transition support to current Budget Based Funded services.

**Element 3 – Capital support**

Supply-side limitations are one of the barriers that impact on child care accessibility. In some instances services may not have the capacity to fund the necessary infrastructure adjustments required to meet unmet demand for child care places.

The objective of this element is to assist with capital costs to increase child care places in areas of high unmet demand.

Under this element grant co-contributions of up to $500,000 (with exceptions) would be made available to assist with capital costs and increase the number of child care places.

The funding would be provided for community driven innovative solutions which could include some or all of the following:

- new buildings
- refurbishments to increase places in existing buildings
- extensions to increase places in existing buildings
- mobile solutions for dispersed populations with high unmet demand.

As part of their grant funding, services would be able to apply for funding to proceed with the preparatory phase of their infrastructure project, such as engaging an architect to develop plans. However, it is expected that this aspect would be a relatively small component of the overall grant allocation.

The following eligibility criteria were proposed for feedback during stakeholder consultations:

- centre-based services would be eligible
- family day care and in-home care services would be ineligible.

Applicants would also need to:

- demonstrate they have high unmet demand (as evidenced by waiting lists, demographic data etc.)
- have arranged co-contributions for the project, either financial or in-kind (e.g. land, building, waiver of application fees)
- have community support/buy-in for the project
- demonstrate value for money to Government (e.g. number of places being made available)
- have a comprehensive business/project plan
- have identified and assessed the level of risk for the project (e.g. the level of risk may be different if the service is currently approved or is a new provider).

Priority would be given to those applications that can demonstrate additional child care places will benefit vulnerable and disadvantaged communities.

***Feedback from stakeholder consultations***
There was general support for the Capital Support element of the Community Child Care Fund with stakeholders welcoming the provision of targeted funding to address supply-side issues. Some stakeholders raised concerns in relation to the eligibility criteria and noted that raising capital is particularly an issue for not-for-profit and community providers and as such these providers should be a priority for funding.

Stakeholders also raised the issue of ownership in relation to the improved assets. Some concerns were raised that if the fund were made available to for-profit organisations the asset would benefit shareholders in the event of a sale of the service. Some outside school hours care services also raised concerns if outside school hour care services being delivered on school sites assumed obligations as co-contributors without security of tenure. A recommendation was made in relation to the need for greater security of tenure if the grants were used to improve school based premises and access to those premises was subject to the ongoing agreement of the school.

### Evidence of co-contributions

Suggested evidence that services should provide fell into three categories:

*Evidence of capacity to pay or expenditure already committed, such as:*

- financial statements and audited accounts as evidence of actual expenditure
- bank statement or promissory note
- business plan/financial plan/budget/service operation plan
- financial consultancy
- loan options/bank letter
- certified deposit into secured fund.

Evid*ence of community support/benefit/in kind contribution, such as:*

- need to demonstrate the off-set benefits of the service
- occupancy levels
- voluntary hours committed
- demonstration of positive impact of a service
- community need — evidence of working with community
- memorandum of understanding
- partner capacity, community capacity, level of provider support.

*Evidence of project cost:*

- contract/building agreements/quotes from builders
- historical records.

It was suggested that one piece of evidence for each category be required. It was noted that a challenge for Government will be choosing between projects on the basis of relative merit, with a set of priorities or methodology for weighting applications needed.

### Evidence of community support

Suggested evidence of community support included:

- mutual partnership arrangements that show reciprocal benefits
- community consultation via public forum or meeting
- letters of support from parents and local community groups
- in-kind support or donations of time and products or services.

There was some feedback that a requirement to gather evidence could be onerous on small services and set up community expectations which would not be met if the grant application were not successful. To avoid the risk of resources being spent on developing project proposals unlikely to qualify for funding, a two-step process, with an initial assessment of an Expression of Interest and then a full assessment of a more detailed proposal, was also suggested.

### Differential support – based on service type or governance

Stakeholder opinions were divided on the issue of differential support according to service type. A small majority supported restricting access to Capital Support to not-for-profit providers. Others thought there should be no distinction between service type and for-profit services should also be eligible. Access to low or no interest loans, instead of grants for not-for-profit providers, was also suggested. This would allow the capital to be used and returned to the pool, and would help ensure funds do have the intended consequence and are not misused.

There was also a view that support should be based on services being able to demonstrate community need and value as well as accountability, practice and ethics.

*Next steps*
The Department will continue to undertake further work to refine the programme design for the Capital Support element of the Community Child Care Fund. Key issues to be addressed will be the eligibility criteria and the level of evidence required to support the application, including how an appropriate level of co-contribution should be determined.

The Department acknowledges the importance of improved assets to the ongoing delivery of services and will explore options in relation to the final ownership of any capital improvement through this programme.

**Element 4 – Access to Affordability support**
Access to Affordability Support was intended to target child care services operating in high cost areas, enabling them to apply for funding under a competitive grant process, so they could reduce fees for lower income families.

Under the proposal, grants would be available to centre-based services located in designated high cost locations, with grant funds being used by services to reduce child care costs for lower income families who are not already in receipt of the Additional Child Care Subsidy.

Under this model, services would be required to undergo an examination of their operations, including the financial circumstances, to confirm they are operating efficiently, and random checks of lower income families would be undertaken to confirm the additional fee reduction had been passed on.

***Feedback from stakeholder consultations***
While feedback from stakeholder consultations showed broad support for the policy intent of this element, there were some strong concerns expressed about its implementation through a competitive grants programme under the Community Child Care Fund.

The measure was seen as being administratively complex. A particular issue raised was that services in high fee areas with low vacancy rates or a small proportion of lower income families attending would have no incentive to apply for grant funding. This would mean the additional support may not be available to those families needing it most.

There was also concern about the difficulties associated with assessing ‘efficient business practices’ and the potential misuse of funds if the grant funding is not passed onto families, or if services fail to reimburse the Government for grant funding for families who have left the child care service. It was noted that some services may be reluctant to open their fee setting processes to scrutiny due to its sensitive commercial nature.

It was also suggested that the measure could drive perverse policy outcomes, such as the inequity of lower income families in neighbouring services having different levels of subsidy based on whether their service applied for the grant funding.

***Next steps***
Given the nature and extent of stakeholder feedback, the Government has decided to remove the Access to Affordability Support element of the Community Child Care Fund. Lower income families living and working in high cost areas will still be assisted under the broader Jobs for Families Child Care Package through the Child Care Subsidy. Lower income families earning less than $65,710 will be entitled to the maximum rate (85 per cent) of the Child Care Subsidy under the Package.

## 8.4 Inclusion Support Programme

The Productivity Commission found that children with additional needs participate in child care and early learning at a much lower rate than their representation in the broader population. It found that while the existing Inclusion and Professional Support Program is effective in supporting child care services to build their capacity and capability to include children with additional needs, a number of improvements could be made to better target the programme.

In particular it found the rate of the Inclusion Support Subsidy is too low and does not adequately support services to engage an additional educator to support the inclusion of children with additional needs, and the application process is too complex. It also found the Inclusion Support Portal (which supports the application, approval and claiming process of the Inclusion Support Subsidy) is administratively burdensome for Inclusion and Professional Support Program providers and services. The Productivity Commission recommended the Government no longer fund child care services to undertake professional development as this is considered the responsibility of the employer, and redirect that funding to better support inclusion.

The Inclusion Support Programme will commence on 1 July 2016, replacing the existing Inclusion and Professional Support Program, which ceases on 30 June 2016. The objective of the Inclusion Support Programme is to support eligible mainstream child care services improve their capacity and capability to include children with additional needs alongside their typically developing peers and assist services to address inclusion barriers.

The Inclusion Support Programme will include the following:

- **Inclusion Consultants** will work with eligible services to identify their needs, develop goals and implement strategies to build educator and service capacity and capability to facilitate the inclusion of children with additional needs.
- **Specialist Equipment Library** – a specialist equipment library will allow eligible services to loan specialist equipment to facilitate and support the inclusion of children with additional needs in their service.
- **The Inclusion Development Fund** will provide funding to eligible services where there is a barrier that prevents the inclusion of a child with additional needs in the service, which cannot be addressed through support from the Inclusion Consultant. Approved purposes may include:
    - funding to better meet the cost of employing an additional educator in centre-based services to increase the staff to child ratio
    - an increase in the subsidy to $23 per hour for centre-based services
    - a single rate of around $10 per hour for family day care in recognition of the additional care required to include children with ongoing high support needs
    - additional resources such as culturally appropriate assistance to benefit children from Aboriginal and Torres Strait Islander, cultural and linguistically diverse and refugee and humanitarian intervention backgrounds.
- **Inclusion Development Fund Manager** – a national manager will be established to assess applications and deliver funding through the Inclusion Development Fund in a nationally consistent and equitable way.

A new user-friendly online portal will be developed to support the accessibility of the Inclusion Support Programme for child care services, particularly, to support applications for assistance from the Inclusion Development Fund. It will also provide the ability for Inclusion Consultants to concentrate on their delivery of inclusion advice and support to services, rather than assist services with the administrative burden of using the portal.

**Regulatory impacts for services**
The Inclusion Support Programme will build on the strengths of the Inclusion and Professional Support Program through an increased investment and stronger focus on building the capacity and capability of eligible services to deliver and embed inclusive practice. On balance, the Inclusion Support Programme will involve similar regulatory impacts to services as the existing Inclusion and Professional Support Program, and any differences resulting from final policy decisions are expected to be minor. However, the Inclusion Support Programme will not include funding for professional development, and as such, there will be a small regulatory saving to services as there will no longer be a requirement to make applications for support to Professional Support Coordinators or Indigenous and Professional Support Units. Similarly, services seeking to loan specialist equipment will no longer be required to work with their Inclusion Support Agency and Professional Support Coordinator to access equipment, but rather will work directly with the Inclusion Consultant.
As noted on page 48, this is expected to result in a regulatory saving of $1.226 million per annum.

Stakeholder views were sought on how the new Inclusion Support Programme can increase the participation of children with additional needs in child care, while minimising regulatory burden for services and families. The Department also sought views on how to reduce the complexity of the application process to access the programme.

**Evidence requirements for additional support**
Feedback in response to documentary evidence as a requirement to access additional support was mixed. Stakeholders noted the importance of ensuring access to additional support was targeted to those most in need, however noted a range of challenges with seeking documentary evidence, including:

- families face long waiting lists for doctors and/or specialist appointments which prevents timely access to diagnosis or an assessment for diagnosis
- asking families to provide documentary evidence leads to the perception that additional support will be provided specifically to their child, which is not the case
- diagnosis for disability takes time and given the age of children in child care and early learning services, disability may not be recognised in the early years
- families often fail to acknowledge the additional needs of their child and do not seek medical advice, however additional care at the service is still required
- there is potential for overlap across the National Disability Insurance Scheme and Inclusion Support Programme and requirements for evidence should not be duplicated.

Respondents proposed a range of alternatives to seeking documentary evidence including:

- allowing services to make an initial self-assessment to facilitate additional support while evidence is being sought
- providing access to immediate and time limited funding without the requirement for documentary evidence
- allowing services to exempt documentary evidence at their own discretion, particularly in circumstances of challenging behaviour
- allowing exemptions where families are waiting to see a doctor or specialist
- allowing services to identify children with additional needs within their service and determine when they require additional support.

***Next steps***
The Department is considering the best approach for prioritising assistance through the Inclusion Support Programme. Services accessing support from Inclusion Consultants will not be required to provide evidence of the children with additional needs attending their service. Applications for funding from the Inclusion Development Fund, particularly to subsidise the employment of an additional educator, will be supported by evidence of disability, or assessment for disability. This is a mechanism for ensuring funding is prioritised to those most in need.
The Department is currently considering the most suitable approach for seeking and accepting documentary evidence, including the circumstances that may warrant an exemption, and is informed by feedback from the consultation process.

