

National Quality Framework (NQF) Review

Cost Benefit Analysis (CBA) of the proposed options to support Phase 2 of the NQF Review

Prepared for Australian governments.

16 December 2021



Executive Summary

The 2019 National Quality Framework (NQF) Review and Decision Regulation Impact Statement (DRIS)

The National Quality Framework (NQF) is the regulatory framework governing education and care services in Australia. The framework includes the National Law and Regulations, the National Quality Standard (NQS), the assessment and quality rating process and the national learning frameworks.

The NQF was introduced in 2012 to raise quality and drive continuous improvement and consistency in children's education and care services, as well as to provide nationally consistent regulatory requirements for the education and care sector.

To ensure the NQF remains fit-for-purpose, the 2019 NQF Review was undertaken to research and evaluate changes to particular regulatory issues in the NQF. This review process has included governments from each state and territory, the Australian Government and the Australian Children's Education & Care Quality Authority (ACEQA).

Two rounds of national public consultation were held on the review, which has formed the basis of government insight into recommended options for change.

To ensure that the 2019 NQF Review meets the standards of best practice regulation, a Cost Benefit Analysis (CBA) has been undertaken to consider the economic impact and benefits of the proposed changes on the education and care sector.

The NQF Review team is now collating the evidence base to inform the development of a Decision Regulation Impact Statement (DRIS) to be presented to Ministers for Education in March 2022.

Objective of the Cost-benefit Analysis

Overview and purpose of this CBA

CBA is a systematic approach that uses discounted cash flow (DCF) analysis to determine the extent to which the incremental financial and economic benefits of a project outweigh the additional costs relative to a 'do nothing' base case option. The purpose of the CBA is to understand the nature and extent of benefits relative to costs individually and collectively across the suite of changes proposed as part of the NQF Review.

Australian governments have undertaken a cost benefit analysis (CBA) of the proposed legislative and policy changes to the NQF sector outlined in the CRIS. The analysis has been prepared in consultation with Australian governments and the Office of Best Practice Regulation (OBPR), and in line with OBPR's established principles and guidelines for undertaking economic analysis.

The CBA is based on the work undertaken to date through the reform process, the evidence base outlined in the CRIS, and feedback gathered through the CRIS public consultation phase. It is intended as one input to the NSW Government's considerations associated with the proposed policy and regulatory changes to the NQF and will be used as an input to inform consideration by Ministers for Education in March 2022.

The issues from the CRIS that have been calculated as part of this CBA

A tranche-based approach to analysis has been undertaken to explore a total of 21 issues relating to:

- Safety, health, and wellbeing;
- Family Day Care;
- Outside School Hours Care;
- Workforce;
- Understanding of quality ratings by families;

- Changes in fees within the NQF system;
- Oversight and governance of services and providers; and
- Proposed changes to the NQF arising from the Royal Commission into Institutional Responses to Child Sexual Abuse.

This analysis will directly inform the Decision Regulation Impact Statement.

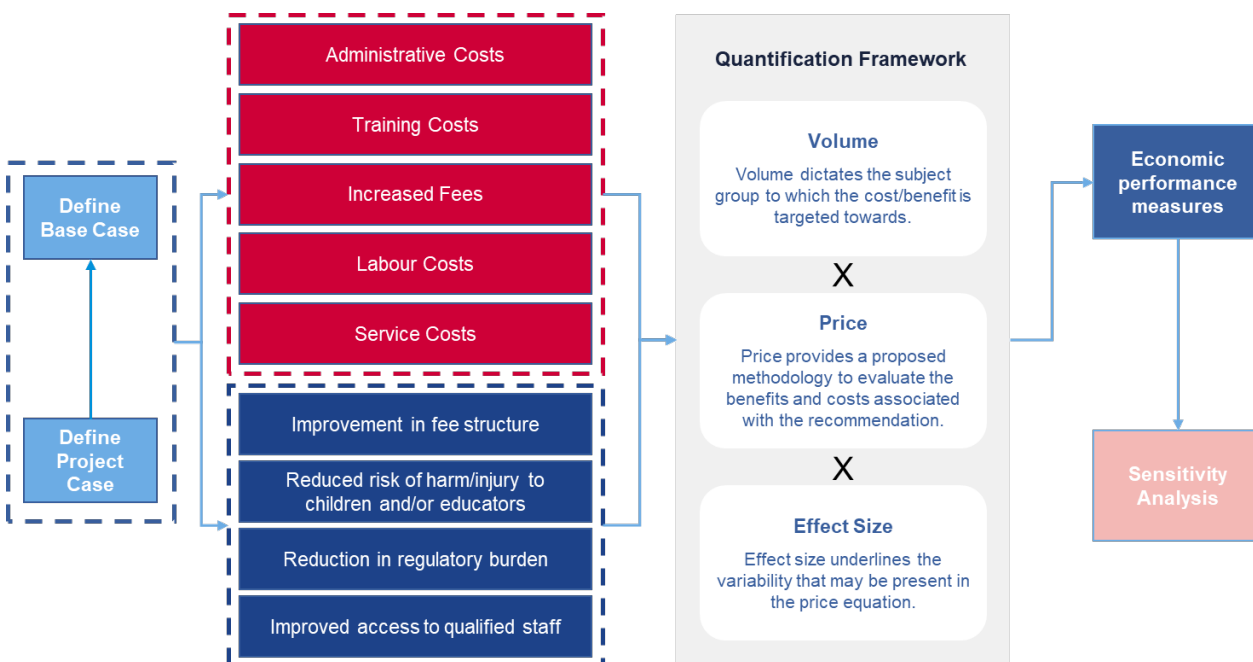
Overview of CBA methodology

The CBA was undertaken based on 2020-21 Australian dollars and applies a discount rate of seven (7) per cent per annum over the 10-year evaluation period. Sensitivity tests include (but are not limited to) discount rates of three (3) per cent and 10 per cent and are outlined further below. The CBA development involved:

- Establishing the definition of the base case and project option;
- Identifying and quantifying (to the extent permitted by data) costs and benefits over the evaluation period (confirmed with governments and OBPR as 10 years);
- Generating economic performance measures over the evaluation period, including:
 - Net Present Value (NPV) – Difference between the present value (PV) of incremental benefits and the PV of incremental costs; and
 - BCR – Ratio of the PV of incremental benefits to the PV of incremental costs.
- Undertaking sensitivity analysis of the impacts of changes in key variables (informed by an understanding of project risks and opportunities) on the economic performance measures of the project. Further information is provided below.

The diagram below presents the end-to-end process of the CBA.

Figure 2-1: CBA Framework



■ Red Costs represent the costs associated with the initiatives that target outcomes across a range of areas. These costs were aggregated where possible to present the cost impact at a holistic level.

■ Blue Benefits similarly represent the benefits that are generated from the initiatives.

Source: Governments and OBPR.

Limitations

This report and the analysis results should be considered in the context of the following limitations:

Data and information limitations



Data and information available to date may not provide the level of specification and granularity needed to precisely analyse the resulting implications of the current state of the E&C services and the impacts of future reforms. The framework developed puts forward the individual and overall impacts to the extent permitted by the data and where there are gaps, these will be worked through and addressed with appropriate assumptions and caveats and if required qualitative description on a case by case basis.

Ongoing reform development



The CBA undertaken as part of this engagement is a point-in-time exercise based on available data, and is intended as one input to the DRIS. There will be ongoing development and refinement of the reform program throughout the implementation planning stage that will be accompanied by monitoring and evaluation of the expected benefits and benefits realised. The evolving nature of the reform development and implementation may lead to changes in the parameters and factors affecting specific work streams or projects and may therefore affect the costs and benefits associated with the individual issues.

Cost quantification



The cost estimates included in the CBA are based on data available through the NQF Review, CRIS, sector data collections, and feedback available through feedback on the CRIS. Assumptions underpinning the cost quantification are outlined later in the analysis, however, remain subject to some gaps. Results should be interpreted with caution to the gaps identified.

Benefits attribution and quantification



Many of the benefits associated with the NQF reform initiatives are not able to be fully quantified and/or fully attributed based on the available data. Where appropriate, benefits have been partially quantified and assumptions stated. Where benefits have not been able to be quantified, qualitative discussion with reference to the available data and research has been included. The measurement and monitoring of benefits through implementation, supported with appropriate data collection from the E&C sector, will be important in evaluating the impacts of the reform program and adjusting regulatory and legislative arrangements into the future.

Impacts of COVID-19



The CBA has not considered the potential impacts associated with COVID-19. Data on workforce and service data are sourced from pre-COVID-19 datasets as data from recent snapshots indicate the sector has been heavily impacted by the pandemic, particularly in NSW and Victoria where there have been greater restrictions. If restrictions are to remain over the long-term, both costs and benefits may be overestimated in this CBA.

Key Findings from the Cost-benefit Analysis

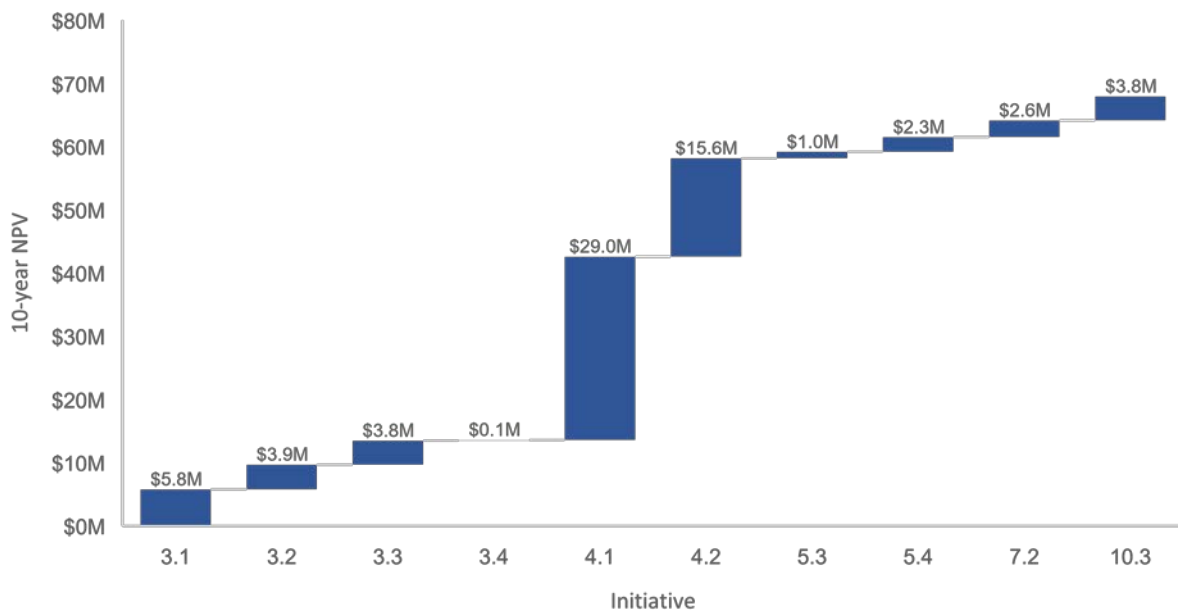


Note: The figures below (cumulative costings) do not incorporate Initiatives 9.1 and 9.2 as they related to the introduction or expansion of fees paid to government. These are considered cost-recovery and as such are excluded from the cumulative costings. However, detailed results of the costs of these fees are included in sections 3.4 and 3.5.

Quantifiable Cumulative Results – endorsed quantifiable options

The cumulative cost of implementation over a 10-year window in net-present-value (NPV), assuming endorsed quantifiable options that have been put forward for are implemented (see APPENDIX I for the list of endorsed options) is \$68M. It is essential to note that these figures only represent quantifiable costs. There are substantial other costs and benefits that are not quantifiable given the available data. Sections 3.2-3.22 include qualitative analysis of these non-quantifiable costs and benefits, as well as detailed quantitative results and lists the data sources and assumptions used in each quantification.

Figure 3-2 Net-present-value of cost for implementing endorsed initiatives



- ❖ Cumulatively, Initiatives 4.1 & 4.2 represent over 60% of total estimated quantifiable cost for endorsed options. However, they are expected to cumulatively derive benefits in terms of improved child safety and education outcomes.
- ❖ There are multiple lower cost initiatives with total 10-year NPV's than \$1M or less.
- ❖ The benefits associated with each initiative are qualitatively detailed in the Detailed results by initiative in sections 3.2-3.22.

The table below displays the cost of each endorsed option in descending order of cost.

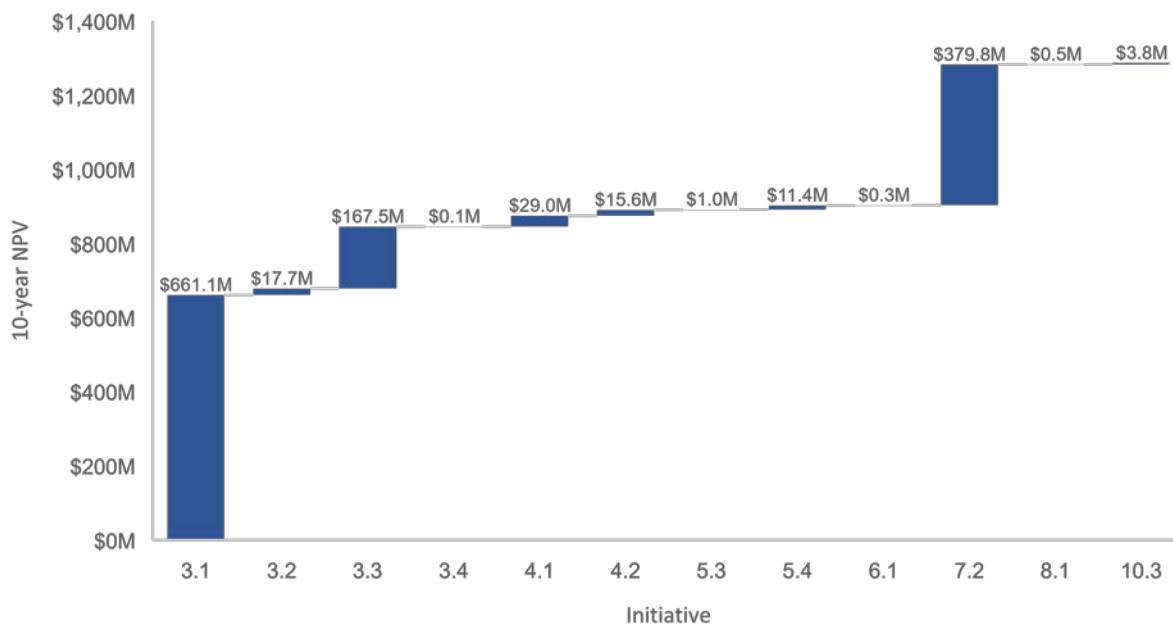
Initiative Number	Initiative Name	Cumulative Cost
Initiative 4.1	Embedding the National Child Safe Principles	\$29.00M
Initiative 4.2	Updating record keeping requirements	\$15.55M
Initiative 3.1	Safety of children during transitions between services	\$5.77M

Initiative 3.2	Sleep and rest requirements	\$3.92M
Initiative 10.3	Arrangements to transfer a service to another approved provider	\$3.81M
Initiative 3.3	Safety of children during transitions between services	\$3.79M
Initiative 7.2	Educators who are 'actively working towards' a qualification	\$2.62M
Initiative 5.4	Safety of glass used by services in FDC	\$2.34M
Initiative 5.3	Safety around swimming pools in FDC	\$1.02M
Initiative 3.4	Improving children's safety during emergency evacuations from multistorey buildings	\$0.13M
Total		\$67.96M

Quantifiable Cumulative Results – all quantifiable options

The cumulative cost of implementation over a 10-year window in net-present-value (NPV), assuming all quantifiable options are implemented, ranges between \$1.26B to \$1.29B. The reason for the slight variance is that some options are mutually exclusive (see APPENDIX II). Figure 3-6 below breaks down the total cost by initiative (assuming the maximum total cost of \$1.29B). It is essential to note that these figures only represent quantifiable costs. There are substantial other costs and benefits that are not quantifiable given the available data. Sections 3.2-3.22 include qualitative analysis of these non-quantifiable costs and benefits, as well as detailed quantitative results and lists the data sources and assumptions used in each quantification.

Figure 3-3 Net-present-value of cost for implementing all initiatives



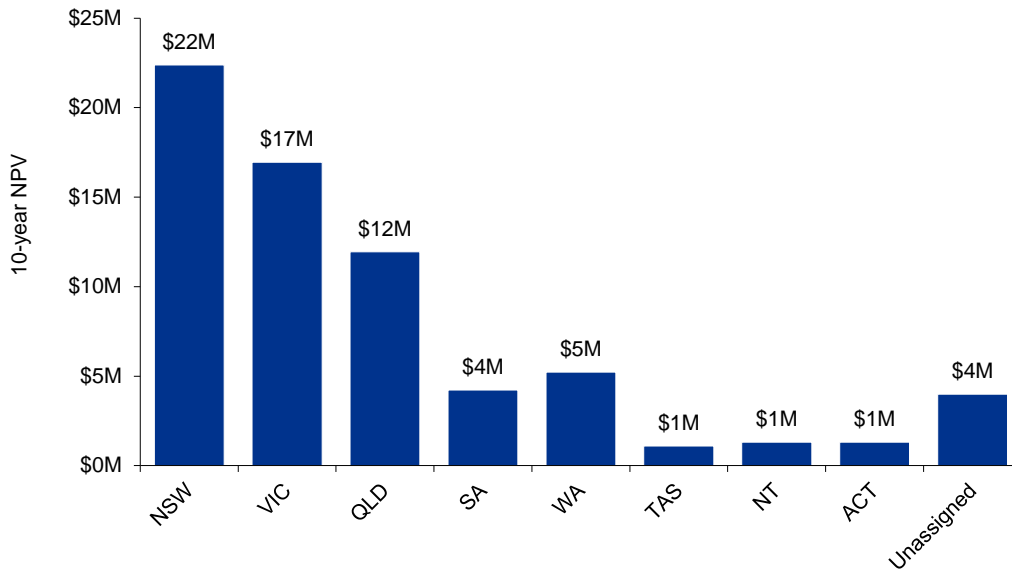
- ❖ Initiative 3.1 provides over 50% of the total estimated quantifiable cost of implementation, with an NPV of \$661M. Note this initiative only impacts the OSHC sector. While not quantified, this initiative is expected to deliver benefits in increased safety outcomes through a reduction in incidents during transition periods before and after OSHC.
- ❖ Cumulatively, Initiatives 3.1, 3.3 & 7.2 represent 94% of total estimated quantifiable cost. However, they are expected to cumulatively derive benefits in terms of improved child safety and education outcomes.
- ❖ There are several lower cost initiatives with total 10-year NPV's of less than \$1M.

- ❖ The benefits associated with each initiative are qualitatively detailed in the Detailed results by initiative in sections 3.2-3.22.