**Increasing participation**
Stakeholders provided feedback about approaches for how the Inclusion Support Programme can better engage with new families to increase the participation of children with additional needs in child care, such as:

- improved advertising and promotion of the programme, including through working partnerships with other relevant programmes and organisations
- increasing the rate and flexibility of the subsidy to better support services to employ an additional educator to support the inclusion of children with additional needs.

***Next steps***
The Inclusion Support Programme is a new programme and will be appropriately advertised and branded by the Department in the lead up to 1 July 2016. This will include a mail out to all services through the Child Care Management System with comprehensive information about the programme, including how to apply for assistance. Inclusion Consultants will be required through Funding Agreements to undertake outreach and engagement to child care services within their service area to ensure they are aware of the programme and the supports available. The Department will conduct a selection exercise to appoint Inclusion Consultants, which will consider applicants' ability to establish partnerships and make linkages with relevant programmes and organisations.

**Embedding Inclusive Practice**
Stakeholder views on embedding inclusive practices in child care services were strongly linked to the availability of funded, and specific, professional development and educator training. Respondents noted a key barrier to embedding inclusive practice was high staff turnover due to inadequate remuneration. Particular suggestions included:

- streamlining the application process for additional funding
- allowing services the discretion to access additional resources for a time limited period
- developing a new and user friendly online portal
- ensuring better connections between state and territory regulators and the Inclusion Support Programme by leveraging the National Quality Framework assessment and rating process and the Quality Improvement Plan.

***Next steps***
Inclusion Consultants will support services develop goals and implement actions to build educator and service inclusion capacity. Support will include practical advice and strategies to support the inclusion of children with additional needs, including where possible, proposing solutions to address particular inclusion barriers. The Inclusion Support Programme will include a streamlined application process which will be supported by a user friendly online portal.

**Measuring Outcomes from Inclusive Practice**
Stakeholder suggestions for how to measure whether the Inclusion Support Programme contributes to quality inclusive practices included:

- developing surveys to seek feedback from educators to determine their inclusive confidence
- developing surveys to seek feedback from families regarding their satisfaction with the inclusive practice that their child care service provides
- assessing whether children with additional needs are participating in the programme
- continuity of care in learning environment
- the level of satisfaction of the children, staff and families within the service
- ease of transition to school.

The Inclusion Support Programme will be evaluated as part of the evaluation of the Jobs for Families Child Care Package. The evaluation will identify outcomes of the Package to be achieved over time, including the performance of the main elements of the Package, including the Inclusion Support Programme, to ensure programme objectives are being met. Performance will be monitored regularly through reporting requirements and the collection of data and evidence to measure intended outcomes, including changes in child care services' inclusive practices.

***Next steps***
The Department will consider the measurements suggested in the development of the programme's key performance indicators, reporting requirements of Inclusion Consultants and evaluation framework.

**Purpose of the Inclusion Development Fund**
The majority of stakeholders argued the Inclusion Development Fund should not quarantine funding for specific purposes, but instead, should be flexible and responsive to the needs of the service to include a specific child. However, a small number of respondents noted some resources should be quarantined especially to support the inclusion of Aboriginal and Torres Strait Islander children, and children from culturally and linguistically diverse backgrounds (including refugee and humanitarian entrants).

***Next steps***
The Department is considering the best approach for prioritising assistance through the Inclusion Development Fund to ensure services are effectively supported to address a range of inclusion barriers for children with diverse servicing needs. This may include using the Fund to address inclusion barriers, where access to an additional educator is not the solution, and the barrier cannot be addressed by the services delivered by the Inclusion Consultant.

The Department is also exploring improved flexibility and responsiveness to services and parents by, for example, removing the additional educator daily hour cap that applies in the Inclusion and Professional Support Program and other approaches subject to availability of funds.

The Department is also overhauling the current Inclusion Support Portal with a view to improving the user experience and streamlining administration.

**Other Feedback**
A range of important feedback outside the identified questions was also obtained through the consultations. In particular, respondents noted:

- the importance of ensuring support from the Inclusion Support Programme is appropriate and responsive to the services' and child's needs, recognising that if it is 'too hard' families will stop attending
- the importance of ensuring services have access to immediate, flexible and time-limited funding to ensure children with additional needs can be included in the service without delay – this is particularly relevant for children in vacation care
- the importance of increasing the rate of the subsidy to more closely align with the true cost of employing an additional educator, to reduce the financial disincentive for a service to enrol and include a child with additional needs
- the importance of allowing increased access to, and greater flexibility within, the subsidy to employ an additional educator, acknowledging the early learning benefits of participation and the interaction between hours of care and workforce participation
- some concerns about reducing the number of providers in each state and territory and potential impacts on effective and equitable service coverage
- some concerns that the Inclusion Support Programme does not provide support for specialist child care services (for example, for children with disability).

***Next steps***
The Government is committed to ensuring the Inclusion Support Programme delivers effective, appropriate and responsive support to services to include children with additional needs alongside their typically developing peers. The provision of specialist disability services is the responsibility of state and territory governments (National Disability Agreement refers). The inclusion subsidy will be increased from around $17 per hour to around $23 per hour to better support services to engage an additional educator to support the inclusion of a child with ongoing high support needs.
The Department is considering how best to structure the programme, including eligibility and approval limits, and is informed by feedback from the consultation process.

# 9. Additional measures to support the reforms

## 9.1 The proposed new ICT system

The child care sector has changed significantly since the existing child care ICT systems were developed. The timing of the proposed child care reforms provides an opportunity to develop a robust and technologically advanced ICT system to support the reforms and provide a solid investment for any future changes in child care arrangements. The changes also provide an opportunity to enhance the ways in which services and families interact with the child care system.

Irrespective of policy decisions around the specific design of payments, significant ICT development will be required to support a range of functions, including:

- determining family eligibility
- service approvals
- calculating and making payments to services
- contract and programme management for supply side programmes
- compliance monitoring and data and reporting capabilities.

The proposed child care ICT system aims to resolve the following business problems impacting families and services.

**Current Child Care System**
The current technical environment is complex with many stakeholders and systems required to interact. Currently the process to implement policy and programme changes is unwieldy due to the nature of the different systems needing to be modified. This results in added cost and administrative burden for child care services and families, as well as lengthy timeframes for change implementation.

***Vacancy Data***
Families find it difficult to access information regarding child care vacancies, as data provided through the MyChild website is not in real-time and is outdated by the time it is published.

***Compliance***
The current child care ICT system does not provide the systematic identification of errors and unusual practices, making it difficult to systematically identify non-compliance with the Family Assistance Law. The current ICT system does not have sufficient preventative mechanisms to restrict inappropriate claims.

***Information Management***
Access to timely, accurate and complete data to inform evidence based policy, improve the Government's accountability for Government outlays and improve compliance is compromised, largely due to the limitations of the current child care ICT system.

***Deregulation***
The current system also does not provide effective sharing of information between relevant government agencies, therefore requiring families and service providers to provide information more than once.  State and territory government's licencing requirements and the current application for CCB approval are two separate processes, but require similar information which results in increased administrative burden for services providers.  In addition, updates to changes in circumstances or following the occurrence of notifiable events (for example, changes in staff personnel including staff contacts and other organisation information) needs to be reported separately to both the Department and the state and territory regulators.

***Attendance Recording***
In accordance with state and territory legislation, services are required to record children's attendance times.

Most services do this by asking parents to manually record their child's attendance times in a log book. This is time consuming and prone to error, either due to genuine misreporting, fraudulent reporting or parents forgetting to record attendances. Services must correctly transfer this information to their software. Recording attendance via a log book means it is costly for service providers to re-enter information into systems, follow up with parents who did not record attendance either at all, or incorrectly, and can potentially leave services at increased risk of breaching state and territory government legislation or the Australian Government requirements if attendance cannot be substantiated through compliance activities.

**Proposed new ICT Child Care System**
A new ICT system for child care is being proposed that will positively impact child care services, families and all levels of government with streamlined processes, reduced administrative and regulatory burden and increased information sharing.

***Proposed Benefits***
It is anticipated a number of high level benefits would result from a new ICT system implementation. Some of these include:

- improved system usability for service providers and families, including self service capabilities, improved reconciliation and electronic recording of child attendance information
- improved access and visibility of child care vacancies, review of claims and financial assistance received (either through service providers or directly)
- reduced complexity and greater transparency of Government subsidies for families and service providers, including reduced red tape as a result of simpler application, help desk and complaints processes
- improved services provided by Government to families, child care services and service providers by automating payments and processes
- simplified and streamlined administration of programmes and payments which results in reduced administrative and regulatory burden
- improvements to compliance, reporting and monitoring capabilities
- improved information sharing between government agencies, including states and territories
- improved policy design through timely and cost-effective access to relevant data
- increased automation of child care operations, reducing departmental workload and improving efficiency of service provider operations
- support for the Government's Digital Transformation Agenda by promoting the use of innovative and smart technologies.

***Feedback from stakeholder consultations***
Stakeholder views were sought on the proposed options. There is general support for an upgrade of the child care ICT system.

Overall, feedback from stakeholders supported the use of smart technology, such as tablets (iPads) and swipe cards (or smart technology). The ability to provide training online was also welcomed.

However, concerns were raised about ensuring access for services in rural and remote areas and the cost of implementing such initiatives, for example the WIFI set up and ongoing costs, and the purchase of tablets and computers. Comment was also made that text messages and similar mediums should not be relied upon as the sole means of communication.

With regard to information for families, most stakeholders would like to have easy access to all their entitlements and child care details in the one spot, including fee information, receipts and immunisation status.

**Regulatory impact**

The proposed ICT system is expected to reduce regulatory burden on service providers by allowing parents to electronically record the times their child attends a child care service. A range of technological solutions are expected to be supported. The use of information technology would remove the need for services to undertake administrative tasks, such as preparing and storing attendance sheets, as children's attendance times at sessions of care would be electronically recorded.

The use of information technology would also streamline the reporting processes for services as they would no longer need to manually alter sessions of care data in their child care management software as the attendance data will automatically transfer into the system and identify if a child was absent or attended a session of care that is different from their enrolment (e.g. the child attends for an extra day).

Some services are already using a kiosk-based information technology solution. Based on the best available information, the estimate is this change is likely to result in services saving around two hours each week, a regulatory saving in the order of -$107.806 million per annum (if other services adopt this technology).

This estimate does not include any time savings for parents using the smart technology to record their child's attendance, because there is insufficient detail about how families will do this and of related efficiency impacts at this time. A further estimate of the regulatory impacts for families of adopting smart information technology solutions to the recording of children's attendance at services will be able to be developed as the ICT system is developed and tested through 2016.

## 9.2 A new Compliance Framework

A new Compliance Framework for the Jobs for Families Child Care Package will be introduced that will strengthen the Government's powers in managing non-compliance. The aim of the Compliance Framework will be to encourage, enforce and strengthen compliance in the child care and early learning sector to ensure public funds are spent properly and accountably.