Costings for endorsed option and all options by jurisdiction

Figure 3-4 breaks down the cumulative quantifiable cost by jurisdiction for endorsed options. Due to availability of data, some costs cannot be assigned to a specific jurisdiction. Note that the sum of quantifiable costs by jurisdiction may not match identically with total cumulative costings as a small number of services are listed in multiple jurisdictions.

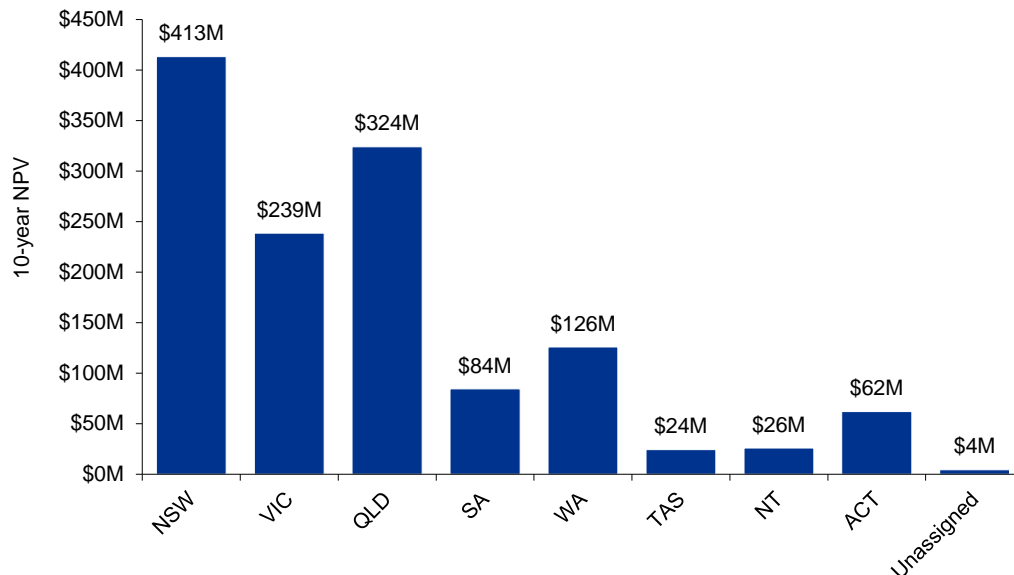
Figure 3-4 Net-present-value of cumulative cost by jurisdiction, endorsed options.



- ❖ Quantifiable costs are estimated to be highest in NSW, followed by Victoria. Estimated 10-year NPV's for these jurisdictions are \$22M and \$17M respectively.
- ❖ About \$4M of total estimated quantifiable costs are not assigned due to limitations in data. These are largely a result of workforce figures not provided for SA, NT and ACT and due to a lack of jurisdictional-specific data for initiative 10.3

Figure 3-9 breaks down the cumulative quantifiable cost by jurisdiction for all options (assuming the maximum total cost of \$1.29B). Due to availability of data, some costs cannot be assigned to a specific jurisdiction. Note that the sum of quantifiable costs by jurisdiction may not match identically with total cumulative costings as a small number of services are listed in multiple jurisdictions.

Figure 3-5 Net-present-value of cumulative cost by jurisdiction.



- ❖ Quantifiable costs are estimated to be highest in NSW, followed by Queensland. Estimated 10-year NPV's for these jurisdictions are \$413M and \$324M respectively.
- ❖ About \$4M of total estimated quantifiable costs are not assigned due to limitations in data. These are largely a result of workforce figures not provided for SA, NT and ACT and due to a lack of jurisdictional-specific data for initiative 10.3

Further costing information by initiative

Each initiative and their preferred options are explored further in-depth within this CBA and provides a brief background of the initiative, cost and benefit impact assumptions as well as quantifiable and qualitative costing results. These can be found in the following sections:

Initiative Number	Proposed Issue	Initiative Name	Section in CBA
Initiative 4.1	Royal Commission into Institutional Responses to Child Sexual Abuse	Embedding the National Child Safe Principles	Section 3.2
Initiative 4.2		Updating record keeping requirements	Section 3.3
Initiative 9.1	Changes in fees within the NQF system	Changes in fees for regulatory authorities	Section 3.4
Initiative 9.2		Changes in applications fees for ACECQA functions	Section 3.5
Initiative 3.1	Health, safety and wellbeing	Safety of children during transitions between services	Section 3.6
Initiative 3.2		Sleep and rest requirements	Section 3.7
Initiative 3.3		Improving children's safety during regular transportation	Section 3.8
Initiative 3.4		Improving children's safety during emergency evacuations from multistorey buildings	Section 3.9
Initiative 6.1	Centre-based care – Outside School Hours Care	Assessment and rating of OSHC services	Section 3.10
Initiative 7.1	Workforce	Restrictions on short term relief for early childhood educators	Section 3.11
Initiative 7.2		Educators who are 'actively working towards' a qualification	Section 3.12
Initiative 7.3		Minimum qualification requirements for educators in FDC	Section 3.13
Initiative 5.1		FDC Register and notification requirements	Section 3.14

Initiative 5.2	Family Day Care (FDC)	Exceptional circumstances in FDC	Section 3.15
Initiative 5.3		Safety around swimming pools in FDC	Section 3.16
Initiative 5.4		Safety of glass used by services in FDC	Section 3.17
Initiative 8.1	Understanding of quality ratings by families	The quality ratings system	Section 3.18
Initiative 10.1	Oversight and governance of services and providers	Assessing suitability of individuals to work directly or indirectly with children	Section 3.19
Initiative 10.2		Cancellation of provider approval under Family Assistance Law	Section 3.20
Initiative 10.3		Arrangements to transfer a service to another approved provider	Section 3.21
Initiative 10.4		Maintaining current information about service delivery	Section 3.22

Next Steps for this Cost-benefit Analysis

Using the findings from this CBA document, governments will evaluate the options outlined in the Consultation Regulation Impact Statement (CRIS), and the perceived regulatory and economic impacts and benefits of the proposed changes on the education and care sector.

Data from this Cost Benefit Analysis will be included in the Decision Regulation Impact Statement (DRIS), with the recommended policy options factoring in the Net Present Value (NPV) of regulatory changes as outlined in this report.

Acronyms

Term	Definition
ABS	Australian Bureau of Statistics
ACECQA	Australian Children's Education and Care Quality Authority
AEDC	Australian Early Development Census
BCR	Benefit cost ratio
CBA	Cost benefit analysis
CCS	Child Care Subsidy
COAG	Council of Australian Governments
CPI	Consumer Price Index
CRIS	Consultation Regulation Impact Statement
DCF	Discounted Cash Flow
DESE	Department of Education, Skills and Employment
DRIS	Decision Regulation Impact Statement
E&C	Education and Care
FBC	Final Business Case
FDC	Family Day Care
FTE	Full time equivalent
GDP	Gross Domestic Product
GSP	Gross State Product
LDC	Long day care
NP NQA	National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care
NPV	Net present value
NQF	National Quality Framework
NQS	National Quality Standard
NSW	New South Wales
OBPR	Office of Best Practice Regulation (Commonwealth)
OECD	Organisation for Economic Co-operation and Development
OSHC	Outside School Hours Care
OPEX	Operational expenditure
PV	Present value
VET	Vocational Education and Training

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1

Introduction



1 Introduction

1.1 Background

The 2019 National Quality Framework (NQF) Review (the Review) was commissioned by the Council of Australian Governments (COAG) Education Council and reflected the intention of the original National Partnership on the National Quality Agenda for Early Childhood Education and Care (NP NQA) for a first review in 2014 with subsequent reviews every five years. The 2019 NQF Review considered the ongoing effectiveness and sustainability of the NQF considering the continuing evolution of the Education and Care (E&C) sector, and whether the regulatory framework enables contemporary best practice regulation.

Analysis is now underway to inform the Decision Regulation Impact Statement (DRIS) through a tranche-based approach, which explores a total of 21 issues relating to:

- Safety, health, and wellbeing;
- Family Day Care;
- Outside School Hours Care;
- Workforce;
- Understanding of quality ratings by families;
- Changes in fees within the NQF system;
- Oversight and governance of services and providers; and
- Proposed changes to the NQF arising from the Royal Commission into Institutional Responses to Child Sexual Abuse.

The NQF Review team is now collating the evidence base to inform the development of a Decision Regulation Impact Statement (DRIS) to be presented to Ministers for Education in March 2022.

Table 1-1 *Implementation timelines – NQF Review*

Milestone	2018	2019	2020	2021	2022	2023
COAG Education Council Terms of Reference	Completed					
Phase 1 Consultation on NQF Issues Paper		Completed				
Government development of options		Completed	Completed			
Phase 2 Consultation on options				Underway		
Decision Regulation Impact Statement (DRIS)				Underway		
Implementation of agreed NQF changes				To Commence	To Commence	To Commence

Note: Full details of implementation options and the associated recommendations from the Review are detailed in Appendix A.

Key: Completed Underway To Commence

Source: Based on information provided in the NQF Website: <https://www.nqfreview.com.au/about-nqf-review>.

1.2 Report Purpose and Scope

Australian governments have undertaken a cost benefit analysis (CBA) of the proposed legislative and policy changes to the NQF sector outlined in the CRIS. The analysis has been prepared in consultation with Australian governments and the Office of Best Practice Regulation (OBPR), and in line with OBPR's established principles and guidelines for undertaking economic analysis.

The CBA is based on the work undertaken to date through the reform process, the evidence base outlined in the CRIS, and feedback gathered through the CRIS public consultation phase. It is intended as one input to the NSW Government's considerations associated with the proposed policy and regulatory changes to the NQF and will be used as an input to inform consideration by Ministers for Education in March 2022.

1.3 Report Development

The suite of changes being proposed in the NQF Review are seeking to target different focus areas of the operations of the sector. This looks to deliver improvements in system outcomes as raised by the NQF Review. The key focus of this work has been to develop a CBA framework that enables those different changes to be considered individually and holistically within the constraints of available data.

This report has been developed in consultation with governments and OBPR through the several stages outlined below. Governments have undertaken additional clarification and follow-up with other agencies and stakeholders to help inform the analysis.

- Review of background documentation: Governments reviewed available data and documentation to inform the development of the CBA. This included:
 - 2019 NQF Review: Issues Paper;
 - Consultation Regulation Impact Statement (CRIS) and the CRIS feedback report;
 - CRIS feedback report;
 - NQF Quarterly snapshots;
 - Tranche 1, Tranche 2 and Tranche 3 Consultation Inputs;
 - Supplementary publicly available research such as ABS releases, the National Workforce Census, Department of Education, Skills and Employment (DESE) data tables, and child protection training provider fees.
 - Additional follow-up and clarification have been undertaken across various stages with governments, OBPR and other stakeholders to seek additional information and complete data gaps.
- CBA methodology development and confirmation: Noting the context above around the breadth of initiatives under consideration, the CBA method was developed with governments and OBPR to be able to be applied and reported at both an initiative and an aggregate level to the extent permitted by available data. The CBA method was developed as follows:
 - Overarching costs and benefits were identified and attributed to the various initiatives proposed for consideration;
 - In consultation with governments and OBPR, available data and evidence was mapped to each initiative to inform suitable analysis approaches appropriate to each initiative, noting that where sufficient data was not available, qualitative approaches were considered; and
 - Analysis was undertaken based on available data and input gathered by governments through public consultations in relation to the CRIS.
- Results testing and confirmation: The CBA results and accompanying sensitivity tests were tested and refined with governments and OBPR prior to finalisation, with a particular focus on ensuring assumptions were appropriate to the available data and limitations and gaps clearly understood to assist with interpretation and application of the results.

Specific details on the quantification approaches, available data, assumptions, and limitations associated with the analysis are included later in the report and in supporting appendices.

1.4 Report Structure

The report is structured as follows:

- Section 2 describes the CBA approach; and
- Section 3 discusses the CBA results, including the sensitivity testing undertaken to demonstrate the impact of changes in key drivers and assumptions on the results and the associated implications for interpretation and understanding.

2.

Cost Benefit Analysis Approach



2 Cost Benefit Analysis Approach

This chapter outlines the approach, assumptions, results, and limitations of the CBA of initiatives being considered in relation to the NQF.

2.1 CBA Overview

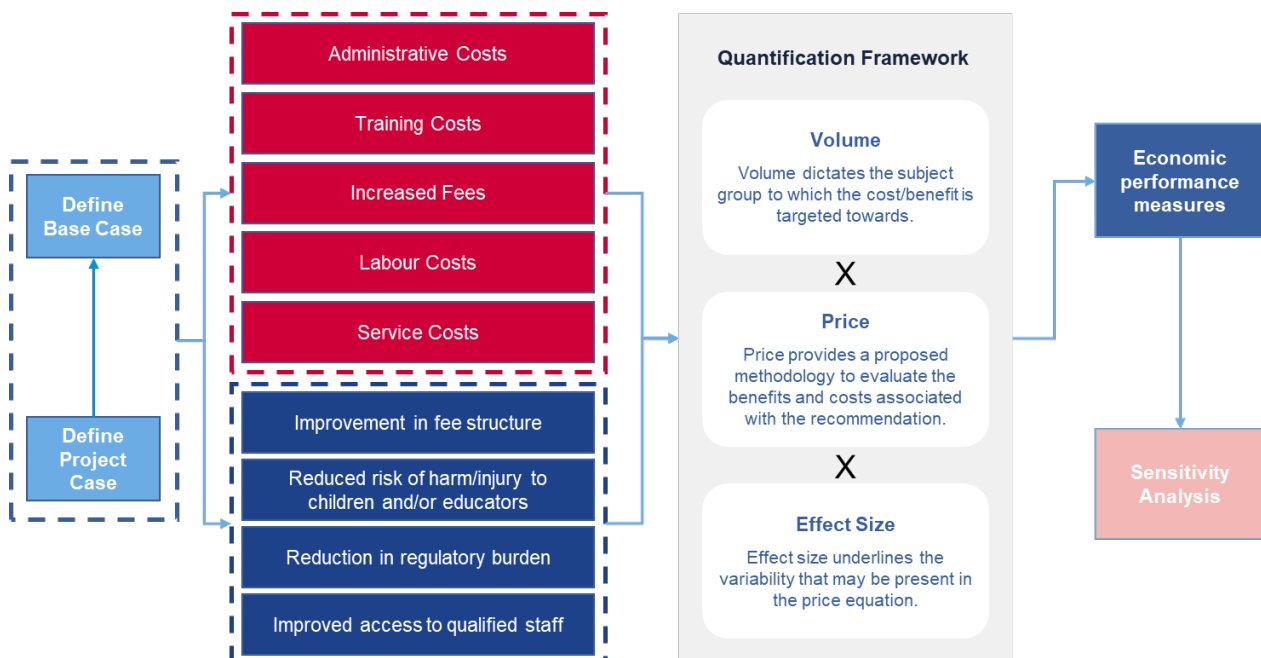
CBA is a systematic approach that uses discounted cash flow (DCF) analysis to determine the extent to which the incremental financial and economic benefits of a project outweigh the additional costs relative to a 'do nothing' base case option. The purpose of the CBA is to understand the nature and extent of benefits relative to costs individually and collectively across the suite of changes proposed as part of the NQF Review.

The development of the CBA involved:

- Establishing the definition of the base case and project option;
- Identifying and quantifying (to the extent permitted by data) costs and benefits over the evaluation period (confirmed with governments and OBPROBPR as 10 years);
- Generating economic performance measures over the evaluation period, including:
 - Net Present Value (NPV) – Difference between the present value (PV) of incremental benefits and the PV of incremental costs; and
 - BCR – Ratio of the PV of incremental benefits to the PV of incremental costs.
- Undertaking sensitivity analysis of the impacts of changes in key variables (informed by an understanding of project risks and opportunities) on the economic performance measures of the project. Further information is provided below.

The diagram below presents the end-to-end process of the CBA.

Figure 2-1: CBA Framework



■ Red Costs represent the costs associated with the initiatives that target outcomes across a range of areas. These costs were aggregated where possible to present the cost impact at a holistic level.

■ Blue Benefits similarly represent the benefits that are generated from the initiatives.

Source: Governments and OBPR.

The CBA has been prepared in consultation with governments and OBPR and is consistent with the OBPR Australian Government Guide to Regulatory Impact Analysis and Cost-benefit analysis guidance note, and




the *NSW Government's TPP17-03 NSW Government Guide to Cost-Benefit Analysis*. The CBA is based on the work undertaken to date through the reform process, the evidence base outlined in the CRIS, and feedback gathered through the CRIS public consultation phase. The CBA was undertaken based on 2020-21 Australian dollars and applies a discount rate of seven (7) per cent per annum over the 10-year evaluation period. Sensitivity tests include (but are not limited to) discount rates of three (3) per cent and 10 per cent and are outlined further below.




For this CBA, it is noted at the outset that there are some significant constraints in the available data, as well as variation in the nature and impacts of different initiatives within the overall suite of NQF changes proposed. These are further outlined later in this section and have been addressed accordingly in the analysis assumptions and results.

2.2 CBA Inputs

The CBA was undertaken based on available information from governments, public research, and standard parameters as outlined in OBPR and NSW Government guidelines. Inputs and assumptions were tested and refined between governments and other stakeholders throughout the development of the analysis. The table below provides an overview of inputs, including work packages that have been progressed, that supported the delivery of the CBA in alignment with other areas of work currently underway.

Table 2-1: CBA Inputs

		
Input	Source	Details
Base case determination	Governments/ OBPR	For the purposes of this CBA, the base case was descriptive only. Analysis of the proposed initiatives and options under the project case (implementation of the NQF reforms) was undertaken based on incremental changes of those initiatives relative to the current state.
NQF Consultation Regulation Impact Statement (CRIS)	Governments	Work undertaken by the governments as part of the NQF CRIS to propose options for changes which could be made to the Education and Care Services National Law, the Education and Care Services National Regulations and guidance material covering the operational application of legislative requirements, which all form part of the NQF. Information from this work was leveraged to the base case and project option definitions in the CBA modelling as well as key parameters placed on data inputs.
Tranche 1, 2, & 3 Consultation Inputs	Governments	The governments filled the identified data gaps for the recommendations as part of the Tranche 1, 2 and 3. Engagement with the required stakeholders informed the additional data gaps required for the CBA. Information from these stakeholder engagements was used to clearly align work stream projects and deliverables with identified benefit areas and support the development of assumptions. These gaps were key to completing the CBA and were fed in over the course of the delivery and the CBA iterations.

 Input	 Source	 Details
Research and document review	Governments/OBPR	A detailed review of documents provided to date and publicly available data, information and research literature was used to inform a deeper understanding of E&C reform impacts and the development of assumptions in the modelling to address data and information gaps. Inputs provided have been considered so far but are being expanded on with additional data sources as they become available.
Standard economic appraisal parameters	NSW Treasury TPP17-03 NSW Government Guide to Cost-Benefit Analysis	This includes discount rates and appraisal periods, consistent with NSW Treasury guidelines.
Standard economic appraisal parameters	Office of Best Practice Regulation (OBPR)	This includes discount rates and appraisal periods, consistent with OBPR guidelines.

Source: Governments and OBPR.

2.3 Options Considered

The FBC is considering two options, as outlined below.

2.3.1 Base Case – The proposed regulatory changes are not implemented

The base case, in effect, is a scenario where no changes to the NQF, including those outlined in the CRIS, are implemented. The implications of a ‘do nothing’ scenario is an unreformed National Quality Framework where the expected changes and outcomes associated with the reform vision and recommendations are not realised. The base case reflects the structure, processes, expenditure, and resources associated with the current NQF. The base case is contextualised for each individual initiative outlined below, through the analysis of incremental impacts.

The evidence base, outlined in the CRIS, indicates the number of children attending an E&C service is expected to continue to increase while provider management structures will continue to become more complex and difficult for regulatory providers to regulate and assess. The real cost of E&C for families is similarly expected to increase. Skilled workforce shortages will continue to impact providers and hopes of a more qualified sector.

Several issues pertaining to children’s health, safety and wellbeing and service quality will continue to persist if not adequately addressed, while the recommendations of the Royal Commission may not be sufficiently implemented across the sector. OSHC service providers will continue to experience higher and unnecessary regulatory burdens relative to the service provided.

2.3.2 Option 2: Reform Case – The proposed regulatory changes are implemented

The project option covers the implementation of the regulatory changes in their entirety. The reform option has considered the suite of initiatives, and where relevant, sub-options under consideration as part of the public consultation process. These are summarised in the table below, and the analysis of each has been undertaken with respect to the base case.

Table 2-2: Summary of initiatives considered in the CBA

NQF Sect.	#	Proposal Area	Option(s) considered in the CBA
Safety, health & wellbeing	3.1	Safety of children during transitions between services (including school)	<ul style="list-style-type: none"> • B - Legislative change to specify staff supervision requirements during periods of transition between education and care services. • D – Require that where relevant, an education and care service has a policy and procedures for the transition period between education and care services (for example between school and OSHC, or OSHC and preschool), including a risk assessment process. • E – Develop further guidance to support policies and procedures relating to the delivery of children to, and the collection from, education and care service premises, with an emphasis on transition periods between services, as well as further guidance for parents and families around notifying when a child is unable to attend an education and care service.
	3.2	Sleep and rest requirements	<ul style="list-style-type: none"> • B – Legislative change to require compulsory safe sleep practices training for all educators who care for sleeping children (birth to five years). • C - Further guidance developed to support policies and procedures for sleep and rest, and to provide information to families on safe sleeping practices.
	3.3	Improving children’s safety during regular transportation	<ul style="list-style-type: none"> • B - Legislative change to require specific transport ratio requirements for when children are being transported by, or are on transportation arranged by, an education and care service. • D - Legislative change to require the presence of a staff member of the education and care service premises (other than the driver) when children are embarking and disembarking from the vehicle at the service. • F - Further explicit guidance on the application of current requirements for ratios and qualifications, and what is adequate supervision as it relates to transportation provided or arranged by a service. Separate guidance will also be generated for the FDC sector.
	3.4	Improving children’s safety during emergency evacuations from multi-storey buildings	<ul style="list-style-type: none"> • B - Amend the legislation about emergency and evacuation procedures to require that for centre-based services located in multi-storey buildings: • C - Strengthen service approval processes to require that for centre-based services located in multi-storey buildings the regulatory authority, in assessing the suitability of the education and care service premises, is to consider the need for direct egress to safe evacuation areas for very young children and non-ambulatory children. • D - Victoria and ACT only - Amend service approval processes to require approved providers wishing to operate a centre-based service from premises in a multi-storey building in Victoria or ACT to apply to the regulatory authority for pre-approval of development and

NQF Sect.	#	Proposal Area	Option(s) considered in the CBA
			<p>building plans for the proposed premises prior to development and construction.</p> <ul style="list-style-type: none"> E - Enhance national guidance and communication strategies to improve understanding of service approval considerations for centre-based multi-storey buildings and reinforce existing emergency and evacuation requirements for the early childhood education and care sector.
Royal Commission into Institutional Responses to Child Sexual Abuse	4.1	Embedding the National Child Safe Principles	<ul style="list-style-type: none"> C - Amend the National Regulations so that the requirement for services to have in place policies and procedures for providing a child safe environment specifically refers to implementing the National Principles. D - Amend the National Regulations and associated guidance to address identified gaps between the Child Safe Principles and the NQF.
	4.2	Updating Record Keeping Requirements	<ul style="list-style-type: none"> B - Improved guidance to assist providers on record keeping utilising existing best practice instructions developed by relevant Commonwealth, State and Territory Archive Authorities (for example, the National Archives of Australia General Records Authority 41) as per Recommendation 8.3, along with the five high-level record keeping principles recommended by the Royal Commission in Recommendation 8.4.
Family Day Care (FDC)	5.1	FDC Register and notification requirements	<ul style="list-style-type: none"> B - Changes (legislative or otherwise) to the FDC Register requirements to enable Regulatory Authorities to have timely access to FDC service level data that will enable risk-based proactive approaches to regulation and allow Regulatory Authorities, particularly during emergency situations such as bushfires, to support service providers in meeting their obligations to ensure the safety of children.
	5.2	Exceptional circumstances in FDC	<ul style="list-style-type: none"> B - Require approved providers to include details of FDC educators operating above ratio due to exceptional circumstances on the FDC register.
	5.3	Safety around swimming pools in FDC	<ul style="list-style-type: none"> B - Swimming pools allowed with improved oversight. D - Regulatory Authorities to provide additional guidance and resources in relation to water safety to FDC educators.
	5.4	Safety of glass used by services in FDC	<ul style="list-style-type: none"> B - All FDC residences and venues to comply with 0.75m height requirement. C - FDC residences and venues that are approved on or after the date the regulation comes into effect will be required to comply with 1m height requirement. D - All new FDC residences and venues to comply with 1m height requirement from [date regulation comes into force].

NQF Sect.	#	Proposal Area	Option(s) considered in the CBA
			<ul style="list-style-type: none"> E - Regulatory Authorities to provide additional guidance and resources in relation to glass safety requirements for FDC services.
Centre-based care – Outside School Hours Care	6.1	Assessment and rating of OSHC services	<ul style="list-style-type: none"> B - Review consider changes to the assessment and rating methodology for services whose main purpose is providing education and care to children over preschool age. C - Development of additional guidance to support the OSHC sector and Regulatory Authorities with assessment and rating.
Workforce	7.1	Restrictions on short term relief for early childhood educators	<ul style="list-style-type: none"> C - Broaden the qualification requirements for short-term staff replacements by allowing primary teachers to replace Certificate III and diploma qualified educators for a period of up to 30 days (equal to 4 weeks of annual leave and 2 weeks of personal leave). D - Allow Suitably Qualified Persons to replace a third or fourth ECT to address workforce shortages (NSW only).
	7.2	Educators who are 'actively working towards' a qualification	<ul style="list-style-type: none"> B - Limit the 'actively working towards' provision by: <ul style="list-style-type: none"> (i) Introducing a minimum proportion of educators with a completed qualification (as opposed to 50 per cent of educators required within ratios to be qualified or 'actively working towards' a qualification); or (ii) Introducing a timeframe in which staff 'actively working towards' a qualification must complete their qualification in order to be counted in ratios; or (iii) Specifying a threshold staff must meet to make 'satisfactory' progress through their course in order to be counted in ratios. C - Develop guidance for providers to ensure staff who are 'actively working towards' qualifications are making satisfactory progress.
	7.3	Minimum qualification requirements for educators in FDC	<ul style="list-style-type: none"> B - Remove the 'actively working towards' provisions for FDC educators and require these educators to hold an approved Certificate III qualification prior to commencing their role in a FDC service. C - Require educators in FDC services to have completed at least an approved certificate III qualification within 24 months of commencement in an FDC educator role. Not applicable to South Australia.
Understanding of quality ratings by families	8.1	The quality ratings system	<ul style="list-style-type: none"> B - Modify the quality rating terminology. C - Introduce a visual representation for communicating and promoting the quality ratings. D - Provide further guidance and advice to the community about the purpose of quality ratings, and the differentiation between a quality rating and minimum standards required under the National Law.

NQF Sect.	#	Proposal Area	Option(s) considered in the CBA
Changes in fees within the NQF system	9.1	Changes in fees for Regulatory Authorities	<ul style="list-style-type: none"> • B – Create a fourth category of application/annual fee for centre-based services with 101 or more places and FDC services with 61 or more educators. • C - Increase fees for Annual fees, Approved provider applications, Service approval applications and Transfer of service notifications. • D - Introduce a new fee for approval applications for amendment to service approval (which is currently free). • E - Introduce an annual fee for approved providers that is scaled by the number of services operated by the provider. • F - Change legislation to allow states and territories to set their own fees (except for provider application fees).
	9.2	Changes in application fees for ACECQA functions	<ul style="list-style-type: none"> • B - Increase application fee for a review by the Ratings Review Panel of rating level (s145(2)(c) of the National Law). • C - Increase application fee for determination of equivalent qualification (regulation 139). • D - Increase application fee for assessment of a course to be included as an approved qualification (regulation 138). • E - Introduce a fee for an application for the highest rating (Excellent rating).
Oversight and governance of services and providers	10.1	Assessing suitability of individuals to work directly or indirectly with children	<ul style="list-style-type: none"> • B - Amend the definition of 'person with management or control' (PMC) of a service in the National Law to align with the definition of PMC of an approved provider body in the Commonwealth Family Assistance Law to the extent necessary to capture the individuals who direct and/or have significant influence over managing the delivery of an education and care service (whether or not they are employed by the approved provider of the service, for example people who work for third party management companies or who act as 'shadow directors' but have a large amount of influence over the control of service/s). • E - Include an explicit obligation for FDC educators to notify the approved provider of circumstances arising that pose a risk to the health, safety or wellbeing of children of the service and that approved providers use this information in a risk assessment.
	10.2	Cancellation of provider approval under Family Assistance Law	<ul style="list-style-type: none"> • B - Legislative change that provides for FAL cancellation as explicit grounds for cancellation of provider approval under the NQF in circumstances where the FAL cancellation relates to fitness and propriety and/or a breach of the NQF. • C - Legislative change that provides for refusal of provider approval under the FAL as explicit grounds for cancellation of provider approval under the NQF, where the FAL refusal relates to fitness and propriety and/or a breach of the NQF.

NQF Sect.	#	Proposal Area	Option(s) considered in the CBA
	10.3	Arrangements to transfer a service to another approved provider	<ul style="list-style-type: none"> • B - Develop guidance for services and providers about the service transfer process and how to best advise families about the transfer (for example, in relation to storage of children's records). • C - Minor legislative changes to address challenges associated with timeframes. • D - Amend the National Regulations to 'deem' the transfer to have occurred based on the advice of the receiving provider only, with receipt of the receiving provider's right to occupy.
	10.4	Maintaining current information about service delivery	<ul style="list-style-type: none"> • B - Amend the National Regulations to require notification of changes to the ages of children being cared for and nature of care provided to the regulatory authority, with an associated offence for failing to notify. • C - Amend the National Regulations to introduce an approval requirement, which obliges providers to apply to the regulatory authority to change the ages of children cared for and nature of care delivered by a service. • D - Regulatory Authorities to provide guidance and resources in relation to age-appropriate programs and facility requirements.

Source: Consultation Regulatory Impact Statement.

2.4 Parameters

The standard parameters used in the CBA are outlined in the table below.

Table 2-3: Key Parameters

Item	Assumption	Source
Community of interest	E&C National Community	Standard assumption
Base date for NPV	1 July 2021	Based on the commencement of the project delivery and capital funding from 1 July 2021
Cash flow timings	Annual (financial year)	Standard assumption
Timing of cash flows	End of period (i.e. 30 June)	Standard assumption
Real discount rate	7.0 per cent p.a.	A 7 per cent per annum real discount rate was applied to the analysis to calculate present values. Sensitivity testing at discount rates of 3 and 10 per cent was also undertaken. These values are in accordance with OBPR guidelines.
Consumer Price Index (CPI)	2.5 per cent p.a.	Average of Federal Budget Forecasts from 2020/21, 2021/22 and 2022/23
Nominal discount rate	9.5 per cent p.a.	OBPR real discount rate plus CPI assumption

Item	Assumption	Source
Period of analysis	10 years from 2020-21 to 2030-31*	A 10-year reform implementation lifespan was determined to be reasonable based on the expected full roll-out of reforms in 2024.

*Costs have been calculated over the 10-year period, unless otherwise specified.

Source: Various (as indicated in table).






2.5 Description of Costs and Benefits





Governments and OBPR worked to identify a consistent set of cost and benefit categories to guide this analysis and attribute specific initiatives within the proposed changes to the NQF to these costs and benefits based on the nature and intended impacts of the individual changes. The purpose of this exercise was to provide a consistent overall approach to the analysis while also enabling the specific impacts of different initiatives to be identified and considered.

2.5.1 Cost and Benefit Identification

The following table outlines the costs and benefits identified across the suite of initiatives proposed. These costs and benefits have been mapped to the various initiatives within the suite of reforms proposed and are intended to provide a consistent approach to classification and analysis of the impacts. It is noted that not all costs and benefits are necessarily applicable to a given initiative. Further, not all impacts have been able to be fully quantified with available data. Details of the attribution of different impacts and the analysis approach are outlined in further detail later in the report.

Table 2-4 Identified Costs and Benefits

Name of cost / benefit	Type	Description	Bearer / Beneficiary	Quantifiable	Base Case – Do nothing	Project Case: Reform
Costs						
Direct Implementation Costs	Financial	Each initiative has a range of potential cost impacts and for the purposes of consistency, these have been defined as follows:	Government	Quantified	-	
Administrative Costs	Financial	<ul style="list-style-type: none"> Administrative – Relates to additional administrative requirements for E&C providers to implement changes in regulatory requirements arising through the reforms; Training – Relates to the costs associated with changes to training requirements for the E&C workforce, either on a one-off or ongoing basis; Increased Fees – Relates to the changes in fee costs payable by E&C providers, 	E&C providers	Quantified	-	
Training Costs	Financial		E&C providers	Quantified	-	
Increased Fees	Financial		E&C providers	Quantified	-	
Labour Costs	Financial		E&C providers	Quantified	-	

Name of cost / benefit	Type	Description	Bearer / Beneficiary	Quantifiable	Base Case – Do nothing	Project Case: Reform
Service Costs	Financial	<p>educators and training institutions to government;</p> <ul style="list-style-type: none"> Labour Costs – Relates to changes in labour attributable to the E&C reforms (e.g. role/mix and/or additional capacity); and Service Costs – Relates to other potential service costs that may arise for E&C providers as a result of the reforms. 	E&C providers	Quantified	-	
Benefits						
Reduction in regulatory burden on E&C providers	Economic	Several proposed regulatory or legislative changes may result in reduced and/or streamlining of regulatory requirements leading to reduced regulatory costs on E&C providers.	E&C providers	Quantified	-	
Improvements in child education outcomes through increased qualification and skills and/or improved access to appropriately skilled E&C staff	Economic and Social	A more qualified sector workforce contributes to high quality service settings that can result in improved outcomes for children and greater access to qualified staff for providers.	E&C providers E&C employees, educators, parents, and children NSW and Australian community	Partially Quantified	-	
Improved health and wellbeing of children and educators through reduced risk of harm and/or injury	Economic and Social	Several proposed changes are aimed at improving policies and procedures as well as the level of skills of the workforce or physical environments to reduce the risk of harm. These are expected to collectively improve health and safety and reduce other harms.	E&C employees, educators, parents and children NSW and Australian community	Not able to be quantified with available data	-	

2.5.2 Cost Attribution

In line with established guidelines, the CBA has considered direct costs. The following table outlines the key cost categories applicable to each initiative and option considered.

Table 2-5 Cost category mapped to NQF initiative options

No	NQF Section	Proposal Area	Option	Cost Category
03	Health, safety and wellbeing	3.1 – Safety of children during transitions between services	B	Labour Cost
			D	Labour Cost
			E	Labour Cost
		3.2 – Sleep and rest requirements	B	Training Cost
			C	Training Cost
		3.3 – Improving children’s safety during regular transportation	B	Labour Cost
			D	Labour Cost
			F	Administrative Cost
		3.4 – Improving children’s safety during emergency evacuations from multistorey buildings	B	Service Cost
			C	Service Cost
			D	Service Cost
			E	Administrative Cost
04	Royal Commission into Institutional Responses to Child Sexual Abuse	4.1 - Embedding the National Child Safe Principles	C	Administrative Cost
			D	Administrative Cost Training Cost
		4.2 - Updating record keeping requirements	B	Administrative Cost
05	Family Day Care (FDC)	5.1 – FDC Register and notification requirements	B	Administrative Cost
		5.2 – Exceptional circumstances in FDC	B	Administrative Cost
		5.3 - Safety around swimming pools in FDC	B	Administrative Cost
			D	Administrative Cost
			B	Service Cost

No	NQF Section	Proposal Area	Option	Cost Category
		5.4 – Safety of glass used by services in FDC	C	Service Cost
			D	Service Cost
			E	Service Cost
06	Centre-based care – Outside School Hours Care	6.1 - Assessment and rating of OSHC services	B	Administrative Cost
			C	Administrative Cost
07	Workforce	7.1 – Restrictions on short term relief for early childhood educators	C	Administrative Cost
			D	Administrative Cost
		7.2 - Educators who are 'actively working towards' a qualification	B	Administrative Cost
			C	Administrative Cost
		7.3 – Minimum qualification requirements for educators in FDC	B	Training Cost
			C	Training Cost
08	Understanding of quality ratings by families	8.1 – The quality ratings system	B	Administrative Cost
			C	Administrative Cost
			D	Administrative Cost
09	Changes in fees within the NQF system	9.1 – Changes in fees for regulatory authorities	B	Increase in fees
			C	Increase in fees
			D	Increase in fees
			E	Increase in fees
			F	Increase in fees
		9.2 – Changes in applications fees for ACECQA functions	B	Increase in fees
			C	Increase in fees
		D	Increase in fees	
		E	Increase in fees	
10			B	Administrative Cost

No	NQF Section	Proposal Area	Option	Cost Category
	Oversight and governance of services and providers	10.1 – Assessing suitability of individuals to work directly or indirectly with children	E	Administrative Cost
		10.2 – Cancellation of provider approval under Family Assistance Law	B	Administrative Cost
			C	Administrative Cost
		10.3 – Arrangements to transfer a service to another approved provider	B	Administrative Cost
			C	Administrative Cost
			D	Administrative Cost
		10.4 – Maintaining current information about service delivery	B	Administrative Cost
			C	Administrative Cost
			D	Administrative Cost

Source: Governments and OBPR.