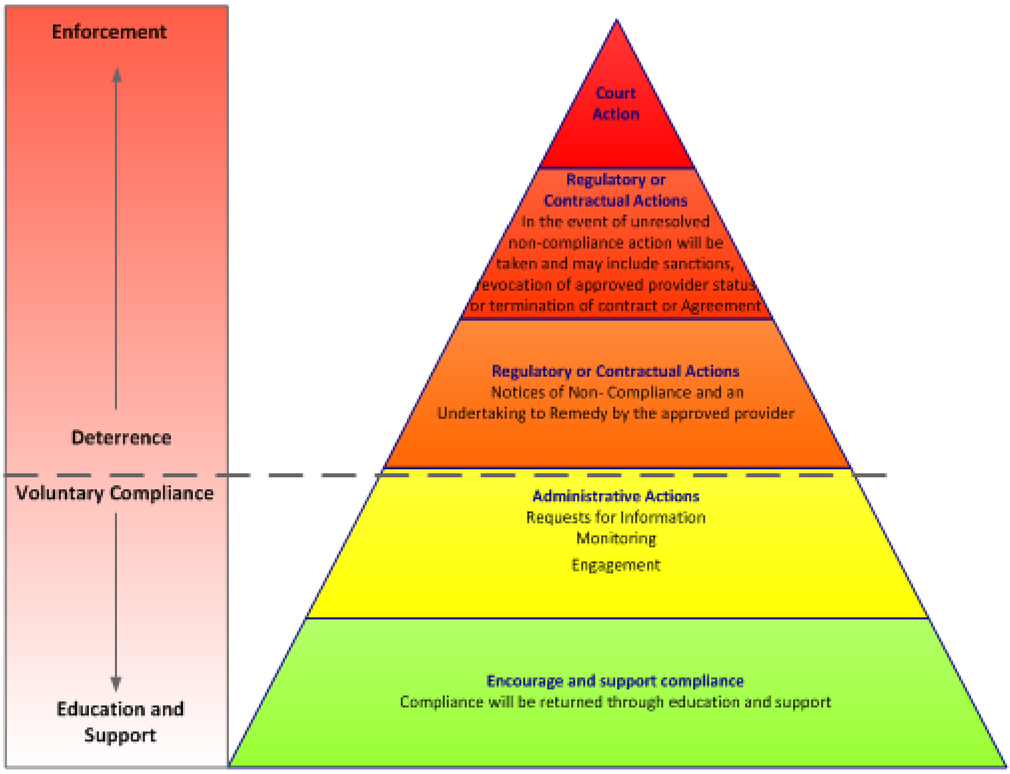
To assure the integrity of the system it is important that there are appropriate accountability mechanisms in place for providers that administer child care payments. The Compliance Framework will be supported by the new ICT system that will provide improvements to reporting and monitoring capabilities.

The Department's compliance powers will also be strengthened through inclusion of a new provision enabling the reassessment of the suitability of an approved provider to ensure they continue to meet their ongoing eligibility requirements. The range of circumstances suggested by stakeholders during consultation would be taken into account in determining whether to reassess a provider approval or the inclusion of a new service on an approval.

The amended legislation will outline the strengthened enforcement options, penalties and sanctions that will apply to non-compliance with requirements and obligations for the new Child Care Subsidy and Additional Child Care Subsidy, whilst minimising regulatory burden.

The new Compliance Framework will have a strong focus on the prevention and deterrence of non-compliant behaviour, including undertaking random sampling to confirm data submitted by services and families.

To maximise efficient use of resources and minimise unnecessary burden on the sector, the Department's approach will be both risk-based and utilise the conventional 'regulatory pyramid' model.




**Impact on services**

Service providers' obligations will be clearly outlined in the legislation and Compliance Framework. Providers will need to ensure they meet their obligations in regard to administering payments, including correct record keeping, accurate and timely reporting, and provision of clear information to families about the subsidy. Most service approvals will transition from CCB to the Child Care Subsidy.

Many of these requirements are similar to those currently required in the Family Assistance Law; however providers and the services they operate will need to adapt to the new requirements for the payments, and be accountable for their record keeping and reporting obligations.

The Department will have improved responses and strengthened powers to manage non-compliance. The responses will be proportionate to the risks posed by any non-compliance; recognise the capacity and motivation of the non-compliant services to return to compliance; and signal the seriousness with which the Department views non-compliance.

The Department will commence improved compliance responses from July 2016 as part of the transition to the new system. This will include the ability to reassess approvals to determine whether a service provider is meeting the obligations of their CCB approval.

The Compliance Framework will assist in ensuring that the sector administers Commonwealth financial assistance in accordance with the Family Assistance Law.

While compliance was not raised in the consultation process, when discussing elements of the Jobs for Families Child Care Package, feedback from stakeholders highlighted the need for compliance activities to reduce the risk of rorting in the system.

**Regulatory Impact**

There will be an increased regulatory burden on providers as a result of the new Compliance Framework. However, these changes are required to support the integrity of the child care system and costs will be offset by the proposed ICT system (page 101 refers).

All providers will be required to invoice families fortnightly, rather than quarterly, to provide families with information about their usage and entitlements. It is assumed a service would take 10 minutes to prepare and send invoices. The regulatory impact of this change is estimated to be $3.69 million per annum. However, this impact may be less depending on how frequently services currently invoice families.

# 10. Consultation

## 10.1 Overview

Throughout the last two years, there has been significant consultation with the child care sector, including with child care peak organisations, child care service providers and their staff and educators, families, communities and state and territory governments.

This consultation has primarily occurred through the Productivity Commission Inquiry into Childcare and Early Childhood Learning and the 2014 Review of the *National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care*. Both of these processes involved extensive public consultation.

Consultations on the Productivity Commission recommendations were undertaken by the Department of Social Services in early 2015.

The Department also undertook a national consultation process throughout July 2015 as part of the RIS process to give stakeholders an opportunity to have their say on the implementation of the reforms.

An overview of these consultations is provided below.

It is worth noting there have also been two recent Senate inquiries that sought submissions from the child care sector:

- The delivery of quality and affordable early childhood education and care services
- The immediate future of the child care sector in Australia.

Reports of these inquiries were tabled on 16 July 2014 and are available from the Education, Employment and Workplace Relations Committee website at: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/Completed_inquiries.

The Department also engages regularly with key stakeholders through the following forums:

- **Ministerial Advisory Council for the Child Care and Early Learning Sector** – the Ministerial Advisory Council provides advice and expertise on matters affecting the child care and early learning sector as well as recommendations on proposed or current legislation or policies. Membership consists of representatives of national peak bodies and experts in early childhood development and pedagogy and the child care and early learning sector.
- **Stakeholder Reference Group for the Child Care and Early Learning Sector** – the Stakeholder Reference Group complements the Ministerial Advisory Council by providing grass roots perspectives on the practical implications of child care and early learning policies and programmes and their impact on services. This dual approach ensures debate and input from a cross section of the sector on major issues. Membership encompasses organisations from across the sector with experience in the operation of child care and early learning services.
- **Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee** – the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee supports and provides advice to the Council of Australian Governments' Education Council. Membership consists of senior officials with responsibility for school education, early childhood and youth affairs from Australian, state and territory government departments.

- **Early Childhood Policy Group** – the Early Childhood Policy Group provides high-level strategic policy advice to the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee on early childhood education and care matters. Membership consists of senior officials with responsibility for early childhood from Australian, state and territory government departments.

## 10.2 Productivity Commission Inquiry into Childcare and Early Childhood Learning

The Productivity Commission undertook a full public consultation process as part of its inquiry into child care and early childhood learning.

The Productivity Commission released an issues paper on 5 December 2013, and invited stakeholders to provide their views online or to provide written submissions.

The Productivity Commission released a consultation draft report on 22 July 2014 which included 41 draft recommendations, 10 draft findings and 19 information requests.

The Productivity Commission undertook extensive public consultations, including public hearings and online submissions and comments. Public submissions closed on 5 September 2014. The Productivity Commission received 908 submissions and 1,173 online comments throughout the Inquiry process. This feedback has been considered by the Department to inform the Government's response and the development of the Jobs for Families Child Care Package.

The Productivity Commission publicly released its final report, *Childcare and Early Childhood Learning*, on 20 February 2015.

## 10.3 2014 Review of the *National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care*

A consultation process was undertaken by Woolcott Research to seek feedback on the implementation and operation of the National Quality Framework, and on how it might be improved. Initial public consultations took place in mid-2014. Over 1,300 people attended 55 consultation sessions. In addition, 187 submissions, 280 online comments, 638 sector surveys and 132 family surveys were received.

The public were given an opportunity to provide feedback on a Consultation RIS, which was released on 7 November 2014. The Consultation RIS was also made available on the Deloitte Access Economics website. Consultations took place in mid-November 2014 to mid-January 2015. Over 1,700 people attended 58 consultation sessions. In addition, 113 submissions, 106 online comments and 670 survey responses were received.

## 10.4 Consultations in early 2015

Following the release of the Productivity Commission's final inquiry report, the Department of Social Services undertook consultations with the sector, including focus groups with parents, on the models recommended by the Productivity Commission.

These sessions were attended by key stakeholders, service providers, the Ministerial Advisory Council, the Stakeholder Reference Group and state and territory regulatory authorities.

Approximately 200 people attended the sessions which were held in Canberra, Brisbane, Melbourne and Sydney.

The consultations were held to test reactions to some of the recommendations put forward by the Productivity Commission, particularly around child care fee assistance, supporting disadvantaged or vulnerable children and nannies.

An external agency, ORIMA Research, was engaged to undertake qualitative (parent focus groups) and quantitative (online questionnaire) research with families. This research involved a total of 2,188 parents.

Twenty one parent focus groups were held across the country, both in metropolitan and regional areas, and included a wide variety of demographic profiles. A total of 167 parents attended face-to-face sessions where the Productivity Commission's recommendations and alternative policy approaches were discussed. In addition, an online survey was used to seek parents' views.

The feedback from these consultations is described throughout Chapters 2, 5 and 6.

## 10.5 RIS consultations on the Jobs for Families Child Care Package

Consultations on the Early Assessment version of the RIS for the Jobs for Families Child Care Package commenced on release of the RIS on 29 June 2015 and concluded on the 31 July 2015. Members of the public were invited to review the implementation options for the key components of the Jobs for Families Child Care Package and provide feedback through a national consultation process.
The feedback from the RIS consultations is described throughout Chapters 7, 8 and 9.

There were five ways for the public to provide their response:

- attend a public consultation session
- provide a formal written submission
- complete an online survey for families or services
- submit comments via email to Early Childhood Australia
- attend a webinar session (for Budget Based Funded services only).

Around 1,700 individuals and organisations participated in the consultations. The number of respondents to each form of consultation is provided in Table 7.

**Table 7: Form of consultation and number of responses**

| Form of consultation | Responses |
|---|---|
| Attending a public consultation session | 963 |
| Providing a formal written submission | 79 |
| Providing an online comment | 4 |
| Completing an online survey for families | 267 |
| Completing an online survey for child care and early learning services and other organisations | 290 |
| Attending a webinar session | 97 |
| **Total responses** | **1700*** |

*Note: Stakeholders may have engaged with more than one consultation process and, therefore, the total responses may overstate the total number of unique stakeholders who engaged with the process.

**Public consultation sessions**

Throughout July 2015, public consultation sessions were held in each state and territory, in metropolitan, regional and rural areas. Each forum was three hours in duration. These were facilitated by representatives of the Department, with a presentation on the Jobs for Families Child Care Package followed by group discussions on implementation options and questions. Participants provided written responses to questions which were summarised at the close of the session.

The logistics of these sessions were managed by Early Childhood Australia on behalf of the Department. Session details, including how to register, were available on the Early Childhood Australia website. Information on the RIS was also available on the Department of Social Services and MyChild websites. Further detail on consultation locations is provided in Attachment D.

**Peak and government consultation sessions**
Consultation sessions were also held by the Department with each state and territory government and key service providers. These sessions were held in parallel to the public consultations throughout July 2015.

The Ministerial Advisory Council and the Stakeholder Reference Group were also consulted at meetings on 20 July 2015 and 28 July 2015 respectively.

**Formal written submissions**
Members of the public were invited to prepare formal written submissions in response to the RIS. Supporting information explaining how to make a submission was available on the Early Childhood Australia website. The period for submitting written submissions opened on 29 June 2015 and closed on 31 July 2015. Further detail on the submissions is provided in Attachment D.

**Online survey**
Two online surveys were available for the public to provide feedback on the RIS. These were open for approximately three weeks during July 2015. These were promoted via child care services, sector peak bodies representing child care and early learning services and online forums and networks with strong parent and family engagement and social media. Both surveys were based on the consultation questions in the RIS. Further detail on the online survey participants is provided in Attachment D.

**Webinars**
Two webinars were conducted in the final week of consultation forums specifically for Budget Based Funded services. There was a recognition that Budget Based Funded services are often located in rural and remote areas where there may be difficulty in attending a consultation forum. The webinars were facilitated by senior Department representatives with a presentation and an opportunity for participants to ask questions. A total of 97 people participated in these webinars.

# 11. Implementation and evaluation

## 11.1 Implementation activity

The activities necessary to implement the Jobs for Families Child Care Package include the development of legislation, an ICT system, and a communications strategy and stakeholder engagement. Table 8 shows the timing and key tasks for these activities.

**Legislation**

The introduction of a new child care system requires significant legislative changes. The Department of Education and Training (and previously the Department of Social Services) is responsible for preparing drafting instructions for the Jobs for Families Child Care Package reforms, with the Office of Parliamentary Counsel responsible for drafting the required bill.

To ensure service providers have sufficient time to implement necessary changes to their ICT and administration systems, legislation will be prepared for introduction in the 2015 Spring Sitting of Parliament. The aim is to have legislation and associated Determinations in place by 30 June 2016 to enable full implementation by 1 July 2017. This will ensure service providers have sufficient time to implement the necessary changes to their ICT and administration systems.

**ICT System**

As discussed in Chapter 9, significant ICT system development work will be necessary to support the large scale payment and other child care programme reforms the Australian Government is likely to implement through the Jobs for Families Child Care Package.

The ICT system will be used to support the Government's deregulation agenda by streamlining processes, sharing information and creating efficiencies wherever possible.

Consistent with normal Government practice, and given the likely cost and risk involved, the ICT development will be subject to both the ICT Two Pass Review and Gateway processes.

**Communications and stakeholder engagement**

Ensuring stakeholders have the necessary information to engage with the new system is a critical component of success. The Department will ensure stakeholders affected by the reforms are engaged and informed by:

- undertaking market research to inform development of information packages for services and families to help them transition to the new system
- establishing a helpline
- undertaking a communications and campaign strategy, including a targeted television, social media and advertising campaign and a direct mail-out to services
- developing a stakeholder engagement strategy to ensure continuing engagement with stakeholders through the Department's existing stakeholder groups at critical stages of implementation.

## 11.2 Transitional arrangements

A governance system, including an internal steering committee, will oversee the implementation and transition to the new child care system. The governance system will ensure that decisions are informed by well-developed research, accurate data analysis and consultation with key stakeholders in order to respond to the Productivity Commission Inquiry in an appropriate and responsive manner.

A Transition Plan will ensure all impacted stakeholders, including families, governments, services, the sector and communities, are supported through the change process to transition from the current complex payment system to the new single subsidy and access new targeted programmes.

The transition of the entire system requires consideration of establishment costs associated with the new system including the legislative framework, ICT training and resources for staff and services and research and evaluation to establish baseline data that can be used to model the impacts of change in the future.

Ensuring families have early and accessible information that informs and increases awareness of the new system is a critical element to success of the new system. A core component of the Transition Plan will be a comprehensive communication and stakeholder strategy.

The process of preparing services and families for the change to the new system will commence from July 2015. Services will experience the most significant change, particularly those moving from demand driven programmes to competitive processes. It is proposed that transition effort be concentrated on this component of the sector to minimise business disruption and lessen the impact on families.

Transitional arrangements may, in some cases, require ceasing and new programmes operating in parallel for a period of time.

The following programmes will cease:

- CCB, including Grandparent Child Care Benefit, Special Child Care Benefit , Registered Care and Enrolment Advance
- CCR
- JETCCFA
- Community Support Programme
- Inclusion and Professional Support Program
- Budget Based Funded Programme including the Improved Standards Initiative.

The following programmes, policies and functions will commence:

- Nanny Pilot Programme – from January 2016
- Extending Immunisation Requirements – from 1 January 2016
- Universal Access – from 1 January 2016
- Inclusion Support Programme – from 1 July 2016
- Service Integration (Forrest Review, Creating Parity) – from 1 July 2016
- Child Care Subsidy – from 1 July 2017
- Additional Child Care Subsidy – from 1 July 2017
- Community Child Care Fund – from 1 July 2017
- ICT System – from 1 July 2017.

## 11.3 Transition risks

Changes to the child care system have the potential to impact over one million families and children as well as some 16,000 services. In addition, there are a range of providers that assist services through training and administrative support that may be affected by new arrangements (e.g. software providers that currently support services to interact with Government administration systems).

The largest risk in the implementation of the new system is for errors relating to the roll-out of the new payments system that result in a service not receiving payment (on behalf of a family) or an incorrect payment. Any error relating to payments will also impact families.

There are additional sensitivities relating to the transition from existing programmes to new and replacement programmes that support vulnerable and disadvantaged or at risk families and children. There is supporting evidence that confirms these children have the greatest benefit to gain from access to child care and early learning environments. It will be important that those children and families are not disadvantaged during transition.

Without clear communication to parents and services of the changes well in advance, risks of issues with transition increase. Furthermore, extensive training will be required for services with varying expertise in ICT and administration across the diverse sector. The following would be required to manage these risks:

- extensive Government exposure through mainstream media
- targeted social media campaign to services and educators
- training in regions making it simple for services to access
- a well-resourced help desk.

## 11.4 Evaluation

To understand whether the proposed policy and programme changes arising from the Government's response to the Productivity Commission Inquiry are achieving their intended outcomes and remain effective over time, there will be ongoing monitoring and evaluation of the implemented changes by the Government.

An evaluation framework will be developed and underpinned by a number of discrete evaluation plans for the main elements of the reforms. It would establish baseline data and draw on other evidence and data to monitor programme implementation and identify relevant outcomes of the child care system, against which the progress of the changes over time could be assessed.

As an integral part of this strategy, a post implementation review would be conducted, along with a subsequent impact evaluation. The impact evaluation would build on the previously undertaken activities of monitoring, data collection, establishment of baseline data and the post implementation review to assess the effect of the changes on the community.

**Table 8: Activity timeline**

| Activity | Timing | Key tasks |
|---|---|---|
| **Legislation** | May 2015 to 30 June 2016 | • Working with the Office of Parliamentary Counsel to draft legislation and associated Determinations<br>• Liaising with other impacted government departments and relevant stakeholders<br>• RIS and policy decision<br>• Fulfilling other requirements of legislation such as human rights impacts |
| **ICT development and transition** | 1 July 2015 to 30 June 2017 | • Development and endorsement of ICT Second Pass Business Case<br>• Significant development of the ICT system<br>• Consultation with sector on impacts of change<br>• Identifying and securing legacy issues<br>• Data transfer and ongoing data collection<br>• Rollover / transition of records and bank details |
| **Communications and training** | 1 July 2015 to 30 June 2017 | • Raising awareness with stakeholders of the changes to child care payments<br>• Ensuring services have sufficient support during the transition system impacts<br>• Providing communication material directly to stakeholders<br>• Web based and social media<br>• Training (self-paced not face-to-face) and helpdesk assistance for services |
| **Evaluation** | 1 July 2015 to June 2022 | • Development of evaluation framework<br>• Establishment of baseline data to measure outcomes of the reforms<br>• Post implementation review of main elements of the Jobs for Families Child Care Package<br>• Impact evaluation of the Jobs for Families Child Care Package |

# Attachments

Attachment A – Productivity Commission Terms of Reference

Attachment B – Australian Government funded child care programmes

Attachment C – Full list of recommendations from the Productivity Commission Inquiry

Attachment D – Overview of RIS consultation participation

## Attachment A

## Terms of reference

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake an Inquiry into Child Care and Early Childhood Learning.

**Background**

The Australian Government is committed to establishing a sustainable future for a more flexible, affordable and accessible child care and early childhood learning market that helps underpin the national economy and supports the community, especially parent's choices to participate in work and learning and children's growth, welfare, learning and development.

The market for child care and early childhood learning services is large, diverse and growing, and it touches the lives of practically every family in Australia. Almost all children in Australia participate in some form of child care or early learning service at some point in the years before starting school. In 2012, around 19,400 child care and early learning services enrolled over 1.3 million children in at least one child care or preschool programme (comprising around 15,100 approved child care services and 4,300 preschools). The Australian Government is the largest funder of the sector, with outlays exceeding $5 billion a year and growing. It is important that this expenditure achieves the best possible impact in terms of benefits to families and children as well as the wider economy.

The child care and early learning system can be improved because:

- families are struggling to find quality child care and early learning that is flexible and affordable enough to meet their needs and to participate in the workforce
- a small but significant number of children start school with learning and developmental delays
- there are shortfalls in reaching and properly supporting the needs of children with disabilities and vulnerable children, regional and rural families and parents who are moving from income support into study and employment
- services need to operate in a system that has clear and sustainable business arrangements, including regulation, planning and funding
- there is a need to ensure that public expenditure on child care and early childhood learning is both efficient and effective in addressing the needs of families and children.

The Australian Government's objectives in commissioning this Inquiry are to examine and identify future options for a child care and early childhood learning system that:

- supports workforce participation, particularly for women
- addresses children's learning and development needs, including the transition to schooling
- is more flexible to suit the needs of families, including families with non-standard work hours, disadvantaged children, and regional families
- is based on appropriate and fiscally sustainable funding arrangements that better support flexible, affordable and accessible quality child care and early childhood learning.

**Scope of the inquiry**

In undertaking this Inquiry, the Productivity Commission should use evidence from Australia and overseas to report on and make recommendations about the following:

1. The contribution that access to affordable, high quality child care can make to:
   a) increased participation in the workforce, particularly for women
   b) optimising children's learning and development.
2. The current and future need for child care in Australia, including consideration of the following:
   a) hours parents work or study, or wish to work or study
   b) the particular needs of rural, regional and remote parents, as well as shift workers
   c) accessibility of affordable care
   d) types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care
   e) the role and potential for employer provided child care
   f) usual hours of operation of each type of care
   g) the out of pocket cost of child care to families
   h) rebates and subsidies available for each type of care
   i) the capacity of the existing child care system to ensure children are transitioning from child care to school with a satisfactory level of school preparedness
   j) opportunities to improve connections and transitions across early childhood services (including between child care and preschool/kindergarten services)
   k) the needs of vulnerable or at risk children
   l) interactions with relevant Australian Government policies and programmes.
3. Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children and their families.
4. Options for enhancing the choices available to Australian families as to how they receive child care support, so that this can occur in the manner most suitable to their individual family circumstances. Mechanisms to be considered include subsidies, rebates and tax deductions, to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances.
5. The benefits and other impacts of regulatory changes in child care over the past decade, including the implementation of the National Quality Framework (NQF) in States and Territories, with specific consideration given to compliance costs, taking into account the Government's planned work with States and Territories to streamline the NQF.
6. In making any recommendations for future Australian Government policy settings, the Commission will consider options within current funding parameters.

**Process**

The Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report to the public.

The final report should be provided before the end of October 2014.

J. B. Hockey
Treasurer

[Received 22 November 2013]

**Attachment B**

## Australian Government funded child care programmes

**Child Care Services Support Programme**

Child care services are categorised as either mainstream or non-mainstream. Mainstream services are those that are approved to receive Child Care Benefit (CCB) on behalf of families. Mainstream services account for over 95 per cent of all child care services (approved for CCB or funded by the Australian Government).