Details around the data and assumptions used to estimate these costs are provided later in the report.

2.5.3 Benefits Attribution

The various proposed options for the NQF Review recommendations are expected to have an impact both individually and collectively. A benefit attribution framework was developed to identify and link the different initiatives to the overall benefit categories identified above, based on the analysis and evidence in the NQF Review, CRIS, and associated information provided by governments.

The following sub-sections describe each benefit in further detail and summarise the mapping of initiatives to each benefit.





Improved health and wellbeing of children and educators through reduced risk of harm and/or injury

Ensuring the health, safety and wellbeing of children attending E&C services is a core objective of the NQF. Several proposed changes are aimed at improving policies and procedures as well as the level of skills of the workforce or physical environments to improve health and safety and reduce the risk of injury and other forms of harm. To the extent this initiative can help improve the overall quality of E&C and the associated wellbeing of children and E&C educators, there may also be a contribution to improved long term wellbeing.




The table below outlines the attribution of the benefit to proposed option per NQF recommendation to assist the quantification and analysis approach of each benefit as part of the CBA. This indicates whether each option has either a direct contribution, indirect or flow-on contribution or no contribution to the benefit outlined.

Table 2-6 Benefit Mapping for options

No	NQF Section	Proposal Area	Extent of expected contribution
03	Health, safety and wellbeing	3.1 – Safety of children during transitions between services	
		3.2 – Sleep and rest requirements	
		3.3 – Improving children’s safety during regular transportation	
		3.4 – Improving children’s safety during emergency evacuations from multistorey buildings	
04	Royal Commission into Institutional Responses to Child Sexual Abuse	4.1 - Embedding the National Child Safe Principles	
		4.2 - Updating record keeping requirements	
05	Family Day Care (FDC)	5.1 – FDC Register and notification requirements	
		5.2 – Exceptional circumstances in FDC	
		5.3 - Safety around swimming pools in FDC	
		5.4 – Safety of glass used by services in FDC	
06	Centre-based care – Outside School Hours Care	6.1 - Assessment and rating of OSHC services	
07	Workforce	7.1 – Restrictions on short term relief for early childhood educators	
		7.2 - Educators who are ‘actively working towards’ a qualification	
		7.3 – Minimum qualification requirements for educators in FDC	
08	Understanding of quality ratings by families	8.1 – The quality ratings system	
09	Changes in fees within the NQF system	9.1 – Changes in fees for regulatory authorities	
		9.2 – Changes in applications fees for ACECQA functions	

No	NQF Section	Proposal Area	Extent of expected contribution
10	Oversight and governance of services and providers	10.1 – Assessing suitability of individuals to work directly or indirectly with children	
		10.2 – Cancellation of provider approval under Family Assistance Law	
		10.3 – Arrangements to transfer a service to another approved provider	
		10.4 – Maintaining current information about service delivery	

Key:

Direct contribution	Indirect or flow-on contribution	No contribution
Higher	Medium	Lower
		




Source: Governments and OBPR.

Reduction in regulatory burden on E&C providers



Several proposed regulatory or legislative changes may result in the reduction of regulatory requirements for E&C providers while other requirements can be more easily streamlined to reduce regulatory costs on E&C providers. A reduction in the perception of burden across providers, with specific reference to OSHC and preschool providers, can create greater efficiencies in the sector and more efficient allocation of resources. Regulatory obligations that are more appropriately aligned to the type of care provided can more effectively balance safety risks and remove unnecessary burdens and associated implementation costs for some of these providers.

The table below outlines the attribution of the benefit to proposed option per NQF recommendation to assist the quantification and analysis approach of each benefit as part of the CBA. This indicates whether each option has either a direct contribution, indirect or flow-on contribution or no contribution to the benefit outlined.




Table 2-7: Benefit Mapping for options

No	NQF Section	Proposal Area	Extent of expected contribution
03	Health, safety and wellbeing	3.1 – Safety of children during transitions between services	
		3.2 – Sleep and rest requirements	
		3.3 – Improving children's safety during regular transportation	

No	NQF Section	Proposal Area	Extent of expected contribution
		3.4 – Improving children's safety during emergency evacuations from multistorey buildings	
04	Royal Commission into Institutional Responses to Child Sexual Abuse	4.1 - Embedding the National Child Safe Principles	
		4.2 - Updating record keeping requirements	
05	Family Day Care (FDC)	5.1 – FDC Register and notification requirements	
		5.2 – Exceptional circumstances in FDC	
		5.3 - Safety around swimming pools in FDC	
		5.4 – Safety of glass used by services in FDC	
06	Centre-based care – Outside School Hours Care	6.1 - Assessment and rating of OSHC services	
07	Workforce	7.1 – Restrictions on short term relief for early childhood educators	
		7.2 - Educators who are 'actively working towards' a qualification	
		7.3 – Minimum qualification requirements for educators in FDC	
08	Understanding of quality ratings by families	8.1 – The quality ratings system	
09	Changes in fees within the NQF system	9.1 – Changes in fees for regulatory authorities	
		9.2 – Changes in applications fees for ACECQA functions	
10	Oversight and governance of services and providers	10.1 – Assessing suitability of individuals to work directly or indirectly with children	
		10.2 – Cancellation of provider approval under Family Assistance Law	

No	NQF Section	Proposal Area	Extent of expected contribution
		10.3 – Arrangements to transfer a service to another approved provider	
		10.4 – Maintaining current information about service delivery	

Key:

Direct contribution	Indirect or flow-on contribution	No contribution
Higher	Medium	Lower
		





Source: Governments and OBPR.

Improvements in qualification and skills and/or improved access to appropriately skilled E&C staff


A more qualified sector workforce contributes to higher quality service settings that can result in improved outcomes for children and greater access to qualified staff for providers. Evidence from the CRIS indicates the best outcomes for children in E&C are a result of high-quality service settings and high-quality programs that are primarily provided by appropriately skilled staff. This points to qualified E&C staff more effectively supporting positive outcomes for children due to being more professionally skilled and thereby achieving higher quality education and developmental outcomes for children. Existing sector shortages in appropriately qualified and skilled staff result in increased costs to attract and retain highly-qualified staff in the sector. A more skilled and qualified workforce will result in reduced pressures on providers to implement the costly strategies.

The table below outlines the attribution of the benefit to proposed option per NQF recommendation to assist the quantification and analysis approach of each benefit as part of the CBA. This indicates whether each option has either a direct contribution, indirect or flow-on contribution or no contribution to the benefit outlined.




Table 2-8: Benefit Mapping for options

No	NQF Section	Proposal Area	Extent of expected contribution
03	Health, safety and wellbeing	3.1 – Safety of children during transitions between services	
		3.2 – Sleep and rest requirements	
		3.3 – Improving children’s safety during regular transportation	
		3.4 – Improving children’s safety during emergency evacuations from multistorey buildings	

No	NQF Section	Proposal Area	Extent of expected contribution
04	Royal Commission into Institutional Responses to Child Sexual Abuse	4.1 - Embedding the National Child Safe Principles	
		4.2 - Updating record keeping requirements	
05	Family Day Care (FDC)	5.1 – FDC Register and notification requirements	
		5.2 – Exceptional circumstances in FDC	
		5.3 - Safety around swimming pools in FDC	
		5.4 – Safety of glass used by services in FDC	
06	Centre-based care – Outside School Hours Care	6.1 - Assessment and rating of OSHC services	
07	Workforce	7.1 – Restrictions on short term relief for early childhood educators	
		7.2 - Educators who are ‘actively working towards’ a qualification	
		7.3 – Minimum qualification requirements for educators in FDC	
08	Understanding of quality ratings by families	8.1 – The quality ratings system	
09	Changes in fees within the NQF system	9.1 – Changes in fees for regulatory authorities	
		9.2 – Changes in applications fees for ACECQA functions	
10	Oversight and governance of services and providers	10.1 – Assessing suitability of individuals to work directly or indirectly with children	
		10.2 – Cancellation of provider approval under Family Assistance Law	
		10.3 – Arrangements to transfer a service to another approved provider	

No	NQF Section	Proposal Area	Extent of expected contribution
		10.4 – Maintaining current information about service delivery	

Key:

Direct contribution	Indirect or flow-on contribution	No contribution
Higher	Medium	Lower
		

Source: Governments and OBPR.

2.6 Limitations

This report and the analysis results should be considered in the context of the following limitations:

Data and information limitations



Data and information available to date may not provide the level of specification and granularity needed to precisely analyse the resulting implications of the current state of the E&C services and the impacts of future reforms. The framework developed puts forward the individual and overall impacts to the extent permitted by the data and where there are gaps, these will be worked through and addressed with appropriate assumptions and caveats and if required qualitative description on a case by case basis.

Ongoing reform development



The CBA undertaken as part of this engagement is a point-in-time exercise based on available data, and is intended as one input to the DRIS. There will be ongoing development and refinement of the reform program throughout the implementation planning stage that will be accompanied by monitoring and evaluation of the expect benefits and benefits realised. The evolving nature of the reform development and implementation may lead to changes in the parameters and factors affecting specific work streams or projects and may therefore affect the costs and benefits associated with the individual issues.

Cost quantification



The cost estimates included in the CBA are based on data available through the NQF Review, CRIS, sector data collections, and feedback available through feedback on the CRIS. Assumptions underpinning the cost quantification are outlined later in the analysis, however, remain subject to some gaps. Results should be interpreted with caution to the gaps identified.

Benefits attribution and quantification



Many of the benefits associated with the NQF reform initiatives are not able to be fully quantified and/or fully attributed based on the available data. Where appropriate, benefits have been partially quantified and assumptions stated. Where benefits have not been able to be quantified, qualitative discussion with reference to the available data and research has been included. The measurement and monitoring of benefits through implementation, supported with appropriate data collection from the E&C sector, will be important in evaluating the impacts of the reform program and adjusting regulatory and legislative arrangements into the future.

Impacts of COVID-19



The CBA has not considered the potential impacts associated with COVID-19. Data on workforce and service data are sourced from pre-COVID-19 datasets as data from recent snapshots indicate the sector has been heavily impacted by the pandemic, particularly in NSW and Victoria where there have been greater restrictions. If restrictions are to remain over the long-term, both costs and benefits may be overestimated in this CBA.

3.

Results



3 Results

This section presents the results of the CBA analysis as well as the sensitivity analysis undertaken and financial appraisal results.

3.1 Cumulative Results Summary

The following table provides a cumulative overview of cost/benefits realised within each initiative by the following sectors:

- Centre-based services
- Out School Hours Care (OSHC)
- Family Day Care (FDC)
- Families and communities

Table 3-1 Cumulative summary for costs and benefits by sector

Initiative	Costs				Benefits			
	Centre-based services	Out School Hours Care*	Family Day Care	Families and communities	Centre-based services	Out School Hours Care*	Family Day Care	Families and communities
3.1		✓				✓		✓
3.2	✓		✓					✓
3.3	✓		✓		✓		✓	✓
3.4	✓		✓		✓		✓	✓
4.1			✓				✓	✓
4.2			✓				✓	✓
5.1			✓				✓	✓
5.2			✓					✓

Initiative	Costs				Benefits			
	Centre-based services	Out School Hours Care*	Family Day Care	Families and communities	Centre-based services	Out School Hours Care*	Family Day Care	Families and communities
5.3			✓	✓			✓	✓
5.4			✓				✓	✓
6.1		✓				✓		
7.1					✓		✓	✓
7.2	✓				✓			✓
7.3			✓	✓			✓	✓
8.1	✓		✓	✓	✓		✓	✓
9.1**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9.2**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10.1	✓		✓		✓		✓	✓
10.2				✓				✓
10.3	✓		✓		✓		✓	✓
10.4	✓		✓	✓	✓		✓	✓

*While OSHC is considered part of centre-based services, particular initiatives analysed within this report point to discrete impacts to the OSHC sector in isolation of the broader centre-based services sector. Initiatives with costs and benefits to centre-based services necessarily impact the OSHC sector as well.

**Initiatives 9.1 and 9.2 are for the introduction or expansion of fees paid to government. These are considered cost-recovery and as such are excluded from the cumulative costings. However, detailed results of the costs of these fees are included in sections 3.4 and 3.5.

The next two sections breakout the cumulative cost and benefit results. Given the available data, only costs have been quantified. Benefits are analysed under qualitative methods only. The reason for this is twofold: the available data does not permit a reasonable quantification of benefits over a 10-year span (e.g. the financial/economic benefit of improved child safety); furthermore, benefits in many cases are cross-cutting and not additive. The implementation of one initiative may compound the effect of another initiative such that the cumulative benefits are greater than individual sums of implementing each initiative separately.

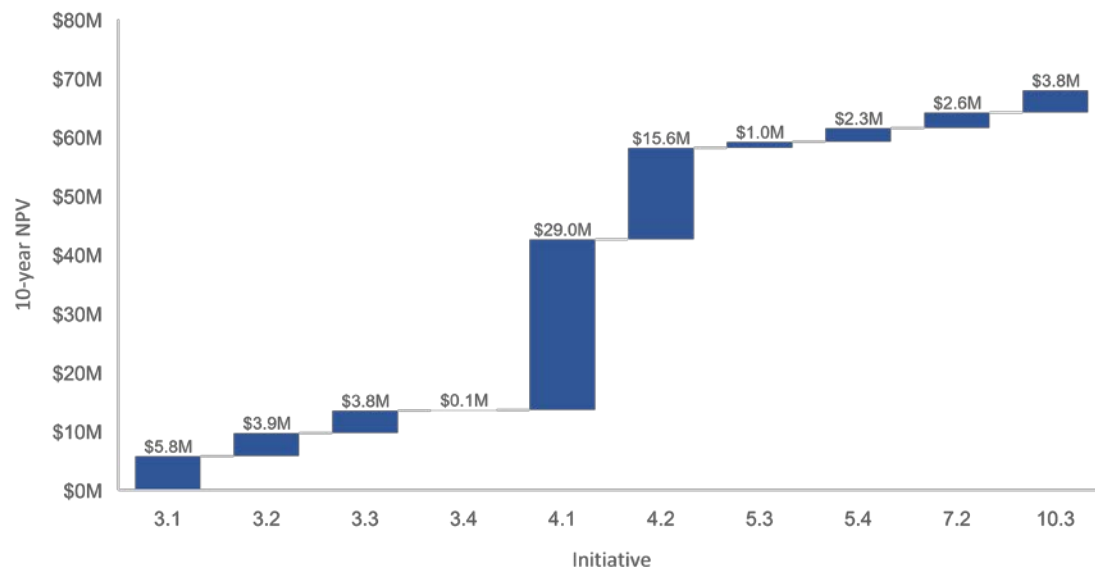
3.1.1 Quantifiable Cumulative Results – endorsed quantifiable options



Note: The figures below (cumulative costings) do not incorporate Initiatives 9.1 and 9.2 as they related to the introduction or expansion of fees paid to government. These are considered cost-recovery and as such are excluded from the cumulative costings. However, detailed results of the costs of these fees are included in sections 3.4 and 3.5.

The cumulative cost of implementation over a 10-year window in net-present-value (NPV), assuming endorsed quantifiable options that have been put forward for are implemented (see APPENDIX I for the list of endorsed options) is \$68M. It is essential to note that these figures only represent quantifiable costs. There are substantial other costs and benefits that are not quantifiable given the available data. Sections 3.2-3.22 include qualitative analysis of these non-quantifiable costs and benefits, as well as detailed quantitative results and lists the data sources and assumptions used in each quantification.

Figure 3-1 Net-present-value of cost for implementing endorsed initiatives



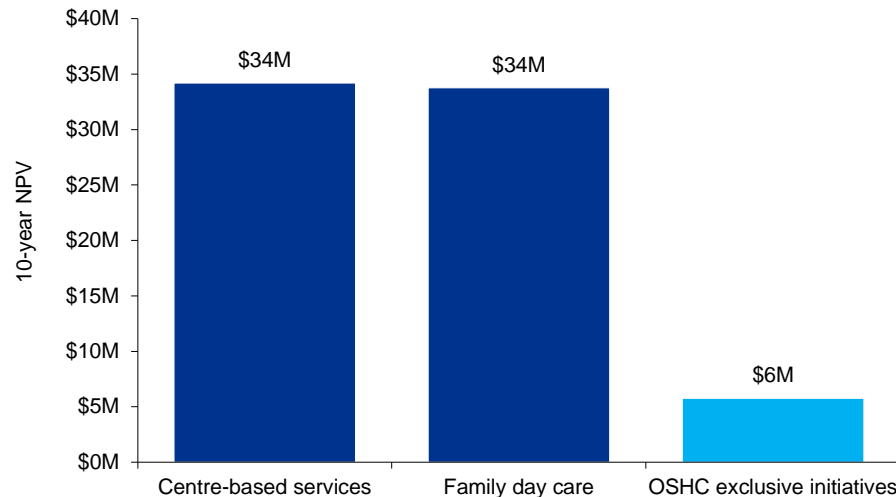


Key observations:

- Cumulatively, Initiatives 4.1 & 4.2 represent over 60% of total estimated quantifiable cost for endorsed options. However, they are expected to cumulatively derive benefits in terms of improved child safety and education outcomes.
- There are multiple lower cost initiatives with total 10-year NPV's than \$1M or less.
- The benefits associated with each initiative are qualitatively detailed in the Detailed results by initiative in sections 3.2-3.22.

Figure 3-2 breaks down the cumulative quantifiable cost by care sector. Note that OSHC services are a subset of centre-based services, and as such their costings are included within the total cost for all centre-based services.

Figure 3-2 Net-present-value of cumulative cost by sector, endorsed initiatives.



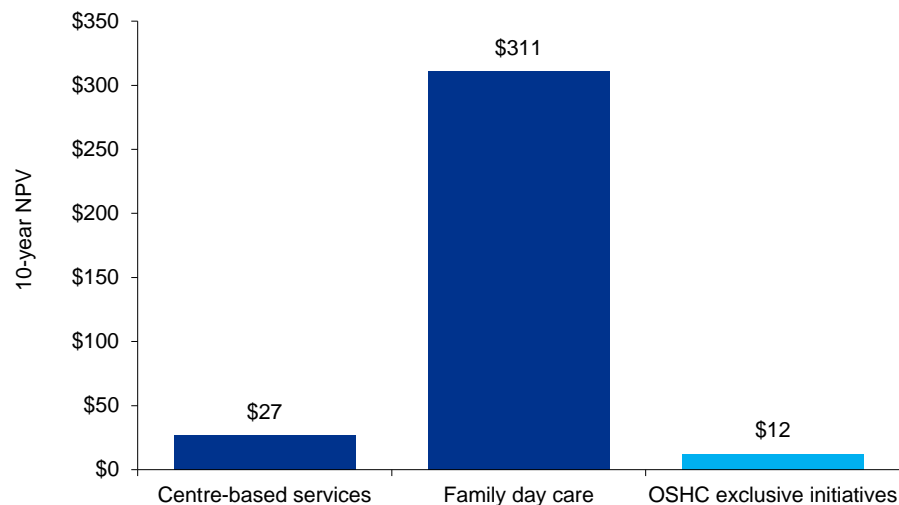
Key observations:

- Quantifiable costs to the Centre-based services (including OSHC exclusive initiatives) sector are estimated to have a 10-year NPV of \$34M.
- The Family Day Care sector is estimated to incur a 10-year NPV of \$34M in quantifiable costs. This is expected to be shared between educators and service providers, depending on the initiative.