Non-mainstream services are those services that do not generally meet these requirements, but receive funding from the Department of Education and Training under the Budget Based Funded programme or other sub-programmes in order to operate locations where CCB approved services would not be viable, or where historically there have been unique child care needs. These services are generally not CCB approved.

***Community Support Programme***

The objective of the Community Support Programme is to 'assist child care providers to establish or maintain viable services in parts of the country where they might not otherwise be viable or able to meet the unique requirements of the community, such as in disadvantaged or regional and remote areas'.

Under the Community Support Programme, eligible long day care, outside school hours care, family day care, in-home care and occasional care services can apply for establishment or ongoing operational funding.

Eligibility requirements, payment rates and payment frequency vary depending on the type of service, but generally take into account factors such as the relative remoteness of a service, level of socio-economic disadvantage and how much the service is utilised by the community.

All Community Support Programme funding is delivered through funding agreements (grants), with durations of between one and three years depending on the type of care and/or the type of support being provided.

- **Set Up Assistance:** targeting family day care, in-home care and outside school hours care, this payment provides a one-off payment to help a service provider establish a service. The amount is dependent upon the care type and what services the provider may already operate.
- **Sustainability Assistance:** targeting long day care and outside school hours care, this payment provides a contribution to the day to day costs of operating a child care service. The amount and frequency of payments depend on the service's location and its utilisation rates.
- **Capital Funding (Exceptional Circumstances):** this payment provides capital funding up to $500,000 to support the creation of new long day care services in regional and remote communities where a clear demand has been identified.
- **Operational Support:** targeting family day care, in-home care and occasional care, this payment provides a contribution to the day to day costs of operating a child care service.
  To be eligible for this payment, family day care services must meet eligibility criteria that take into account the location of the service and the socio-economic status of the surrounding area. In-home care and occasional care services receive this payment by virtue of being an approved service and are not affected by any other eligibility criteria.
- **Regional Travel Assistance Grant:** targeting family day care and in-home care, this payment provides a contribution to the travel costs incurred by coordination staff in supporting a network of educators in regional and remote areas.

***Budget Based Funded Programme***
The Budget Based Funded programme shares the same objective as the Community Support Programme, but with an emphasis upon supporting services predominantly located in rural, remote and Aboriginal and Torres Strait Islander communities. Generally, the focus is on areas where the market may not adequately support the viable operation of mainstream services, or where there has historically been an additional need for culturally competent services for Aboriginal and Torres Strait Islander children and families and therefore the Budget Based Funded service is the sole provider in such communities.

Services funded under the Budget Based Funded Programme are not generally approved to administer CCB on behalf of families.

The Budget Based Funded programme provides a contribution to the operational costs of approximately 304 early education, child care and school age care services in approved locations. A range of service types are funded including, long day care, before and after school care, playgroups, centre-based crèches, mobile services, Multifunctional Aboriginal Children's Services and a smaller range of flexible services such as toy libraries and nutrition programmes.

The annual allocation for the Budget Based Funded programme is capped and the programme is closed to applications for the establishment of additional services in new locations. Budget based funding is delivered through a funding agreement (grant) of one year.

***Budget Based Funded Quality Measure***
In recognition of the differences in quality that have historically existed between Budget Based Funded services and those approved to administer CCB, since 2010-11 there has been additional support provided through the Budget Based Funded Quality Measure for centre-based Budget Based Funded services to move towards the National Quality Standard, a key component of the National Quality Framework.

The Quality Measure is supporting Budget Based Funded services to improve against three key areas of the National Quality Standard:

- improving the quality of their facilities
- improving the qualifications of staff
- strengthening governance and administrative capacity.

***Inclusion and Professional Support Program***
The objective of the Inclusion and Professional Support Program is to promote and maintain high quality, inclusive education and care, for all children, including those with additional needs, in eligible early childhood education and care settings. This is achieved by increasing the knowledge and skills of educators, and the capacity of education and care services, through providing professional development, advice and access to additional resources as well as inclusion support.

The Inclusion and Professional Support Program provides a range of support to increase the quality of the child care sector and its capacity to include children with additional needs. The support is provided by funding organisations including:  Inclusion Support Agencies, a National Inclusion Support Subsidy Provider, Professional Support Co-ordinators and Indigenous Professional Support Units to support child care services. Support and funding is provided directly to services in the form of practical advice, subsidies and professional development.

Broadly speaking, the support, professional development and subsidies are available to eligible CCB approved services and those receiving funding under the Budget Based Funded Programme.
There are additional eligibility criteria to access the different types of support available under the Inclusion and Professional Support Program

## Attachment C

## Full list of recommendations from the Productivity Commission Inquiry

| Rec No. | Productivity Commission Recommendation |
|---|---|
| 5.1 | Australian Government Early Childhood Education and Care (ECEC) funding should be limited to funding approved ECEC services and those closely integrated with approved ECEC services, and not be allocated to fund social services that largely support parents, families and communities. Any further Australian Government support for the Home Interaction Program for Parents and Youngsters should be outside of the ECEC budget allocation. |
| 5.2 | Early intervention programs to address the development needs of children from disadvantaged backgrounds should be underpinned by research. Their impact on the development outcomes of the children attending ECEC should be subject to ongoing monitoring and evaluation, including through the use of longitudinal studies. |
| 6.1 | The proposed White Paper on the Reform of Australia's Tax System should include consideration of how taxation and the design of family income support and transfer payments impact on effective marginal tax rates. |
| 6.2 | Employer and employee associations, the Fair Work Ombudsman, the Australian Human Rights Commission and the Workplace Gender Equality Agency should all trial innovative approaches to:<br>• increase awareness about legal rights and obligations with respect to flexible work.<br>• promote positive attitudes among employers, employees and the wider community towards parents, particularly fathers, taking up flexible work and other family-friendly arrangements. |
| 7.1 | To simplify the National Quality Standard, governments and Australian Children's Education and Care Quality Authority (ACECQA) should identify elements and standards of the<br>National Quality Standard that can be removed or altered while maintaining outcomes for children. |
| 7.2 | Governments and ACECQA should remove educational and child-based reporting requirements for outside school hours and vacation care services, and consider other ways to tailor the<br>National Quality Standard to suit different service types. |
| 7.3 | Where all children are aged 25 months and over, educator-to-child ratios for home-based care services should be amended such that a ratio of 1 educator to 5 children is permitted for children aged from 25 months up to school age. |
| 7.4 | Requirements for educators in centre-based services should be amended by governments such that:<br>• all educators working with children aged birth to 35 months are, as a minimum, required to hold or be working towards at least a certificate III or equivalent and be under the supervision of at least a diploma qualified educator.<br>• services may determine the number of diploma qualified educators sufficient to supervise and support certificate III qualified educators, as is currently the case in family day care services.<br>• the number of children for which an early childhood teacher must be employed is assessed on the basis of the number of children in a service aged over 35 months. |
| 7.5 | Differences in educator-to-child ratios and staff qualification requirements for children under school age across jurisdictions should be eliminated and all jurisdictions should adopt the national requirements. |
| 7.6 | Governments should develop and incorporate into the National Quality Framework a nationally consistent set of staff ratios and qualifications for those caring for school age children in outside school hours and vacation care services.<br>• The minimum staff ratio for school aged care should be no stricter than 1:15.<br>• At most one-third of staff should be required to hold or be working towards an approved qualification. Approved qualifications may be a certificate III and could also include those from other relevant disciplines such as sport and recreation.<br>• Outside school hours and vacation care service directors should be required to hold or be working towards at least a diploma level qualification. |

| Rec No. | Productivity Commission Recommendation |
|---|---|
| 7.7 | To provide services with greater flexibility to meet staffing requirements:<br>• all governments should amend the *Education and Care Services National Law* and any other relevant legislation to allow ACECQA further flexibility in the way it approves qualifications — in particular to allow ACECQA to approve qualifications on a conditional or restricted basis.<br>• all governments should allow a diploma qualified educator to be replaced by a certificate III qualified educator for short irregular absences of up to half a day per week.<br>• ACECQA should continue to explore ways to make the requirements for approving international qualifications simpler and less prescriptive in order to reduce obstacles to attracting appropriately qualified educators from overseas.<br>• the New South Wales and South Australian governments should allow a three month probationary hiring period in which unqualified staff may be included in staff ratios before beginning a qualification, as was recently adopted in all other jurisdictions. |
| 7.8 | Governments should:<br>• urgently reconsider the design of the assessment and ratings system, giving particular consideration to finding ways to increase the pace of assessments.<br>• explore ways to determine services' ratings so they are more reflective of overall quality.<br>• abolish the 'Excellent' rating, so that 'Exceeding National Quality Standard' is the highest achievable rating. |
| 7.9 | Governments, ACECQA and regulatory authorities, as applicable, should:<br>• abolish the requirement for certified supervisor certificates.<br>• give providers more detailed and targeted guidance on requirements associated with<br>Quality Improvement Plans, educational programming, establishing compliant policies and procedures and applying for waivers.<br>• identify and eliminate potential overlaps between the National Quality Framework and state and local government requirements.<br>• review ways that services with higher ratings ('Exceeding National Quality Standard') could be relieved of some paperwork requirements, where these are less important to ensuring quality given the service's compliance history.<br>• remove the requirement for outside school hours care services operating on school facilities to provide site plans as a condition of service approval. |
| 7.10 | Governments should extend the scope of the National Quality Framework to include all centre and home-based services that are eligible to receive Australian Government assistance.<br>National Quality Framework requirements should be tailored towards each care type, as far as is feasible, and minimise the burden imposed on service providers. In particular, child-based educational reporting should not be required where children only attend services irregularly. |
| 7.11 | The quality standards in state and territory education legislation which apply to dedicated preschools should recognise those standards that are required to be satisfied under the<br>National Quality Framework and any sources of inconsistency or duplication of requirements should be removed from the education legislation applying to preschools. |
| 7.12 | State and territory governments should, within two years, harmonise background checks for ECEC staff and volunteers by either:<br>• advancing a nationally consistent approach to jurisdiction-based 'working with children checks' as proposed in the National Framework for Protecting Australia's Children, including mutual recognition of these checks between jurisdictions, or<br>• implementing a single, nationally recognised 'working with children check'. |
| 7.13 | Where there is an overlap with existing state and territory food safety requirements, Governments should exempt services from, or preferably remove, those requirements in the *Education and Care Services National Regulations*.<br>State and territory governments, in conjunction with Food Standards Australia New Zealand, should explore the possible exemption of childcare services from Standard 3.3.1 of the Australian food safety standards, as in New South Wales. |

| Rec No. | Productivity Commission Recommendation |
|---|---|
| 7.14 | Local governments should adopt leading regulatory practices in planning for ECEC services. In particular, local governments should:<br>• use planning and zoning policies to support the co-location of ECEC services with community facilities, especially schools.<br>• use outcomes based regulations to allow services flexibility in the way they comply with planning rules, such as in relation to parking.<br>• not regulate the design or quality of any aspect of building interiors or children's outdoor areas within the service property, where such regulation unnecessarily duplicates or extends the requirements of the *Education and Care Services National Regulations* or other standards such as the Building Code of Australia.<br>• not impose regulations that interfere with the operation of the ECEC market, such as by restricting the maximum number of permitted childcare places in a service.<br>• provide clear guidelines for the assessment of development proposals in relation to ECEC services, and update these guidelines regularly. |
| 7.15 | State planning departments should, as in Victoria, develop flexible standard planning provisions that can be applied across local governments to ensure some level of consistency; and scrutinise amendments to local planning schemes that might seek the introduction of different standards, to guard against potentially costly requirements being imposed. |
| 8.1 | Governments should ensure, through regulatory oversight and regular audits by the Australian Skills Quality Authority, that Registered Training Organisations maintain consistently high quality standards in their delivery of ECEC-related training. |
| 8.2 | ECEC employers should accept primary responsibility for the funding and support of ongoing professional development.<br>• Funding for Professional Support Coordinators should be discontinued. That part of their function which relates to assisting services in the inclusion of children with additional needs should be provided through the inclusion support programme.<br>• Funding for the Long Day Care Professional Development Program should not be extended once the current funding arrangements have expired. |
| 8.3 | To retain skills and experience in those services being brought within the scope of the National Quality Framework, staff employed in the service at the time of transitioning to the National Quality Framework who have a minimum of five recent years of relevant practical experience should be considered as meeting the National Quality Framework minimum qualification and be included in the staff ratio requirements. |
| 9.1 | In line with the broad level recommendations of the Productivity Commission's 2010 study into the Contribution of the Not for Profit Sector, the Australian Government should remove eligibility of not-for-profit ECEC providers to Fringe Benefits Tax exemptions and rebates.<br>State and territory governments should remove eligibility of all not-for-profit childcare providers to payroll tax exemptions. If governments choose to retain some assistance, eligibility for a payroll tax exemption should be restricted to childcare activities where it can be clearly demonstrated that the activity would otherwise be unviable and the provider has no potential commercial competitors. |
| 10.1 | The Australian Government should remove the 'Priority of Access' Guidelines once the proposed means and activity test requirements have been introduced. |
| 10.2 | State and territory governments should proactively encourage the provision of outside school hours care on school sites. At a minimum, this should involve:<br>• ensuring outside school hours care services receive high priority on any guidelines on access to school facilities in non-school time.<br>• placing the onus on school principals to take responsibility for ensuring there is an outside school hours care service for their students on and/or offsite if demand is sufficiently large for a service to be viable. |
| 10.3 | The Australian Government should abolish the Community Support Programme. |

| Rec No. | Productivity Commission Recommendation |
|---|---|
| 10.4 | The Australian Government should remove caps on the number of occasional childcare places and abolish operational requirements that specify minimum or maximum operating hours for all services approved to receive child-based subsidies.<br>ECEC services to children under school age should be operational for at least 48 weeks per year in order to be approved to receive child-based subsidies.<br>ECEC services for school age children should be operational for at least 7 weeks per year in order to be approved to receive child-based subsidies. The requirements for before and after school care services to operate on every school day should be abolished. |
| 10.5 | Governments should allow approved nannies to become an eligible service for which families can receive ECEC assistance. Assistance would not be available for use of nannies who do not meet the National Quality Standard.<br>National Quality Framework requirements for nannies should be determined by ACECQA and should include a minimum qualification requirement of a relevant (ECEC related) certificate III, or equivalent, the same staff ratios as are currently present for family day care services, and be linked to an approved coordinator, as occurs in family day care.<br>Assessments of regulatory compliance should be based on both random and targeted inspections by regulatory authorities. |
| 10.6 | The Australian Government should remove the In-Home Care category of approved care once nannies have been brought into the approved care system. |
| 10.7 | The Australian Government should simplify working holiday visa requirements to make it easier for families to employ au pairs, by allowing au pairs to work for a family for up to the full 12 month term of the visa, rather than the current limit of six months per family. |
| 11.1 | The Australian Government should remove the registered childcare category under CCB. |
| 12.1 | Payment of a portion of the Family Tax Benefit Part A to the parent or carer of a preschool aged child should be linked to attendance in a preschool program, where one is available. |
| 12.2 | The Australian Government should ensure that any requirements on the age of children able to attend an outside school hours care service be sufficiently flexible as to enable an outside school hours care service to include, or operate primarily for, preschool age children. |
| 13.1 | The Australian Government should remove the category of 'financial hardship' as a justification for receiving fully subsidised ECEC services. |
| 13.2 | The application process for the Inclusion Support Subsidy should be streamlined through:<br>• sharing of information across government agencies to reduce the administrative burden on families and ECEC services.<br>• an upgraded and more user friendly IT portal. |
| 13.3 | Governments should consider greater use of integrated ECEC and childhood services in disadvantaged communities:<br>• to improve accessibility for families of ECEC and other childhood services.<br>• to help identify children that are at risk of abuse or neglect or have additional needs.<br>• ensure that the necessary support services, such as health, family support and any additional early learning and development programs, are available.<br>• to improve the efficiency of related service provision. |
| 14.1 | The Australian Government should amend the Fringe Benefits Tax Act 1986 (Cth) to remove section 47(2), that is, the eligibility for Fringe Benefits Tax concessions for employer provided ECEC services.<br>Section 47(8), which enables businesses to purchase access rights for children of their employees without this being considered an expenditure subject to the Fringe Benefits Tax should be retained but better publicised. |
| 15.1 | The Australian Government should combine the current funding for Child Care Benefit, Child Care Rebate and Jobs and Education Training Child Care Fee Assistance (JETCCFA) to support a single child-based subsidy, to be known as the Early Care and Learning Subsidy. The Early Care and Learning Subsidy would be available for children attending all mainstream approved ECEC services, whether they are centre-based or home-based. |
| 15.2 | The Australian Government should fund the Early Care and Learning Subsidy to assist families with the cost of approved centre-based care and home-based care. The program should assist families with the cost of ECEC |

| Rec No. | Productivity Commission Recommendation |
|---|---|
| | services:<br>• supplied by approved providers that satisfy the requirements of the National Quality Framework.<br>• with a means tested subsidy rate between 85 per cent (for family incomes at or below $60 000) and 20 per cent (for family incomes at or above $250 000), with annual indexation of the thresholds.<br>• which is applied to an hourly benchmark price based on the median fees charged for the type of service, and differentiating by age of child for long day care.<br>• for up to 100 hours of care per fortnight for children aged 13 years and under of families that meet an activity test of 24 hours of work, study or training per fortnight, or are explicitly exempt from the activity test (recommendation 15.3).<br>• paid directly to the service provider of the family's choice on receipt of the record of care provided.<br>• be conditional on the child being fully immunised, unless care occurs in the child's home. |
| 15.3 | The Australian Government should exempt families from the activity test in the following circumstances:<br>• parents are receiving an income support payment, with those who receive only a Parenting Payment being exempt from the activity test for up to 20 hours only of ECEC use per fortnight.<br>• the primary carer is a grandparent or other non-parent primary carer.<br>• exceptional circumstances, including when a family has experienced a sudden change in employment circumstances that would mean they no longer satisfy the activity test, with the exemption to apply for a period of three months following this change in circumstances.<br>• the child has been assessed as 'at risk', with those who have had at least 26 weeks of being assessed as at risk exempt from the activity test for a further 18 months.<br>• the child is attending a service funded (in full or part) by the Community Early Learning Program.<br>• the child is attending a preschool program in an ECEC service, with the exemption to apply for the period of the preschool program (15 hours a week for 40 weeks a year).<br>Unless otherwise stated, these families should still be subject to the same means test as applied to other families in determining the subsidy rate that applies to their use of the ECEC service.<br>These activity test exemptions would replace the current Special Child Care Benefit, Grandparent Child Care Benefit, and JETCCFA arrangements and these programs should be abolished. |
| 15.4 | The Australian Government should establish a capped Viability Assistance Program to assist ECEC providers in rural, regional and remote areas to continue to operate under child-based funding arrangements (the Early Care and Learning Subsidy), should demand temporarily fall below that needed to be financially viable. This funding would be:<br>• accessed for a maximum of 3 in every 7 years, with services assessed for viability once they have received 2 years of support.<br>• be limited to funding the fee gap that arises from a decline in the number of children using the service relative to the previous 3 years.<br>• prioritised to centre-based and mobile services that are viable in most years.<br>• be available to new services on the condition that they can demonstrate a business plan to be financially viable within two years. |
| 15.5 | The Australian Government should continue to provide support for children who are assessed as 'at risk' to access ECEC services, funding an at risk children program that provides:<br>• a 100 per cent subsidy for the benchmark price of ECEC services.<br>• up to 100 hours a fortnight, with exemption from the activity test.<br>• support initially for 6 weeks then in blocks of up to 26 weeks, on application by the relevant state or territory department and approval by the Department of Human Services.<br>• automatic extensions are to be provided for children for whom there is a current child protection order.<br>Families who have had a child assessed as 'at risk' for a period of 6 months or more would be exempt from the activity test for on-going ECEC services for this child for a further period of up to 18 months. |
| 15.6 | States and territories should nominate an agency for ECEC providers to contact where the provider has identified a child as at risk and applied for the initial six weeks at risk subsidy. This state or territory agency should be responsible for assigning a case worker to the child. If assistance is required beyond the initial period, this agency should also be responsible for making any applications for extensions for assistance on behalf of the child to support their attendance at the ECEC service. The application would require approval by |

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| | the Department of Human Services.<br>ECEC providers should be required to contact the designated state or territory department contact agency within one week of applying for the six week at risk assistance. Continuation of access to the subsidy would be based on ongoing involvement by a state or territory agency with the child and their family, and approval by the Department of Human Services.<br>The processes for providers to notify the nominated state or territory agency, and for the agency to apply for an extension of the full subsidy on behalf of a child, should be trialled to establish an effective process before being fully rolled out. |
| 15.7 | The Australian Government should retain the Inclusion Support Agency, ISS, Bicultural Support, and Specialist Equipment Support elements from the Inclusion and Professional Support Program to form the core of a new Inclusion Support Programme. The National Inclusion Support Subsidy Provider should also be retained.<br>The budget should be increased for:<br>• the Inclusion Support Agencies to allow for 'value for money' contracting based on the number of services and child populations, with an adjustment for level of disadvantage in the communities in their allotted district<br>• the Inclusion Support Subsidy to allow for up to 7 hours of funding a day for up to 10 days a fortnight and paid at the certificate III award rate<br>• Bicultural Support to allow services access to at least 20 hours of support to settle new culturally and linguistically diverse families and their children into an ECEC service.<br>The ongoing need for Inclusion Support Agencies should be reviewed in five years. |
| 15.8 | The Australian Government should establish a Community Early Learning Program to fund ECEC services for communities where the children in the community are at a high risk of development vulnerabilities. The Community Early Learning Program would fund the:<br>• establishment of new services that have a five year business plan to transition to mainstream funding.<br>• operation of these and current Budget Based Funded Programme services as they transition to mainstream funding, with a declining share of funding being provided by the Community Early Learning Program over time.<br>• on-going support to Community Early Learning Program services to meet any unavoidable higher costs of supply to children after transition.<br>• activities undertaken by an ECEC service to organise and manage integration of the ECEC service with other family and child services.<br>• Indigenous Professional Support Agencies to assist Community Early Learning Program services in Indigenous communities in the establishment and transition of these services. The Inclusion Support Agencies are to provide these services for those CELP services that target refugee communities. These agencies would also provide advice to mainstream ECEC services on culturally relevant inclusion planning strategies. |
| 15.9 | Budget Based Funded Programme services that are unable to transition even with on-going assistance should be reviewed every three years and closed if there are better alternatives available to provide ECEC services to the children attending the service. Activities (such as playgroups) in the Budget Based Funded Programme that do not involve non-parental care do not fit within the ECEC non-parental care and early learning objectives and should find alternative non-ECEC sources of funding. |
| 15.10 | The Australian Government should continue to provide per child payments to the states and territories for universal access to a preschool program of 15 hours per week for 40 weeks per year. This support should be based on the number of children enrolled in state and territory government funded preschool services, including where these are delivered in a long day care service. A condition placed on the per child payments is that they should be directed by the state or territory to the approved preschool service nominated by the family.<br>The Australian Government should reduce the benchmark price for the hours of preschool provided by a long day care service by an equivalent amount to the per child preschool funding. |
| 17.1 | The Australian Government should establish a program to link information for each child from the National ECEC Collection to information from the Child Care Management System, the Australian Early Development Census, and the National Assessment Program – Literacy and Numeracy (NAPLAN) testing results to establish a longitudinal database. Where possible, this should also be linked to other key administration data sets and Censuses.<br>A confidentialised file should be made available for statistical, research, policy analysis and policy |