— Initiatives that exclusively impact the OSHC sector are estimated to cost \$6M. There are additional quantifiable costs to the sector in the remaining \$28M that impact the entire centre-based care sector.

Figure 3-3 breaks down the cumulative quantifiable cost by care sector on a per child basis using figures from the 2019 Q4 DESE data table 1.2.

Figure 3-3 Net-present-value of cumulative cost by sector per child in care, endorsed options.

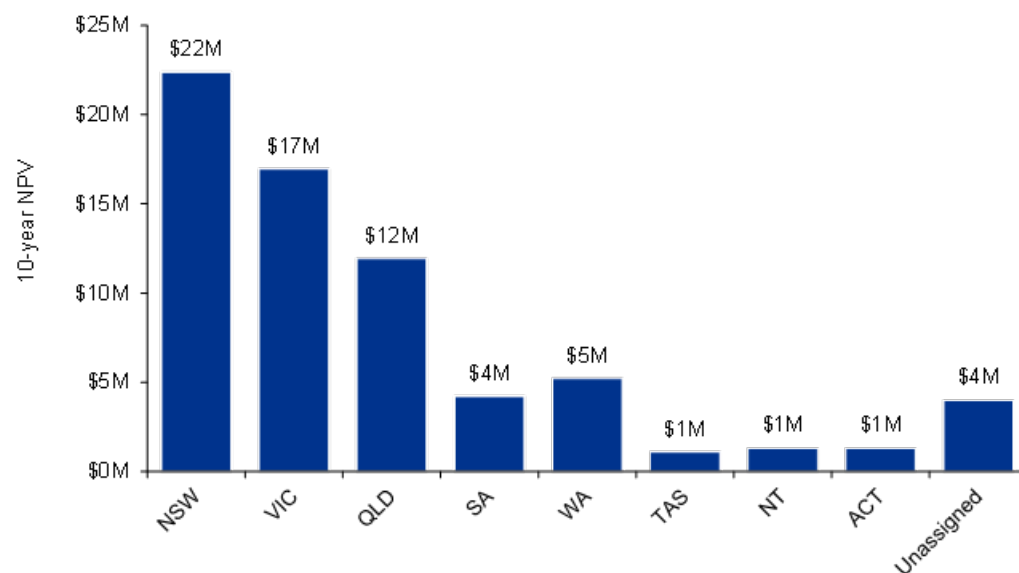


Key observations:

— On a per-child basis, quantifiable costs for the FDC sector are over ten times the costs to the centre-based service sector, with an NPV per child of \$311 and \$27, respectively. Per child costs for OSHC exclusive initiatives are estimated at \$12.

Figure 3-4 breaks down the cumulative quantifiable cost by jurisdiction. Due to availability of data, some costs cannot be assigned to a specific jurisdiction. Note that the sum of quantifiable costs by jurisdiction may not match identically with total cumulative costings as a small number of services are listed in multiple jurisdictions.

Figure 3-4 Net-present-value of cumulative cost by jurisdiction, endorsed options.

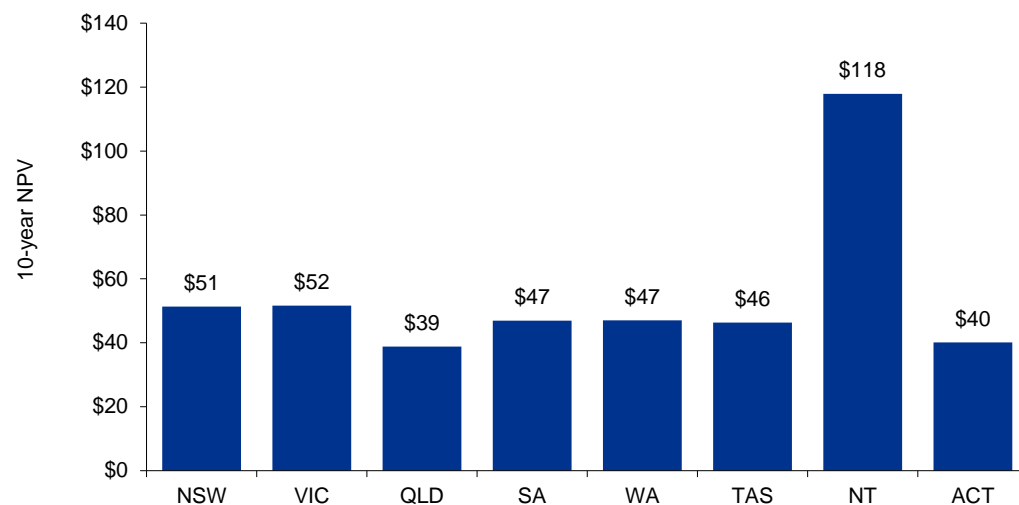


Key observations:

- Quantifiable costs are estimated to be highest in NSW, followed by Victoria. Estimated 10-year NPV's for these jurisdictions are \$22 and \$17M respectively.
- About \$4M of total estimated quantifiable costs are not assigned due to limitations in data. These are largely a result of workforce figures not provided for SA, NT and ACT and due to a lack of jurisdictional-specific data for initiative 10.3

Figure 3-5 breaks down the cumulative quantifiable cost for endorsed options by jurisdiction on a per child basis using figures from the 2019 Q4 DESE data table 1.2.

Figure 3-5 Net-present-value of cumulative cost by jurisdiction per child in care, endorsed options.



Key observations:

- On a per-child basis, quantifiable costs are higher in lower populated jurisdictions, with NT having the highest estimated cost with an NPV of \$118 per child.
- Queensland has the lowest quantifiable cost on a per child bases, with an NPV of \$39 per child.

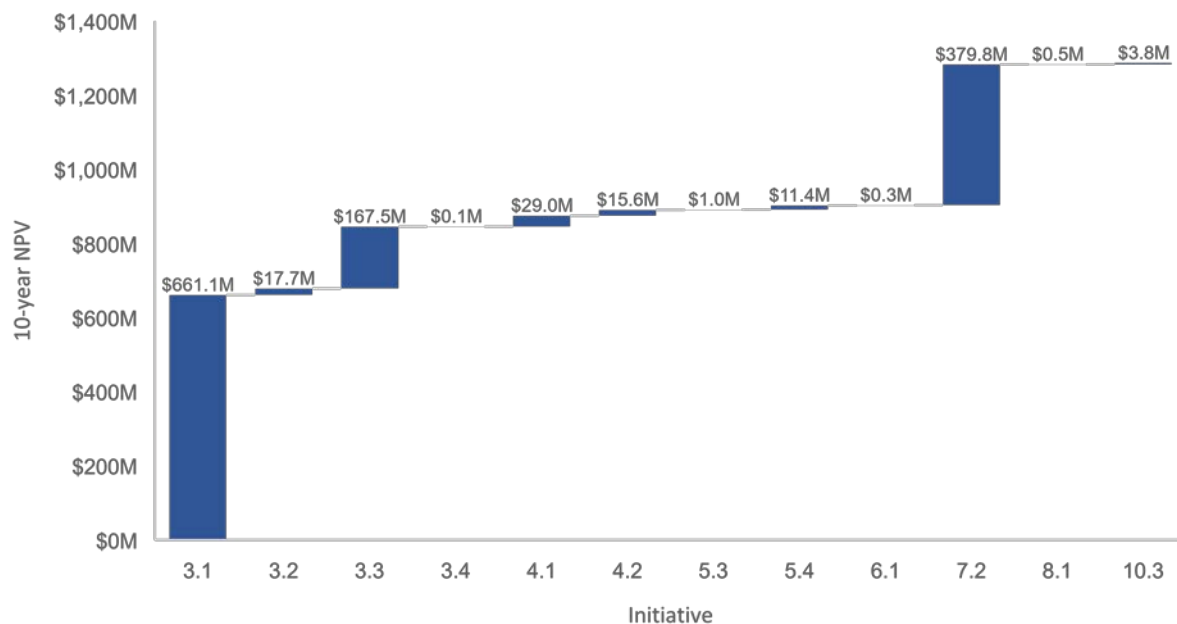
3.1.2 Quantifiable Cumulative Results – all quantifiable options



Note: The figures below (cumulative costings) do not incorporate Initiatives 9.1 and 9.2 as they related to the introduction or expansion of fees paid to government. These are considered cost-recovery and as such are excluded from the cumulative costings. However, detailed results of the costs of these fees are included in sections 3.4 and 3.5.

The cumulative cost of implementation over a 10-year window in net-present-value (NPV), assuming all quantifiable options are implemented, ranges between \$1.26B to \$1.29B. The reason for the slight variance is that some options are mutually exclusive (see APPENDIX II). Figure 3-6 below breaks down the total cost by initiative (assuming the maximum total cost of \$1.29B). It is essential to note that these figures only represent quantifiable costs. There are substantial other costs and benefits that are not quantifiable given the available data. Sections 3.2-3.22 include qualitative analysis of these non-quantifiable costs and benefits, as well as detailed quantitative results and lists the data sources and assumptions used in each quantification.

Figure 3-6 Net-present-value of cost for implementing all initiatives



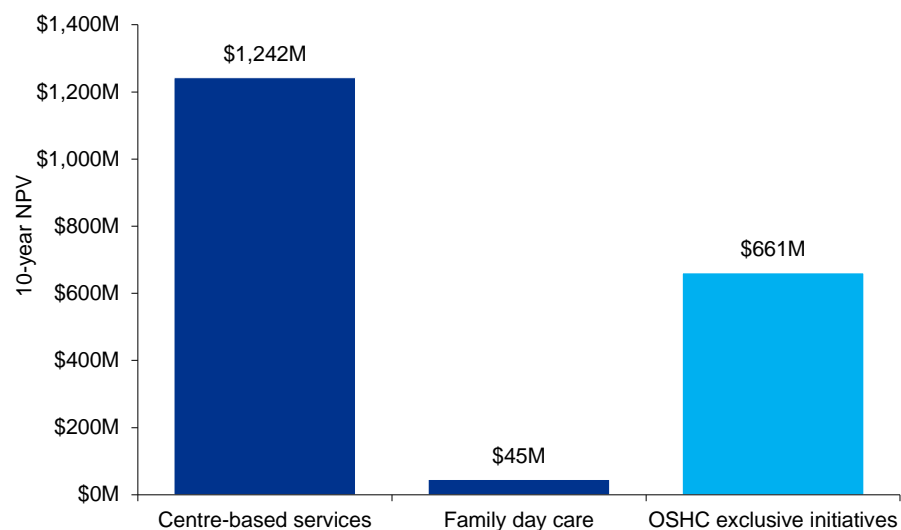


Key observations:

- Initiative 3.1 provides over 50% of the total estimated quantifiable cost of implementation, with an NPV of \$661M. Note this initiative only impacts the OSHC sector. While not quantified, this initiative is expected to deliver benefits in increased safety outcomes through a reduction in incidents during transition periods before and after OSHC.
- Cumulatively, Initiatives 3.1, 3.3 & 7.2 represent 94% of total estimated quantifiable cost. However, they are expected to cumulatively derive benefits in terms of improved child safety and education outcomes.
- There are several lower cost initiatives with total 10-year NPV's of less than \$1M.
- The benefits associated with each initiative are qualitatively detailed in the Detailed results by initiative in sections 3.2-3.22.

Figure 3-7 breaks down the cumulative quantifiable cost by care sector (assuming the maximum total cost of \$1.29B). Note that OSHC services are a subset of centre-based services, and as such their costings are included within the total cost for all centre-based services.

Figure 3-7 Net-present-value of cumulative cost by sector.



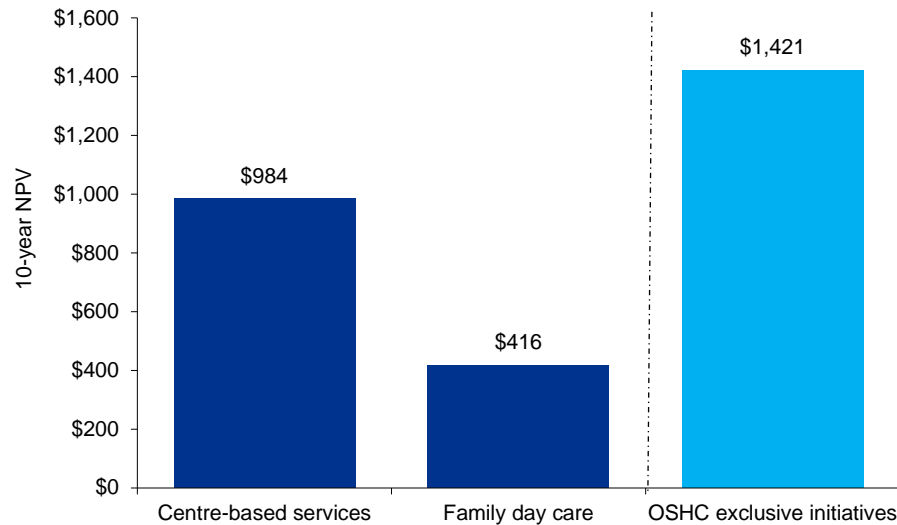


Key observations:

- Quantifiable costs to the Centre-based services (including OSHC exclusive initiatives) sector are estimated to have a 10-year NPV of \$1.24B.
- The Family Day Care sector is estimated to incur a 10-year NPV of \$45M in quantifiable costs. This is expected to be shared between educators and service providers, depending on the initiative.
- Initiatives that exclusively impact the OSHC sector are estimated to cost \$661M. There are additional quantifiable costs to the sector in the remaining \$650M that impact the entire centre-based care sector.

Figure 3-8 breaks down the cumulative quantifiable cost by care sector on a per child basis using figures from the 2019 Q4 DESE data table 1.2.

Figure 3-8 Net-present-value of cumulative cost by sector per child in care.

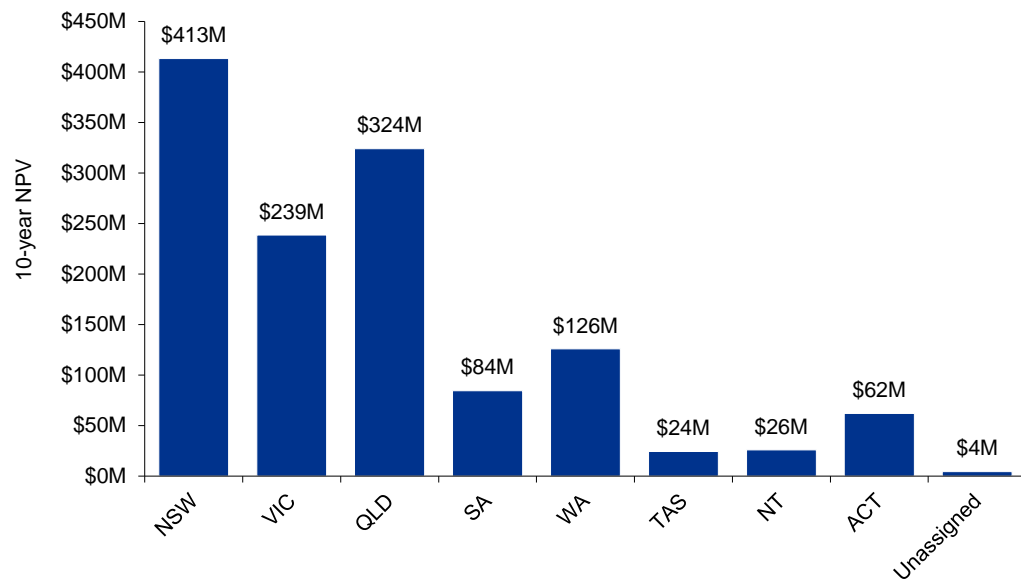


Key observations:

- On a per-child basis, quantifiable costs for centre-based services are over twice the cost as Family Day Care, with an NPV per child of \$984 and \$416, respectively. This is largely driven by a high cost per child in quantifiable costs for OSHC exclusive initiatives, with an NPV per child of \$1,421.

Figure 3-9 breaks down the cumulative quantifiable cost by jurisdiction (assuming the maximum total cost of \$1.29B). Due to availability of data, some costs cannot be assigned to a specific jurisdiction. Note that the sum of quantifiable costs by jurisdiction may not match identically with total cumulative costings as a small number of services are listed in multiple jurisdictions.

Figure 3-9 Net-present-value of cumulative cost by jurisdiction.

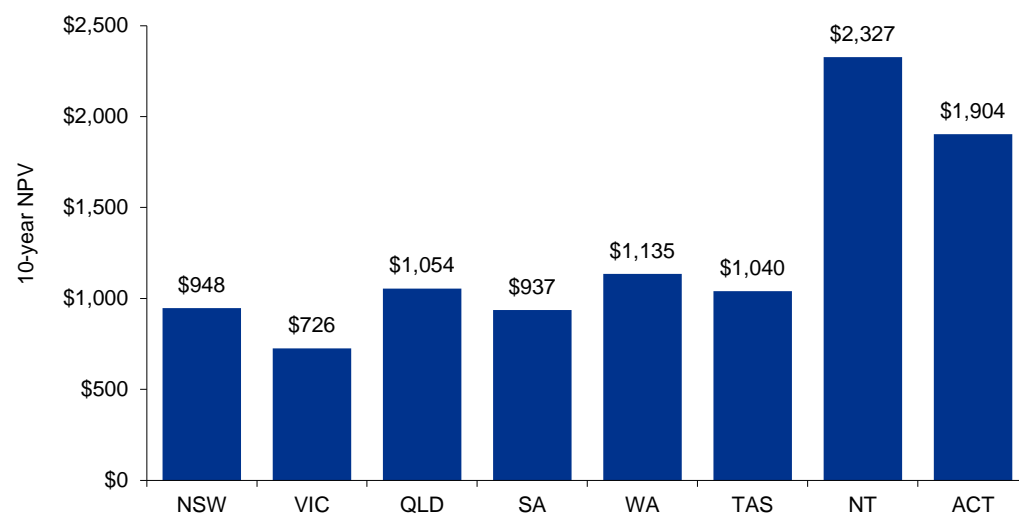


Key observations:

- Quantifiable costs are estimated to be highest in NSW, followed by Queensland. Estimated 10-year NPV's for these jurisdictions are \$413M and \$324M respectively.
- About \$4M of total estimated quantifiable costs are not assigned due to limitations in data. These are largely a result of workforce figures not provided for SA, NT and ACT and due to a lack of jurisdictional-specific data for initiative 10.3

Figure 3-10 breaks down the cumulative quantifiable cost by jurisdiction on a per child basis using figures from the 2019 Q4 DESE data table 1.2.

Figure 3-10 Net-present-value of cumulative cost by jurisdiction per child in care.



Key observations:

- On a per-child basis, quantifiable costs are higher in lower populated jurisdictions, with NT having the highest estimated cost with an NPV of \$2,327 per child.
- Victoria has the lowest quantifiable cost on a per child bases, with an NPV of \$726 per child.

3.1.3 Qualitative Cumulative Results

This section details the expected cumulative benefits and costs that have been qualitatively identified. These benefits and costs were unquantifiable, given data constraints, but were considered critical in the cost-benefit analysis of each initiative. These benefits and costs have been mapped by sector.

Analysis identified the considerable differences in service delivery between providers and services in metropolitan and regional areas. Larger providers often based in metropolitan areas benefitted from greater economies of scale and higher head counts, while single services often based in regional areas experienced greater impacts from cost changes.

Initiatives impacting **centre-based services** are expected to provide the following benefits and costs:

- Increased efficiencies for providers implementing clearer and more targeted practices and controls that can provide greater guidance for staff.
- More proportionate and efficient fee structures for E&C providers that drive cost-based efficiencies.
- Improved provider understanding of best practice and requirements to implement more consistent practices and policies in line with compliance.
- Increased quality of education delivery and practice standards for children resulting in improved educational outcomes.
- Increased flexibility to fill short-term staffing vacancies to maintain service delivery and reduce operational burden.
- Improved application efficiency resulting in minimal confusion for providers.
- Increased workforce shortages may be experienced as a result of increased staffing constraints for providers.
- Increased compliance, operational and administrative burdens associated with additional practices and requirements.

Initiatives impacting the **Family Day Care sector** are expected to provide the following benefits and costs:

- Improvements in public trust of providers, including reduced risks to reputation and public perception, resulting from meeting community expectations.
- Increased efficiencies for providers implementing clearer and more targeted practices and controls that can provide greater guidance for staff.
- Improved provider understanding of best practice and requirements to implement more consistent practices and policies in line with compliance.
- Increased quality of education delivery and practice standards for children resulting in improved educational outcomes.
- Increased flexibility to fill short-term staffing vacancies to maintain service delivery and reduce operational burden.
- More proportionate and efficient fee structures for E&C providers that drive cost-based efficiencies.
- Streamlined notification and register processes for sector providers creating greater efficiencies.
- Improved application efficiency resulting in minimal confusion for providers.
- Increased workforce shortages may be experienced as a result of increased staffing constraints for providers.
- Increased compliance, operational and administrative burdens associated with additional practices and requirements.

Initiatives impacting the **Outside School Hours Care sector** are expected to provide the following benefits and costs:

- Reductions in operational costs associated with the number of incidents involving missing or unaccounted for children through improved communication.
- Reductions in regulatory and administrative burden for providers resulting from more streamlined assessment and rating processes and greater understanding of existing processes by staff.

-
- Increased capacity to focus on the core education activities of children attending the service type leading to improved outcomes.
 - Increased reputational risks for providers resulting from potential public perception of de-professionalisation of the sector.

Initiatives impacting **families and communities** are expected to provide the following benefits and costs:

- Improvements in health, safety and wellbeing of children resulting from reduced risks of injury or harm and greater awareness of wellbeing.
- Increased quality of education delivery and practice standards for children resulting in improved educational outcomes.
- Improvements in educator practices, qualifications and understanding, providing greater supports for children.
- Reduction in fraudulent activity in the FDC sector and increased protections for families and communities.
- Improvements in understanding and awareness of service quality, safe practices and risk mitigation by families.
- Greater oversight and quality control of E&C services resulting from improved effectiveness of the NQF and well-resourced authority.
- Reduction and varied access to quality education and care for families as a result of limited places in services.

Larger benefits are expected to be derived from Initiatives 3.1, 3.3 and 7.2 as a result of increased supervision and staffing for children to improve their health, safety and wellbeing and focus on the delivery of quality education.

3.2 Detailed Results – Initiative 4.1 (Embedding the National Child Safe Principles)

3.2.1 Initiative background

Embedding the National Child Safe Principles

This proposal looks to increase awareness and education about child sexual abuse through embedding the National Child Safe Principles within the NQF and integrating these principles within policy requirements for E&C services. Although alignment with these principles may exist across services through implemented child safety policies and procedures, several gaps can be found as a result. Embedding these principles will help to ensure that providers can better address potential gaps and therefore contribute to reducing the risks of child sexual abuse and related incidents in an E&C setting.

The following options for change were evaluated as part of this proposed initiative, with wording taken directly from the CRIS:

- Option C – Amend the National Regulations so that the requirement for services to have in place policies and procedures for providing a child safe environment specifically refers to implementing the National Principles. Amend the National Regulations and associated guidance so that approved providers will be required to:
 - Ensure that policies and procedures for their service/s address the National Principles for both staff members and volunteers
 - Ensure all volunteers and staff at their service/s are advised of the existence and application of the National Principles.
- Option D – Amend the National Regulations and associated guidance to address identified gaps between the Child Safe Principles and the NQF to:
 - Clarify that volunteers must be aware of the existence and application of any child protection law and any obligations held under it.
 - Require that all FDC coordinators complete child protection training prior to commencing employment and undertake annual refresher training.
 - Include working with vulnerable people/children check details on volunteer staff records.
 - Clarify that service providers' child safe environment policies and procedures must also cover the creation of a child safe culture.
 - Require services to develop and implement a policy and procedure around the safe use of online environments.
 - Require service complaint handling policies to include policies and procedures for managing complaints about children exhibiting harmful sexual behaviours.

In a base case scenario, there may continue to be gaps between existing policies and procedures and the standards set out in the National Child Safe Principles in a 'do nothing' scenario.

3.2.2 Cost and benefit quantification

Table 3-2 Cost and benefit impact assumptions of implementing Initiative 4.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
<i>Additional administrative costs – E&C providers will require additional administrative time and</i>	The hourly rate for administrative tasks is set at \$26.01 for all jurisdictions and services.	Children's Service Awards are set nationally. \$26.01 is the hourly rate for Diploma level employees effective 19 March 2021.	<i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i>	<i>Cost to Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
resources to update policies and procedures to address the National Child Safe Principles.	Total number of services determined by NQF Snapshot Q4 2019.	The NQF Snapshots provide the total number of services (FDC, LDC, Preschool/Kindergarten, OSHC, Other) by jurisdiction.	<i>NQF Snapshot Q4 2019</i>	<i>Cost to Family Day Care sector.</i>
	Number of hours of administration per service for Option C is set at 15 hours (2 days) for all states and services.	Ensuring that policies and procedures address the National Principles and ensuring all staff and volunteers are advised of the existence and application of the National Principles requires a moderate amount of administrative effort. Smaller services may be disadvantaged and require greater administrative effort—15 hours is considered an average effort across service sizes.	Governments and OBPR	<i>Cost to Family Day Care sector.</i>
	Number of hours of administration per service for Option D is set at 3.75 hours (1/2 day) for all states and services for all years after the first year of implementation.	Maintaining compliance with new policies and procedures amidst staff turnover and the creation/approval of new services will require ongoing administrative effort. This effort is estimated at an average of 3.75 hours per service.	Governments and OBPR	<i>Cost to Family Day Care sector.</i>
	Number of hours of administration per service for Option D is set at 30 hours (4 days) for all states and services in the first year of implementation.	Option D requires the following administrative tasks per service: <ul style="list-style-type: none"> clarifying volunteers' awareness of existence and application of child protection laws, clarifying that service providers' child safe environment policies and procedures cover the creation of a child safe culture, requiring services to develop and implement a policy and procedure for use of online environments requiring service complaint handling policies to manage complaints about children exhibiting harmful sexual behaviours Cumulatively these tasks require a high amount of administrative effort. Smaller	Governments and OBPR	<i>Cost to Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
		services may be disadvantaged and require greater administrative effort—30 hours is considered an average effort across service sizes.		
	Number of hours of administration per service for Option D is set at 7.5 hours (1 days) for all states and services for all years after the first year of implementation.	Maintaining compliance with new regulations amidst staff turnover and the creation/approval of new services will require ongoing administrative effort. This effort is estimated at an average of 7.5 hours per service.	Governments and OBPR	<i>Cost to Family Day Care sector.</i>
	The Number of FDC Coordinators is set at 1:12 staff for services in first 12 months of operation and 1:20 for services after 12 months of operation.	The minimum ratios as prescribed by the NQF are 1:15 for services in the first 12 months of operation and 1:25 for services after the first 12 months of operation. We increase these ratios by 25% to account for services that employ less than 15/25 educators or choose to employ more coordinators than the minimum. Additionally, we assume the number of educators in the FDC sector as the number of FDC paid contact staff per the National Workforce Census.	<i>Guide to the NQF (September 2020)</i> <i>National Workforce Census (2016) Tables 1.4.1-1.4.9</i>	<i>Cost to Family Day Care sector.</i>
	The proportion of FDC services that are in their first 12 months of operation is set at 5%.	We assume an average lifespan of FDC services of 20 years.	Governments and OBPR	<i>Cost to Family Day Care sector.</i>
	The number of FDC coordinators who have already completed Child Protection Training is proportionate to the number of FDC educators with E&C-related qualifications.	FDC Educators that have an E&C qualification were required to have taken Child Protection training. We assume that FDC coordinators have these qualifications at the same rate, and as such, complete Child Protection Training at the same rate. We note that it is not a legal requirement for FDC coordinators to have this training currently.	Governments and OBPR Education levels required of educators and coordinators as required by National Regulations <i>National Workforce Census (2016)</i>	<i>Cost to Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
			<i>Tables 1.4.1 – 1.4.9</i>	
	The proportion of FDC coordinators who will require E&C refresher training is set at 75%.	While we assume FDC coordinators are required to take child protection training, there is no requirement for Coordinators to undertake refresher training.	Governments and OBPR	<i>Cost to Family Day Care sector.</i>
	The staff turnover rate for FDC coordinators is determined by the average tenure of FDC educators by state.	We assume that the average tenure of all FDC paid contact staff as reported in the National Workforce Census is representative of the average turnover for coordinators.	<i>National Workforce Census (2016) Tables 1.10.1-1.10.9</i>	<i>Cost to Family Day Care sector.</i>
	The Child Protection Training and Refresher training costs are set at \$450 and \$240, respectively.	We take the mean in-person training and refresher costs for the required courses by state from a sample of providers.	Providers include: <ul style="list-style-type: none"> • CELA • Karben Training Solutions • Exceed Childcare Training 	<i>Cost to Family Day Care sector.</i>
Reduction in potential risk and improvements in broader wellbeing.	<p>Policy and procedural changes alongside more qualified and equipped staff are expected to contribute to reducing risks to children’s safety from sexual abuse. The structural implementation of these changes can embed enduring preventative measures through education and controls to reduce future risk for children. This will aim to reduce predatory behaviour and the recurring consequences associated with children who experienced sexual abuse.</p> <p>Staff and providers are expected to be provided improvements in broader wellbeing associated with increased awareness and understanding of National Child Safe Principles. Clearer defined policies and procedures in step with the Commission’s recommendations can ensure staff and providers understand best practice and ensure institutional culture matches these changes.</p>			<i>Benefit to families and communities.</i>
Improved trust and E&C reputation.	<p>The implementation of structural changes, policies and control to reduce the likelihood of risk of harm (and sexual abuse) for children attending an E&C service is in step with community expectations. Families and the community expect that E&C services will maintain the highest standards of protection of children. Ensuring that these community expectations are visibly met is expected to increase the perceived integrity and credibility of E&C providers and enhance public trust in the early childhood sector.</p> <p>Provider reputation within the community will likely be upheld to ensure the sector continues to grow with community support,</p>			<i>Benefit for Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
		preventing and reducing the impact of reputational damage. The occurrence of reputational damage to providers can lead to a loss of trust from the community and broader costs to the sector.		

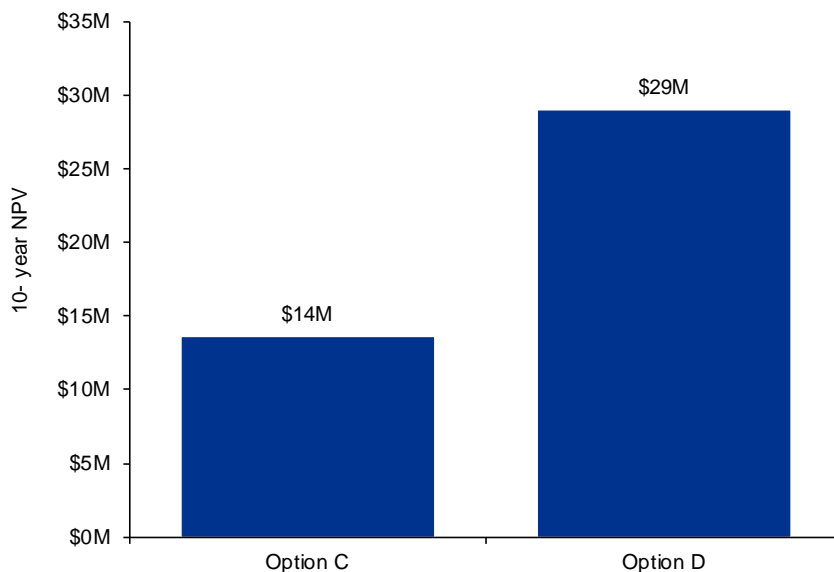
3.2.3 Results

In this section we set out the quantifiable costs of implementing the preferred options of Initiative 4.1. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-2 above. Based on the data provided to date, we are only able to provide an estimate of the costs of each initiative. Qualitative analysis of the benefits of implementing the initiative are described in Table 3-2. As such, these figures only present the cost-impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 4.1 at this stage.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-11 below estimates the NPV of implementing preferred Options C and D of Initiative 4.1. The estimates include administrative costs (Options C and D) and training costs (Option D).

Figure 3-11 Net-present-value of cost for implementing Options C and D of Initiative 4.1

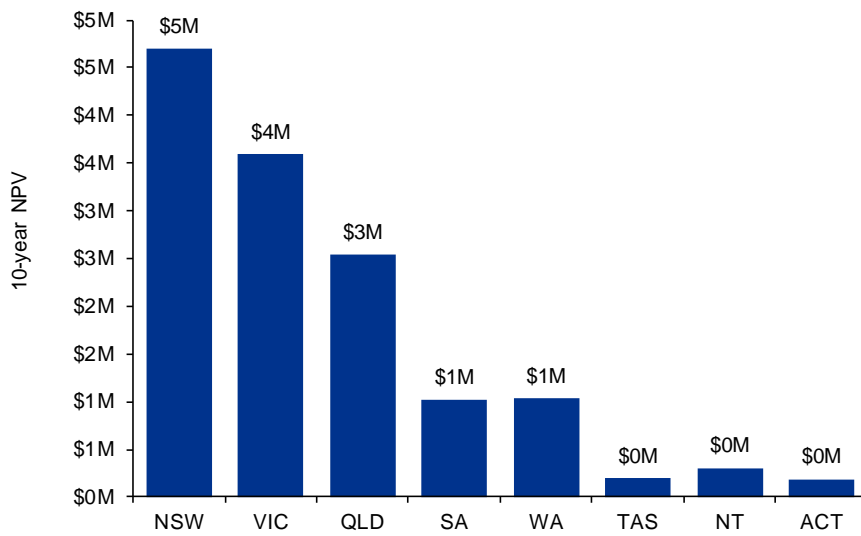


Key observations:

- The NPV incremental cost of implementing Option C is \$14M. This is driven by the assumption that the additional administration will require 15 hours (2 days FTE) of work at the FDC coordinator level in the first year, and 3.75 hours of work in subsequent years.
- The NPV incremental cost of implementing Option D is \$29M. This is driven mostly by the assumption that the additional administration will require 30 hours (4 days FTE) of work at the FDC coordinator level in the first year, and 7.5 hours of work in subsequent years.
- These costs do not capture how structural changes to policies and procedures are expected to reduce predatory behaviour and the recurring consequences associated with children who experienced sexual abuse.

Figure 3-12 below estimates the NPV of implementing preferred Option C by state/territory. Allocation of cost by jurisdiction is proportionate to the number of services offered in each jurisdiction.

Figure 3-12 Net-present-value of cost for implementing Option C by jurisdiction.

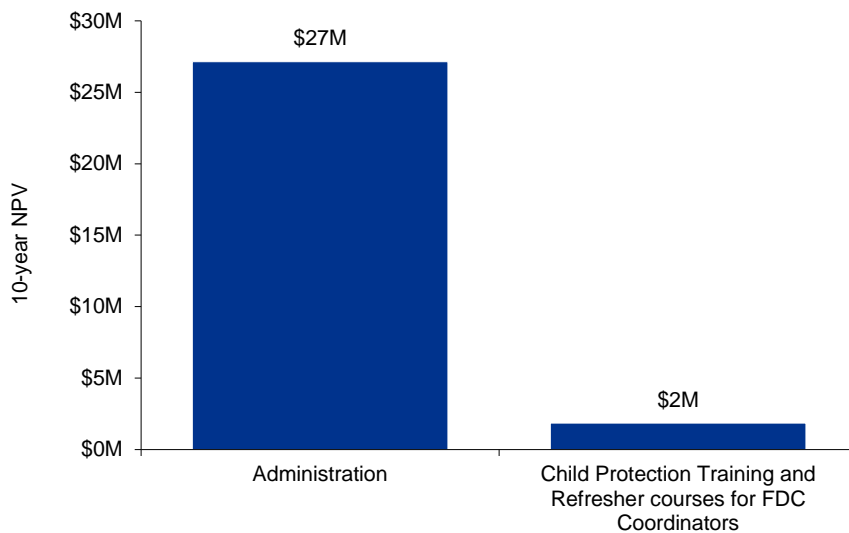


Key observations:

- NSW and Victoria have the highest estimated costs of implementing Option C, with NPVs of \$5M and \$4M respectively.

Figure 3-13 below estimates the NPV of the Option D in terms of its administrative cost and training cost components. In estimating training costs, we use the mean price from a sample of training and refresher courses as required within each jurisdiction.

Figure 3-13: Net-present-value of Administration and Training cost components of Option D



Key observations:

- Nearly all the cost of implementing Option D is driven by the incremental administrative effort.

— We project the NPV of Child Protection Training and Refresher course for FDC coordinators will cost roughly \$2M.

Figure 3-14 below estimates the NPV of administration cost components of Option D by state/territory. Allocation of cost by jurisdiction is proportionate to the number of services offered in each jurisdiction.