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| | development purposes. The ability of researchers to access unit record information should be permitted subject to stringent privacy and data protection requirements.<br>The Australian Government agency that is the custodian of the Child Care Management System should provide a publicly available extract from the database each year for interested parties at a sufficiently detailed geographic level for planning purposes. |
| 17.2 | Centrelink and the Department of Human Services should clarify in the claim form for the Early Care and Learning Subsidy that parents have the ability to authorise ECEC providers to enquire or act on their behalf in relation to their claim. |
| 17.3 | The Department of Education should establish a complaints mechanism for parents to lodge a complaint about an approved ECEC provider with regard to pricing, accessibility, and any other ECEC matter. The mechanism should include a referral of the complaint to the appropriate Australian Government or state and territory government agency. |
| 17.4 | The Australian Government should review the operation of the new ECEC funding system and regulatory requirements after they have been implemented. In particular:<br>• within 2 years of introducing subsidies based on a benchmark price, any adverse unintended outcomes of the approach should be identified and resolved.<br>• within 3 years of extending the coverage of the National Quality Framework (including to current block funded services and to nannies), ACECQA should prepare a report identifying any legislative, regulatory or procedural difficulties arising from the wider coverage of the National Quality Framework.<br>• within 5 years of implementing the new ECEC funding system and regulatory requirements, the Australian Government should undertake a public review of the effectiveness of the revised arrangements |

## Attachment D

## Overview of RIS consultation participation

This attachment provides additional information on participation in the consultation process, including the number and type of respondents to each mode of consultation.

### Public consultation sessions

The 36 sessions were held throughout July 2015 across 25 locations. The session locations and number of attendees in each location are outlined in the table below. A total of 963 people registered for these sessions across Australia. A session with state and territory government officials was also held in each state and territory.

| Location | 2015 dates | No Sessions | No. Participants |
|---|---|---|---|
| **Canberra, ACT** | 2 July | 2 | 39 |
| **Geelong, VIC** | 7 July | 1 | 15 |
| **Melbourne, VIC** | 8 July | 2 | 111 |
| **Hobart, TAS** | 9-10 July | 2 | 34 |
| **Perth, WA** | 6 July | 2 | 43 |
| **Bunbury, WA** | 7 July | 1 | 10 |
| **Karratha, WA** | 8 July | 1 | 9 |
| **Dubbo, NSW** | 9 July | 1 | 17 |
| **Sydney, NSW** | 15 July and 24 July | 2 | 127 |
| **Parramatta, NSW** | 15 July | 1 | 33 |
| **Penrith, NSW** | 16 July | 1 | 56 |
| **Newcastle, NSW** | 17 July | 2 | 47 |
| **Darwin, NT** | 13 July | 2 | 38 |
| **Katherine, NT** | 14 July | 2 | 24 |
| **Alice Springs, NT** | 16 July | 2 | 27 |
| **Brisbane, QLD** | 20 July | 2 | 82 |
| **Toowoomba, QLD** | 21 July | 1 | 32 |
| **Gold Coast, QLD** | 22 July | 1 | 44 |
| **Griffith, NSW** | 22 July | 1 | 7 |
| **Albury, NSW** | 23 July | 1 | 31 |
| **Adelaide, SA** | 27 July | 2 | 62 |
| **Renmark, SA** | 28 July | 1 | 8 |
| **Mackay, QLD** | 29 July | 1 | 9 |
| **Townsville, QLD** | 30 July | 1 | 23 |
| **Cairns, QLD** | 31 July | 1 | 35 |
| **Total** | 30 days | 36 sessions | 963 participants |

### Written submissions

In total, 79 formal written submissions were received. In some cases, the details of the authors have been de-identified upon request and submissions provided in-confidence were not published.

Consented submissions are available on the Early Childhood Australia website (www.earlychildhoodaustralia.org.au/our-work/ris-consultations/submissions/).

Submissions from the following individuals or organisations were received through the RIS consultation process. Submissions made by individuals have been identified as 'Individual'. Respondents' names have not been included.

**Written submissions**

1. Submission from an individual
2. Submission from an individual
3. Frankston City Council
4. Social Policy Research Centre, UNSW (Brennan & Adamson)
5. Community Child Care Co-operative NSW
6. Glenaeon Rudolf Steiner Preschool
7. National Foundation for Australian Women
8. Social Ventures Australia
9. Monash City Council (Inclusion Support Agency, East Middle Melbourne Region 23)
10. Wynnum Family Day Care and Education Service
11. NSW Family Day Care Association
12. The Antipodean Family Foundation
13. Federation of Ethnic Communities' Councils of Australia
14. UnitingCare Australia
15. Hume City Council (Inclusion Support Agency – North Outer Melbourne – Region 31)
16. Australian Research Alliance for Children & Youth
17. Warwick & District Family Day Care
18. Penrith City Council
19. Carers Australia
20. Children's Services Support Unit
21. Charlton Brown
22. Anonymous submission
23. University of Sydney Business School Women and Work Research Group and the Work and Family Policy Roundtable
24. Mission Australia
25. Early Learning and Care Council of Australia
26. City of Canterbury, Local Government Children's Services References Group
27. United Voice
28. Community Child Care Association
29. Family Day Care Australia
30. Anglicare Australia
31. Independent Education Union of Australia
32. Australian Community Children's Services
33. Ethnic Community Services Co-operative
34. Australian Childcare Alliance Western Australia
35. The Creche & Kindergarten Association Limited
36. Centre for Community Child Health, Murdoch Childrens Research Institute
37. Marninwarntikura Fitzroy Women's Resource Centre
38. Family Day Care Association Queensland
39. Early Childhood Management Services
40. Mobile Children's Services Association NSW Inc.
41. Bestchance Child Family Care
42. Gannawarra Shire Council
43. Crescent Head Community Pre-School
44. Gowrie Australia
45. Australian Childcare Alliance
46. KU Children's Services
47. Anonymous submission

48. University of Technology Sydney Child Care
49. The Parenthood
50. Anonymous submission
51. Brisbane & Bayside Family Day Care
52. Early Childhood Australia
53. Municipal Association of Victoria
54. SDN Children's Services
55. Woden Community Services
56. Grandma's Place
57. Queensland Inclusion Network
58. Wynbring Jida Multifunctional Aboriginal Children's Service
59. Early Learning Association Australia
60. Goodstart Early Learning
61. Gowrie SA
62. ISIS Family Day Care
63. Secretariat of National Aboriginal and Islander Child Care
64. Churches of Christ in Queensland
65. National Out of School Hours Services Association
66. Network of Community Activities
67. Australian Council of Social Services
68. Australian Home Childcare Association
69. Submission from an individual
70. Extend (Australia)
71. School of Early Childhood, Queensland University of Technology
72. Campus Life Children's Services, Macquarie University
73. Network SA
74. Submission from an individual
75. Queensland Children's Activities Network
76. Brotherhood of St Laurence
77. Seventh Day Adventist Reform Movement
78. Submission from an individual
79. New South Wales Government

**Online survey – families**

The RIS family survey received 267 responses; 94 per cent of respondents were parents with the remainder carers, grandparents or other relative and 87 per cent of respondents were currently using some form of early childhood education and care. The majority of respondents were using a long day care service (64 per cent) followed by kindergarten/preschool (23 per cent), outside school hours care (15 per cent) family day care (10 per cent), in-home or nanny care (8 per cent), occasional care (5 per cent) and informal or other (9 per cent) – these categories are not mutually exclusive as several respondents were using more than one form of care.

Survey respondents were asked to provide feedback on the RIS through multiple choice and additional comments. The following charts show the distribution of survey respondents by service type and geographical locations.

**Figure 5: Survey respondents by type of service the children are attending**

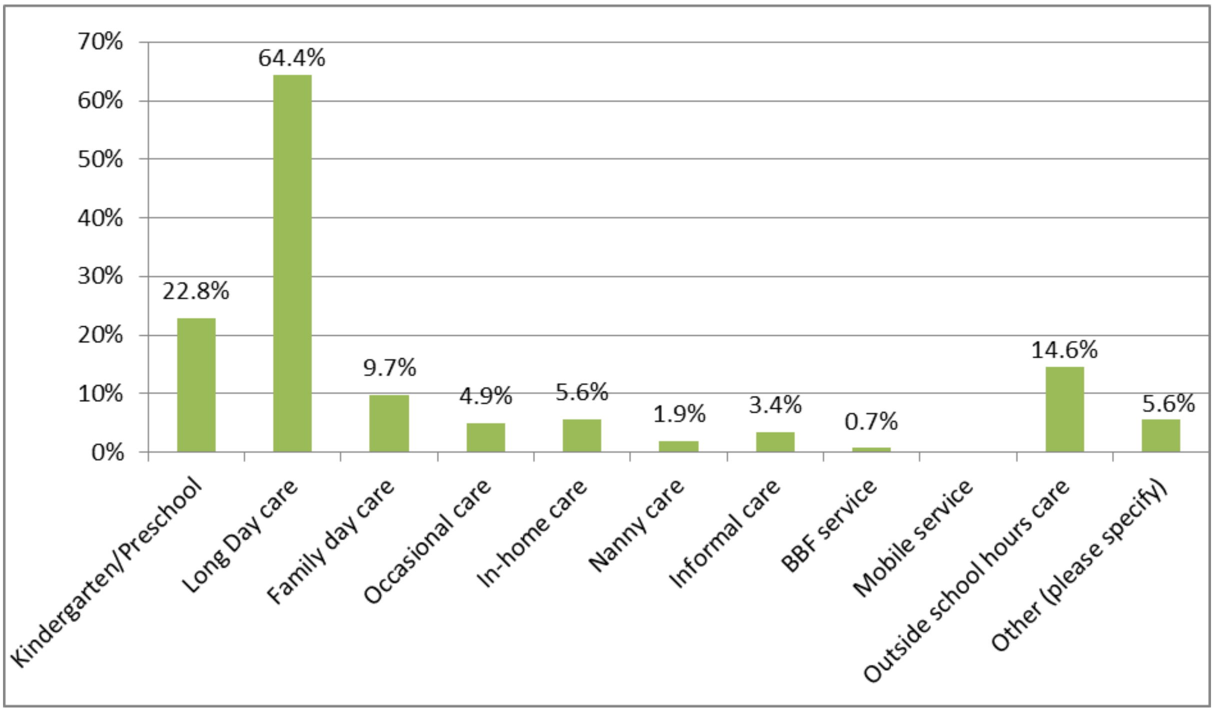
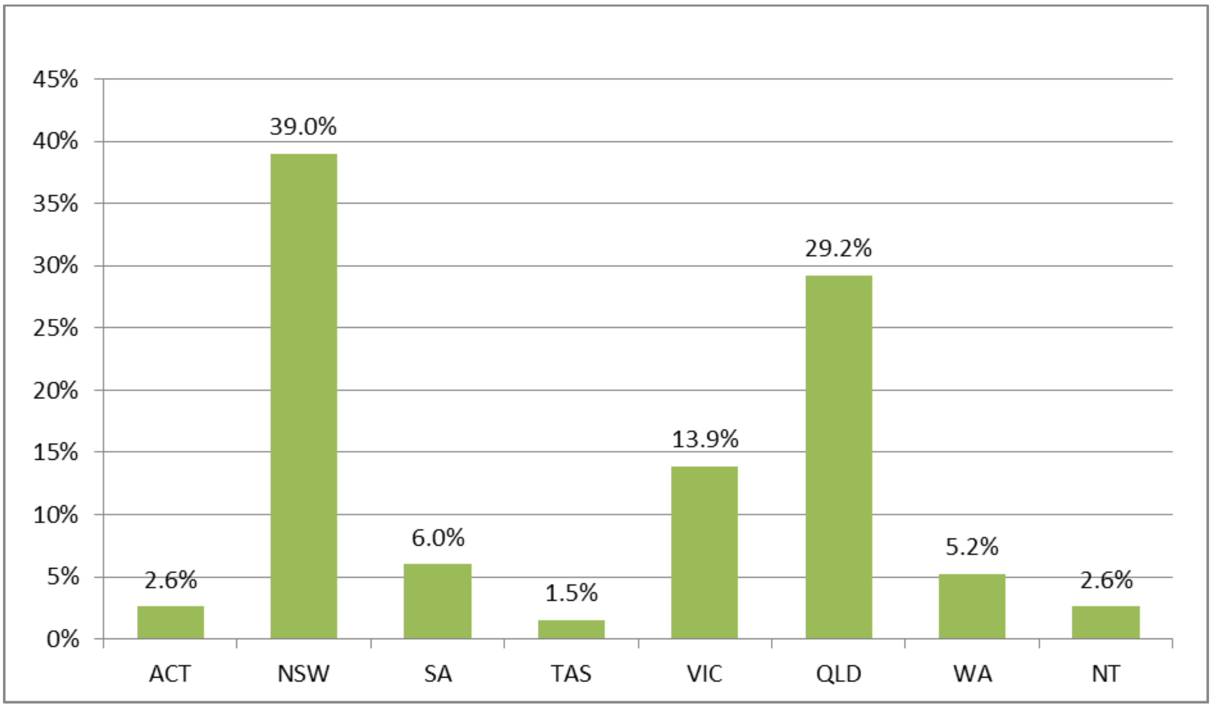