Figure 3-14: Net-present-value of Administration cost components of Option D by jurisdiction

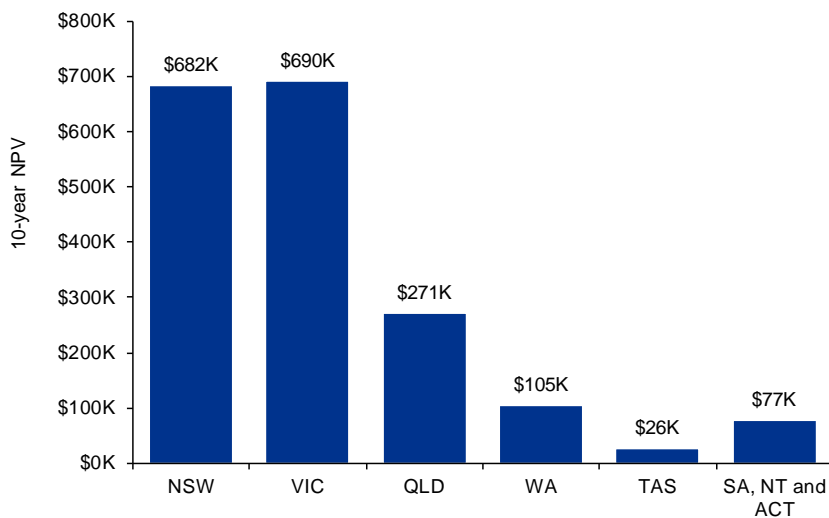


Key observations:

— NSW and Victoria have the highest estimated administrative costs through implementing Option D, with NPVs of \$9M and \$7M respectively.

Figure 3-15 below estimates the NPV of training costs components as part of Option D by state/territory. Allocation of cost by jurisdiction is proportionate to the number of FDC coordinator staff in each jurisdiction. We estimate the number of FDC coordinator staff using the National Workforce Census and guidelines regarding the ratio of FDC coordinators to educators.

Figure 3-15 Net-present-value of Training cost components of Option D by jurisdiction



Key observations:

-
- VIC has the highest estimated training cost, with an estimated NPV of \$690K. This is driven by the state's high volume of FDC staffing and much lower average tenure among paid contact staff (2.3 years vs. 3.2 years nationally per the National Workforce Census).
 - The FDC staffing numbers for ACT, NT and SA are not reported in the National Workforce Census. Their cumulative staffing numbers are estimated as the difference between the total Australian FDC staff and the sum of the other states per the National Workforce Census.

3.3 Detailed Results - Initiative 4.2 (Updating Record Keeping Requirements)

3.3.1 Initiative background

Updating Record Keeping Requirements

This proposal looks to address the importance of good recordkeeping in identifying and responding to the risks and incidents of child sexual abuse, minimising distress and trauma for survivors and seeking information about their abuse while in the care of institutions. The Royal Commission into Institutional Responses to Child Sexual Abuse recommended that E&C providers retain records relating to child sexual abuse that has or is alleged to have occurred for at least 45 years, rather than the current practice until the child is aged 25 years. This recommendation affirms that records identified as relevant to child safety and wellbeing should be clear, objective and thorough, be maintained in an indexed, logical and secure manner, and be retained and disposed of in a consistent manner.

The following option for change was evaluated as part of this proposed initiative, with wording taken directly from the CRIS:

- Option B - Improved guidance to assist providers on record keeping utilising existing best practice instructions developed by relevant Commonwealth, State and Territory Archive Authorities (for example, the National Archives of Australia General Records Authority 41) as per Recommendation 8.3, along with the five high-level record keeping principles recommended by the Royal Commission in Recommendation 8.4.

In a base case scenario, there may continue to be a lack of access to institutional records of incidents and/or allegations for survivors of sexual abuse in a 'do nothing' scenario.

3.3.2 Cost and benefit quantification

Table 3-3 Cost and benefit impact assumptions of implementing Initiative 4.2

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
<i>Additional administrative costs – E&C providers will require additional administrative time and resources to update record keeping practices and undertake ongoing maintenance.</i>	The hourly rate for administrative tasks is set at \$26.01 for all states and services.	Children's Service Awards are set nationally. \$26.01 is the hourly rate for Diploma level employees effective 19 March 2021.*	<i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i>	<i>Cost to centre-based services and Family Day Care sector.</i>
	We assume between 0.5 to 2 days of labour per year per service in CBDC, FDC and OSHC, for all jurisdictions and services.	Larger service centres may take longer to update record-keeping. 0.5 to 2 days per service is considered an average across all jurisdictions and service sizes.	Governments and OBPR Service numbers from: <i>DESE Data Table 3.2 (December 2019)</i>	<i>Cost to centre-based services and Family Day Care sector.</i>
<i>Increased efficiencies for E&C providers</i>	The implementation of best practice policy standards and processes for record keeping will help ensure the improved accuracy of recording and maintenance of records relating to child sexual abuse. Clearer and more targeted policy standards can provide improved guidance for providers and staff to			<i>Benefit to centre-based services and Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
		appropriately identify, maintain and store records. Efficiencies are expected to be gained for providers utilising less structural approaches to record keeping through more streamlined processes. Costs may be associated for providers required to adjust their record keeping practices.		
		<i>To make the qualitative analysis more specific, further feedback from the sector and other stakeholders will be required to better understand the sector's views about potential changes.</i>		
<i>Reduction in loss or removal of institutional records</i>	Best practice policy standards and processes will likely ensure providers and associated staff are well-equipped to appropriately maintain and store records regarding risks and incidents of child sexual abuse.	A material reduction in the loss or removal of records relating to incidents of child sexual abuse may similarly be experienced, and may ensure providers continue to meet legislative requirements.		<i>Benefit to centre-based services and Family Day Care sector.</i>
		<i>To make the qualitative analysis more specific, further feedback from the sector and other stakeholders will be required to better understand the sector's views about potential changes.</i>		

**Data provided by DESE indicates that the majority of FDC educators are self-employed. Chargeable rates may vary among self-employed educators with some jurisdictions indicating different qualification levels that have an average FDC educator wage at a similar level to the Diploma award rate (3.4) under the Children's Services Award.*

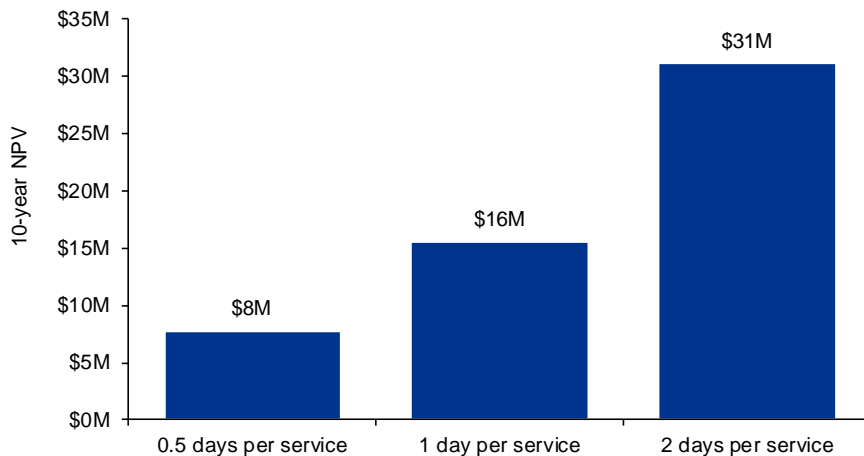
3.3.3 Results

In this section we set out the quantifiable costs of implementing the preferred option of Initiative 4.2. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-3 above. Based on the data provided to date, we are only able to provide an estimate of the costs of each initiative. Qualitative analysis of the benefits of implementing the initiative are described in Table 3-3. As such, these figures only present the cost-impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 4.2 at this stage.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-16 below estimates the NPV of implementing preferred Option b of Initiative 4.2. The administrative costs of improved record keeping per the recommendation are calculated at a per-service level. We estimate the estimated costs under low (0.5 days per service annually), medium (1 day per service annually) and high (2.0 days per service annually) administrative effort scenarios. These assumptions are indicative and will be tested further with governments and OBPR.

Figure 3-16 Net-present-value of cost for implementing Option B of Initiative 4.2 at different levels of administrative effort per service.

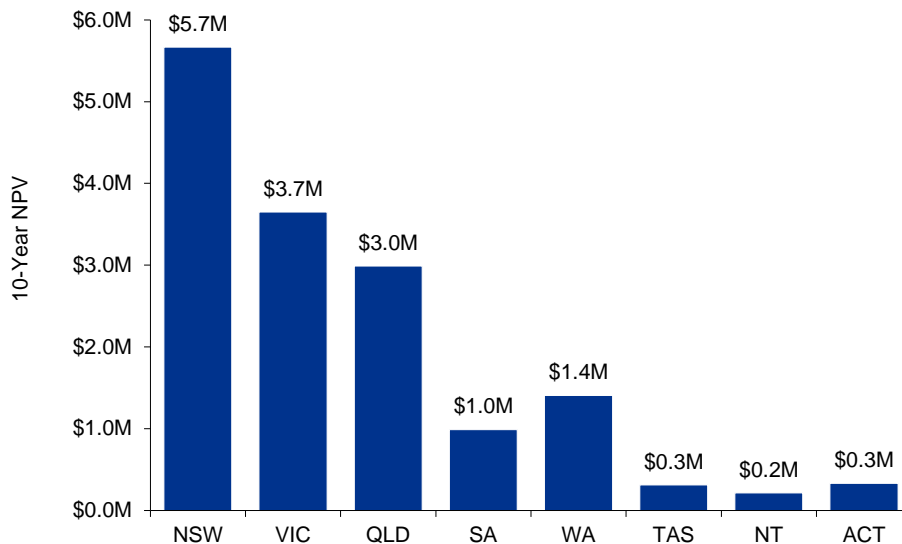


Key observations:

— Assuming Option B will require 1 day per service, the NPV of implementing Option B is \$16M. This compares to \$8M when assuming 0.5 days of administrative labour service and \$31M when assuming 2 days per service.

Figure 3-17 below estimates the NPV of implementing preferred Option B by state/territory under moderate administrative effort (1.0 days). Allocation of cost by jurisdiction is proportionate to the number of children in CBDC, FDC and OSHC services per DESE’s December 2019 Quarter data tables.

Figure 3-17 Net-present-value of Administrative cost of Option B by state (Assuming 1 day per service)



Key observations:

— NSW has the highest estimated costs with an NPV slightly under \$6M assuming 1 day of administrative effort per year per service.

3.4 Detailed Results - Initiative 9.1 (Changes in Fees for Regulatory Authorities)

3.4.1 Initiative background

Changes in Fees for Regulatory Authorities

This proposal looks to recover some of the costs associated with Regulatory Authorities providing a service directly to an E&C provider. Fees within the NQF system have not changed since their introduction in 2012, are presently lower than comparable sectors and do not align with current government guidelines for cost recovery. The current proportion of regulatory costs that are returned to governments in terms of fees for E&C providers account for 7% nationally, with current modelling suggesting that 10-15% is an appropriate figure for nation-wide fee collection. The proposed fee changes are designed to reflect varying complexity in assessing and regulating small to large E&C providers.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Create a fourth category of application/annual fee for centre-based services with 101 or more places and FDC services with 61 or more educators.
- Option C - Increase fees for Annual fees, Approved provider applications, Service approval applications and Transfer of service notifications.
- Option D - Introduce a new fee for approval applications for amendment to service approval (which is currently free).
- Option E - Introduce an annual fee for approved providers that is scaled by the number of services operated by the provider.
- Option F - Change legislation to allow states and territories to set their own fees (except for provider application fees).

In a base case scenario, there may continue to be a lack of adequate cost recovery for the provision of regulatory services to cover future costs as the sector continues to grow in a 'do nothing' scenario.

3.4.2 Cost and benefit quantification

Table 3-4 Cost and benefit impact assumptions of implementing Initiative 9.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
<i>Increased fee structure for E&C providers, tertiary providers and individuals – providers will be required to allocate greater resources for regulatory and assessment</i>	New and current fee rates are from the 2019 CRIS, except for Option C.	We assume the current and proposed fee rates from the 2019 CRIS to be accurate as at today for each jurisdiction and service size.	CRIS	<i>Cost to centre-based services and Family Day Care sector.</i>
	Increases to annual fees, applications for provider approval fees, applications for service approval fees, and notifications of intended transfers fees to increase to a maximum of 25% above current levels.	The fee increases proposed in the CRIS are considered to pose too great a risk of shock to centre-based and FDC services. A 25% increase is considered more sustainable.	Governments and OBPR CRIS	

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
services provided.	All fee increases to be staged in at a back-loaded 3-year rollout: <ul style="list-style-type: none"> • 20% of total fee increase in year 1 • 67% of fee increase in year 2 • 100% of fee increase in year 3 onwards. 	A 3-year rollout will reduce the economic impact and risk of shocks to centre-based and FDC services as well as to individuals and tertiary education providers.	Governments and OBPR	
	Where application/fee numbers are not disaggregated by service centre/FDC, we allocate fees based on the proportion of service centres/FDC by prescribed size band.	The number of applications are assumed to be equal per service/FDC regardless of the size of the service centre. This assumption extends to individuals and tertiary education providers.	Service and FDC #s: <i>CRIS allocation approach is based on advice from Governments and OBPR</i>	
	We assume that the number of applications will remain constant regardless of the change in price.	The CRIS assumes no change in application numbers in response to higher fees.	<i>CRIS Tables 19 and 21</i>	
<i>Improved recovery of regulatory costs</i>	The current proportion of costs recovered for regulatory services through fees levied on approved providers, individuals, and tertiary education providers account for 7% nation-wide. Increases in regulatory fee structures for providers are expected to result in more proportionate recovery of regulatory costs and more effective implementation of the NQF framework. This should bring cost recovery in line with general government recovery guidelines and suggested modelling of 10-15% fee collection, bringing costs more in line with the actual costs of undertaking regulatory activities. These fee increases can reflect the growth in size and complexity of the regulated sector and will help ensure regulatory fees are more proportionate to the actual costs of regulating the growing sector.			<i>Benefit to families and communities.</i>
<i>Improved effectiveness of the NQF</i>	The increased fee structure of the regulatory authority is expected to create a more sustainably resourced entity to support a more compliant sector within the NQF. This can enable families to be more confident about the quality of their E&C service as a result of better resourcing for the regulator to maintain and assess quality assurance. Moderate increase in fees can help ensure more proportionate regulatory cost recovery and support a stronger and more responsive regulatory framework. Increasing regulatory fees can help meet the actual costs of regulating the E&C sector and can work to further the objectives of the NQF.			<i>Benefit to families and communities.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
<i>Efficient and proportionate fee structure for E&C providers</i>	The new fee structures should more appropriately reflect the regulating and assessing complexity associated with various provider operations and structures. New changes can then ensure fees are allocated on a more proportionate basis to providers while also discouraging providers that do not provide any services.	This will likely ensure that smaller providers continue to pay lower fees than larger providers and can more easily assume these costs within their annual budgeting and forecasts. Larger providers with more complex operations can be charged a higher rate as they often have the scale and capability to more effectively and efficiently operate their services, and comply with regulatory requirements, than small providers.		<i>Benefit to centre-based services and Family Day Care sector.</i>
<i>Higher barriers to entry for providers</i>	Current 'entry to market' fees are comparatively low for the E&C sector and do not reflect the significant economic benefits derived by approved providers under the NQF.	These fees do not reflect the fact that providers can also receive subsidies from the Commonwealth government for providing services such as childcare. Increased regulatory fee structures for providers may ensure that new E&C providers looking to join the sector will experience higher barriers to entry. This would bring the sector in line with other regulated and licensed human services sectors that mandate high barriers to entry for businesses. This may ensure the more appropriate and efficient allocation of resources to existing providers and disincentives for new providers to join, while maintaining appropriate quality assurance processes. Ensuring only fit and proper providers enter the sector will reduce the need for regulatory effort in compliance over the long term.		<i>Benefit to existing Centre-based services and Family Day Care sector.</i>

3.4.3 Results

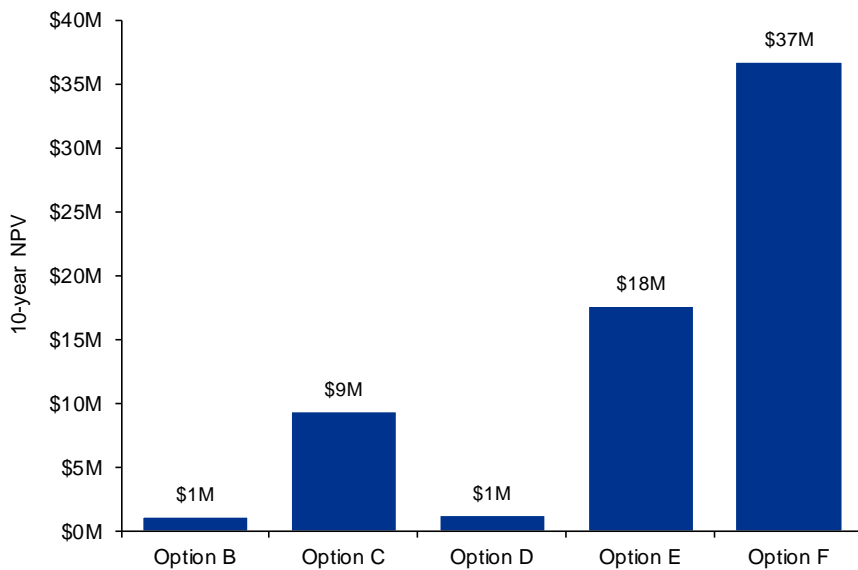
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 9.1. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-4 above. Based on the data provided to date, we are only able to provide an estimate of the costs of each initiative that relate to fees collected by government regulators. These additional fees can be considered both a cost in terms of the additional burden on service providers, as well as a benefit in that they enable more proportionate recovery of regulatory costs. Improved cost recovery can support a stronger, more responsive regulatory framework that can better meet the objectives of the NQF. A detailed breakdown of the benefits of more proportionate regulatory cost recovery is described in Table 3-4. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 9.1 at this stage.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Where costs are broken down by service size, the NPV should be interpreted as the cost to applicants, not services. As application fees are considered cost-recovery user-costs, they are excluded from the cumulative results in section 3.1

Figure 3-18 below estimates the NPV of implementing preferred Options B, C, D, E and F of Initiative 9.1. These estimates were obtained using data from the CRIS and assumptions on allocation between service types as set out in Table 3-4.