**Figure 6: Survey respondents by state**



**Online survey – Service providers and other organisations**

The early childhood education and care services and other organisations survey received 290 responses. Approximately 59 per cent of respondents were identified as being in a senior role in an early childhood service (e.g. manager, director, board member, nominated supervisor); 23 per cent were educators or teachers and the remainder included lecturers, consultants, government employees, health workers and inclusion support workers.

Survey respondents were asked to provide feedback on the RIS through multiple choice and additional comments. The following charts show the distribution of survey respondents by role, organisation type and geographical location.

**Figure 7: Survey respondents by role**

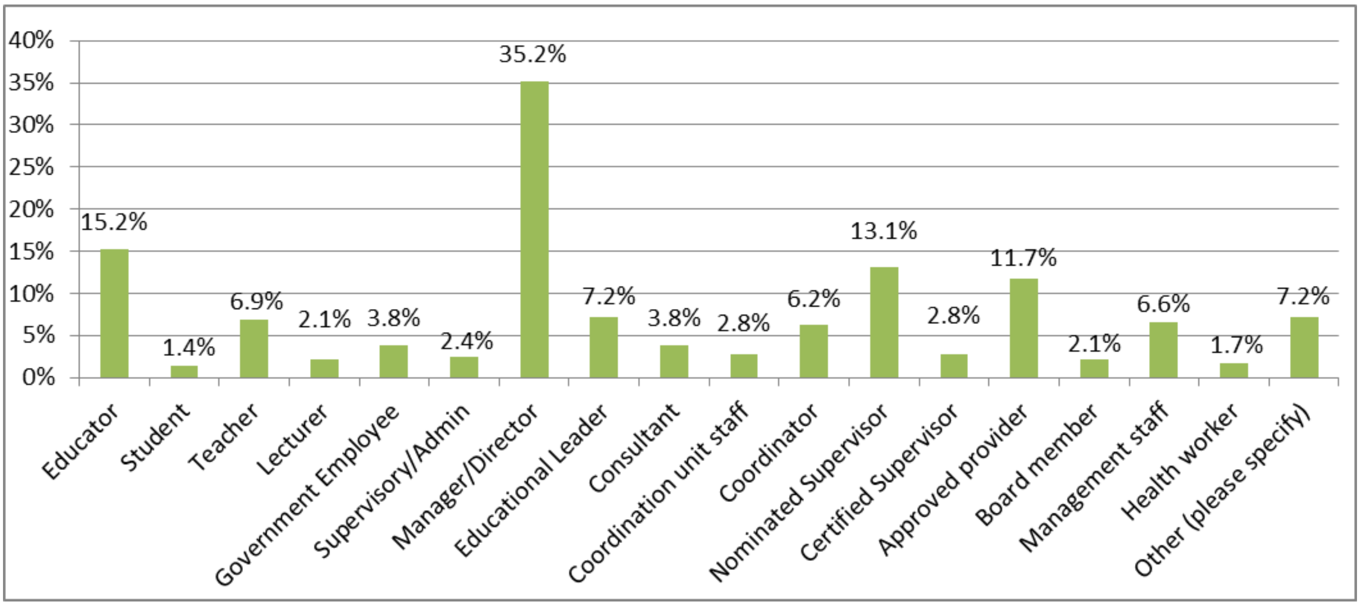


**Figure 8: Survey respondents by sector**

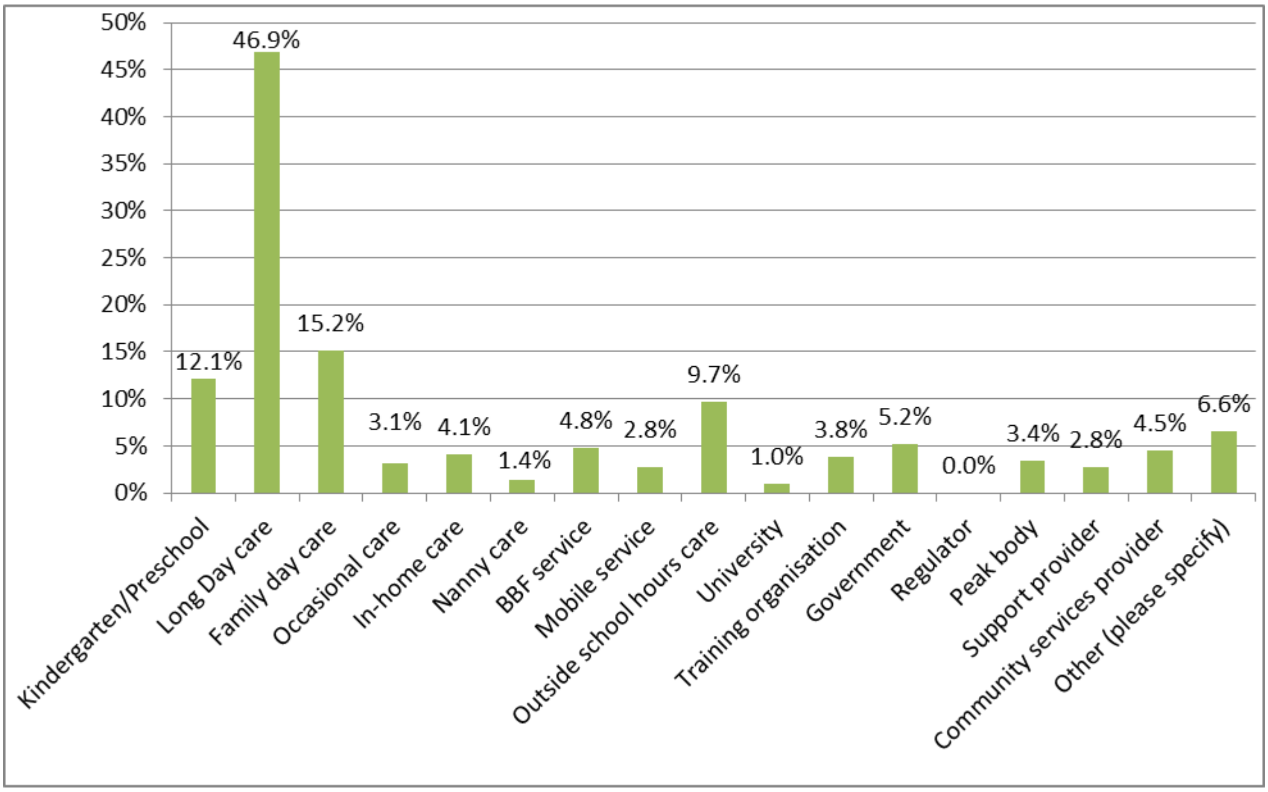



**Figure 9: Survey respondents by organisation's funding model**

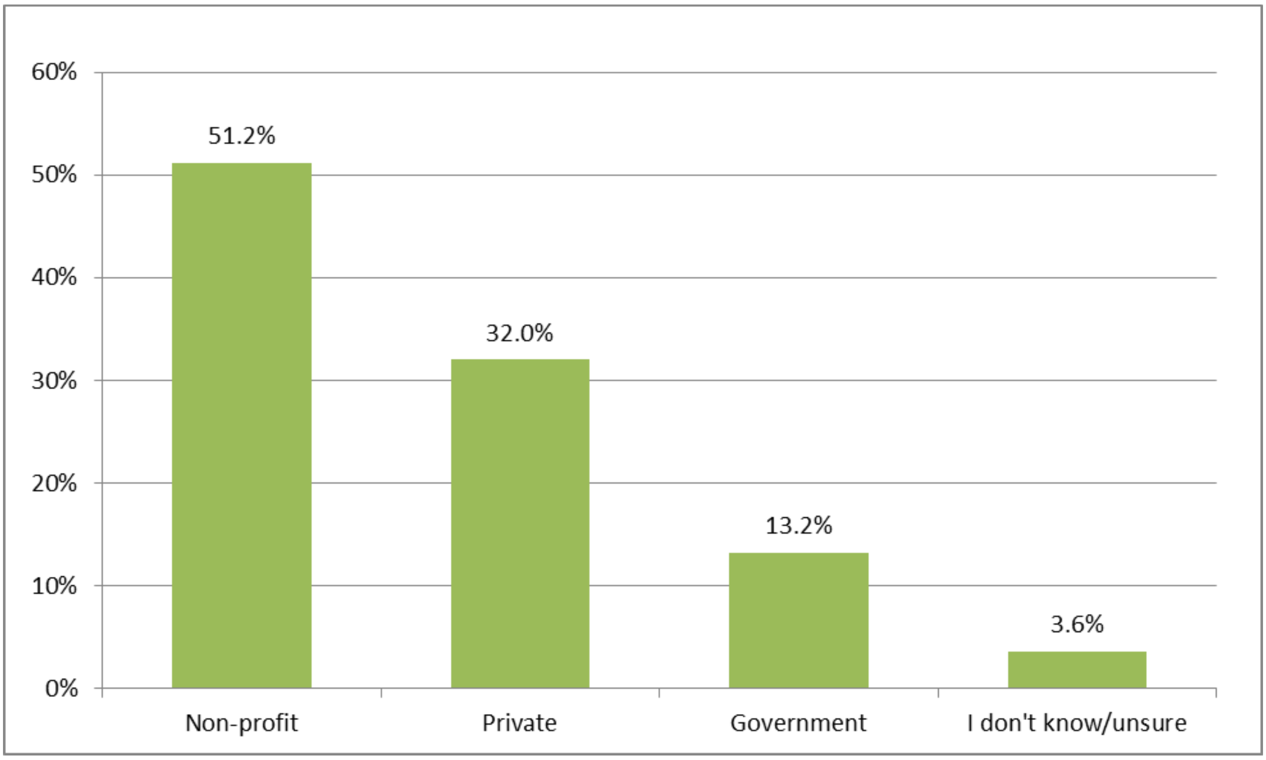


**Figure 10: Survey respondents by state**