Figure 3-18 Net-present-value of cost/benefit for implementing Options B, C, D, E and F of Initiative 9.1

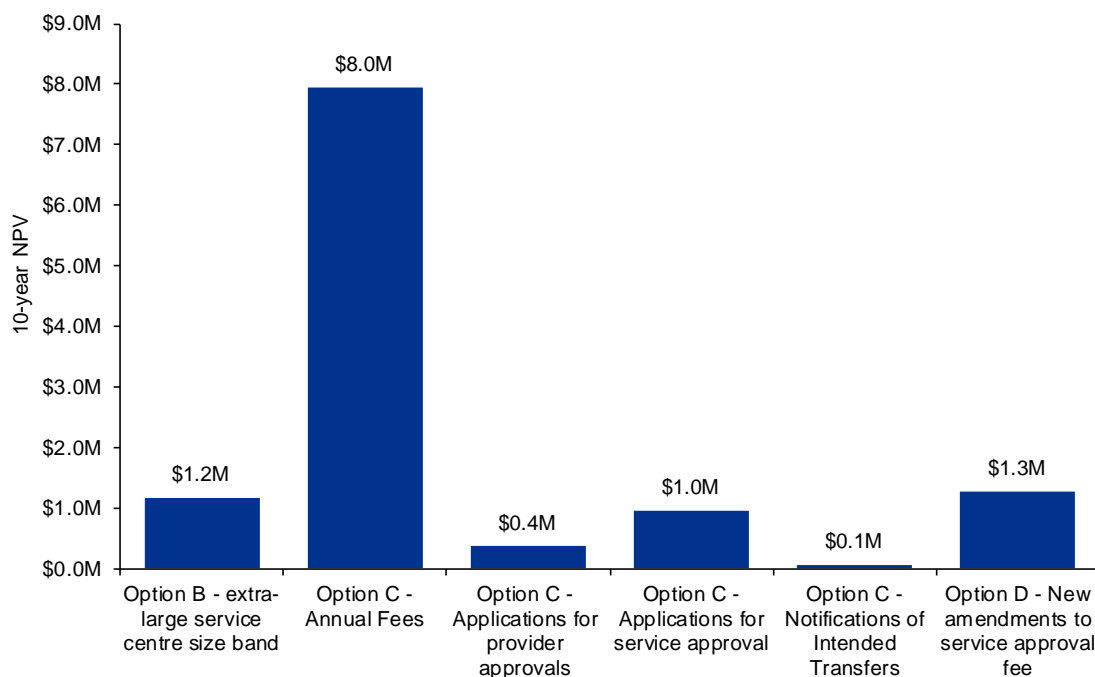


Key observations:

- The option with highest increase in fees is Option F with an NPV of \$37M, driven by its increase/introduction of four separate fee types. However, it is noted that under Option F, states and territories may set their own fees. This amount assumes an average increase in cost of \$4.40 per child.
- Option B provides the lowest estimated increase in fees with an NPV of \$1M. However, implementing Option B concurrently with Option C increases the overall impact of Option C by \$1M. This is caused by the introduction of a new CB/FDC service centre size category with a different fee schedule under Option C.

Figure 3-19 below estimates the NPV of implementing Options B, C and D, by impacted fee type. Figures for Option C assume Option B is concurrently implemented.

Figure 3-19: Net-present value of implementing Options B,C and D by impacted fee type.



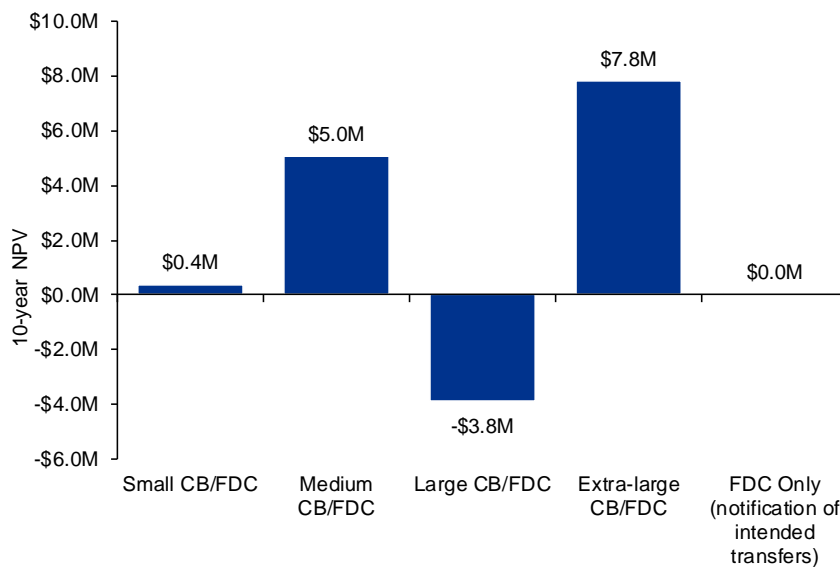


Key observations:

- A 25% increase in annual fees, staged over three years has the biggest cost impact with an NPV of \$8M.
- Increasing fees for notifications of intended transfers by 25% over three years has the lowest cost impact with an NPV of \$0.1M.

Figure 3-20 below estimates the NPV of implementing Option C, assuming Option B is implemented concurrently. Allocation of fees across by service size is considered proportionate to the number of services within each size-band.

Figure 3-20 Net-present-value of cost/benefit for implementing Option C by service centre size, assuming Option B is also implemented

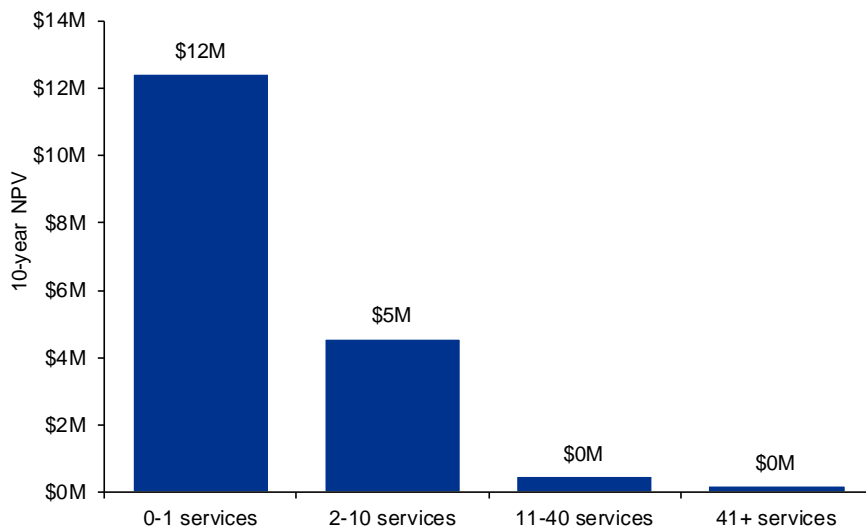


Key observations:

- The introduction of the extra-large CB/FDC service category is expected to bring in an NPV of \$7.8M in fees. This is partially offset by \$3.8M reduced fee intake from large CB/FDC services due to the recategorization of some services.

Figure 3-21 below estimates the NPV of implementing Option E. Allocation of fees across providers by provider size is based on the number of providers within each size band and is set out in Table 3-3 of the CRIS.

Figure 3-21 Net-present-value of cost/benefit for implementing Option E by number of services offered by a provider

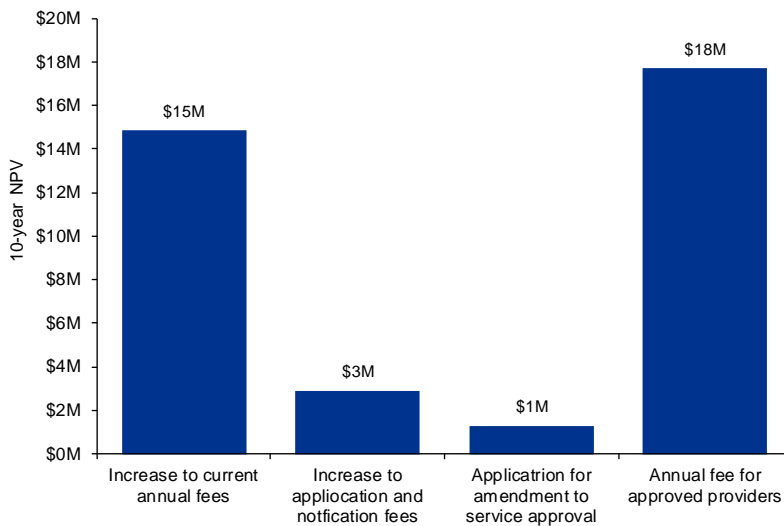


Key observations:

- Single-service providers (or providers with no services) are expected to have the highest share of new annual fees, with an NPV of \$12M.

Figure 3-22 below estimates the NPV of implementing Option F. The proposed legislative fee changes are set out in Table 3-3 of the CRIS and represent an increase in average costs of approximately \$4.40 per child.

Figure 3-22 Net-present-value of cost/benefit for implementing Option F by new fee/change to current fee structure



Key observations:

- Approximately 90% of new fee intake will come from the increase to current annual fees and the introduction of annual fees to approved providers. Together, these two initiatives will cost an NPV of \$33M.

3.5 Detailed Results – Initiative 9.2 (Changes in application fees for ACECQA functions)

3.5.1 Initiative background

Changes in application fees for ACECQA functions

This proposal looks to increase cost recovery within the regulatory system, similar to Regulatory Authorities outlined in Initiative 9.1. Application fees paid to ACECQA do not align to current general government guidelines for cost recovery and do not adequately recover costs associated with an authority providing a regulatory service. The current proportion of regulatory costs that are returned to governments in terms of application fees for E&C providers accounts for 4% to 19% nationally.

The following options for change were evaluated as part of this proposed initiative, with wording taken directly from the CRIS:

- Option B – Increase application fee for a review by the Ratings Review Panel of rating level (s145(2)(c) of the National Law).
- Option C - Increase application fee for determination of equivalent qualification (regulation 139).
- Option D - Increase application fee for assessment of a course to be included as an approved qualification (regulation 138).
- Option E - Introduce a fee for an application for the highest rating (Excellent rating).

In a base case scenario, there may continue to be a reduction in the capacity for ACECQA to properly administer regulatory functions in a 'do nothing' scenario.

3.5.2 Cost and benefit quantification

Table 3-5 Cost and benefit impact assumptions of implementing Initiative 9.2

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
<i>Increased fee structure for E&C providers – providers will be required to allocate greater resources for regulatory and assessment services provided.</i>	New and current fee rates are from the 2019 CRIS	We assume the current and proposed fee rates from the 2019 CRIS to be accurate as at today for each jurisdiction and service size.	CRIS	<i>Cost to centre-based services and Family Day Care sector.</i>
	All fee increases to be staged in at a back-loaded 3-year rollout: <ul style="list-style-type: none"> • 20% of total fee increase in year 1 • 67% of fee increase in year 2 • 100% of fee increase in year 3 onwards 	A 3-year rollout will reduce the economic impact and risk of shocks to Centre-based and FDC services, individuals and tertiary education providers.	governments and OBPR	

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
	Where application/fee numbers are not disaggregated by service centre/FDC, we allocate fees based on the proportion of service centres/FDC by prescribed size band.	The number of applications are assumed to be equal per service/FDC regardless of the size of the service centre.	Service and FDC #: <i>CRIS allocation approach is based on advice from governments and OBPR</i>	
	We assume that the number of applications will remain constant regardless of the change in price.	The CRIS assumes no change in application numbers in response to higher fees.	<i>CRIS Tables 19 and 21</i>	
<i>Improved cost recovery</i>	<p>The current proportion of costs recovered for regulatory services through fees levied on approved providers account for 7% nation-wide. Increases in regulatory fee structures for providers are expected to result in more proportionate recovery of regulatory costs.</p> <p>This can bring cost recovery in line with general government recovery guidelines and suggested modelling of 10-15% fee collection, bringing costs more in line with the actual costs of undertaking regulatory activities. These fee increases will likely reflect the growth in size and complexity of the regulated sector and will help ensure regulatory fees are more proportionate to the actual costs of regulating the growing sector.</p>			Benefit to families and communities.
<i>Improved effectiveness of the statutory authority</i>	<p>The increased fee structure of the statutory authority should create a more sustainably resourced entity to maintain compliance within the sector more effectively. This can enable families to be more confident about the quality of their E&C service as a result of better resourcing for the statutory authority to maintain and assess quality assurance.</p> <p>Moderate increases in fees for the statutory authority can help maintain compliance by the sector and support a stronger and more responsive regulatory framework. This will help further the objectives of the NQF.</p>			Benefit to families and communities.

3.5.3 Results

In this section we set out the quantifiable costs of implementing the preferred options of Initiative 9.2. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-5 above. Based on the data provided to date, we are only able to provide an estimate of the costs of each initiative that relates to fees collected by the statutory authority. These additional fees can be considered both a cost in terms of the additional burden on service providers, as well as a benefit in that they enable more proportionate recovery of regulatory costs. Improved cost recovery can support a stronger, more responsive regulatory framework that can better meet the objectives of the NQF. A detailed breakdown of the benefits of more proportionate regulatory cost recovery is described in Table 3-5. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 9.2 at this stage.

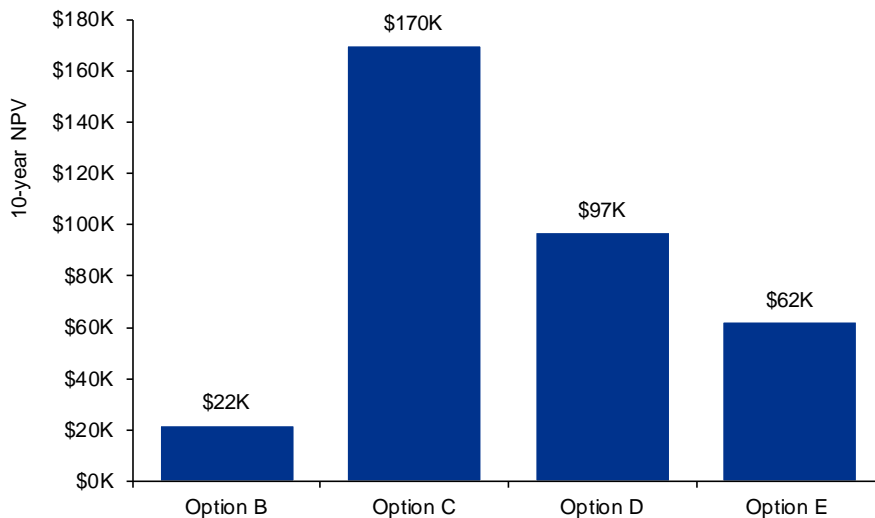
The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first

date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Where costs are broken down by service size, the NPV should be interpreted as the cost to applicants, not services. As application fees are considered cost-recovery user-costs, they are excluded from the cumulative results in section 3.1.

Figure 3-23 below estimates the NPV of implementing preferred Options B, C, D and E of Initiative 9.2. These estimates were obtained using data from the CRIS and assumptions on allocation between service types as set out in Table 3-5.

Figure 3-23 Net-present-value of cost/benefit for implementing Options B, C, D and E of Initiative 9.2

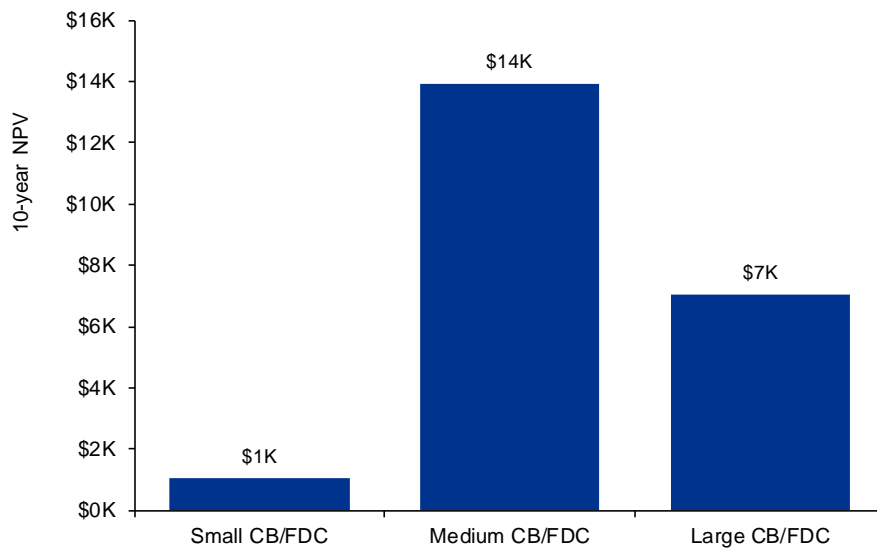


Key observations:

- Option C is estimated to provide the highest increase in fees with an NPV of \$170K. This is largely driven from the relatively high number of applications for determination of equivalent qualifications compared with the volumes of other applications.

Figure 3-24 below estimates the NPV of implementing Option B. Allocation of fees by service size is considered proportionate to the number of services within each size-band.

Figure 3-24 Net-present-value of cost/benefit for implementing Option B by service centre size

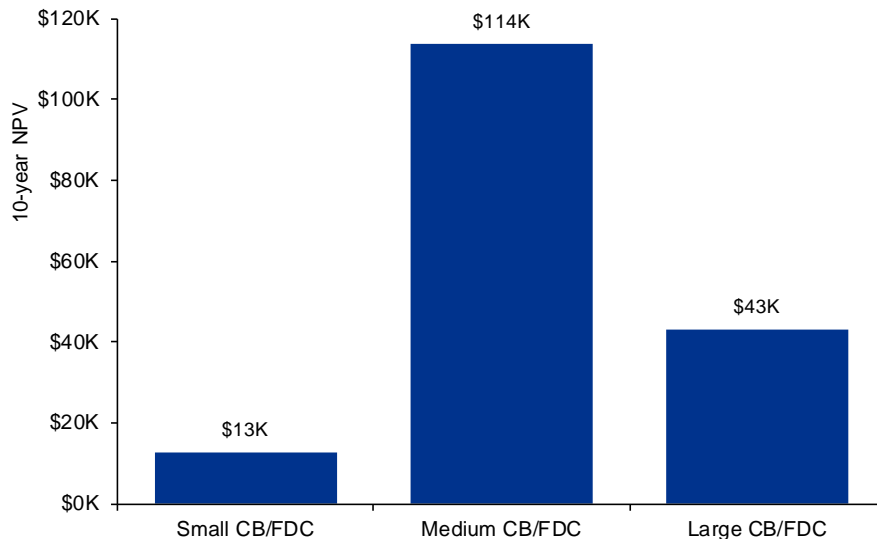


Key observations:

- Applicants for approval in medium CB/FDC services are expected to have the highest burden cumulatively, with an NPV of \$14K, driven by the high number of CB services that fall in the medium-size band (5-80 children).

Figure 3-25 below estimates the NPV of implementing Option C. Allocation of fees across by service size is considered proportionate to the number of services within each size-band.

Figure 3-25 Net-present-value of cost/benefit for implementing Option C by service centre size

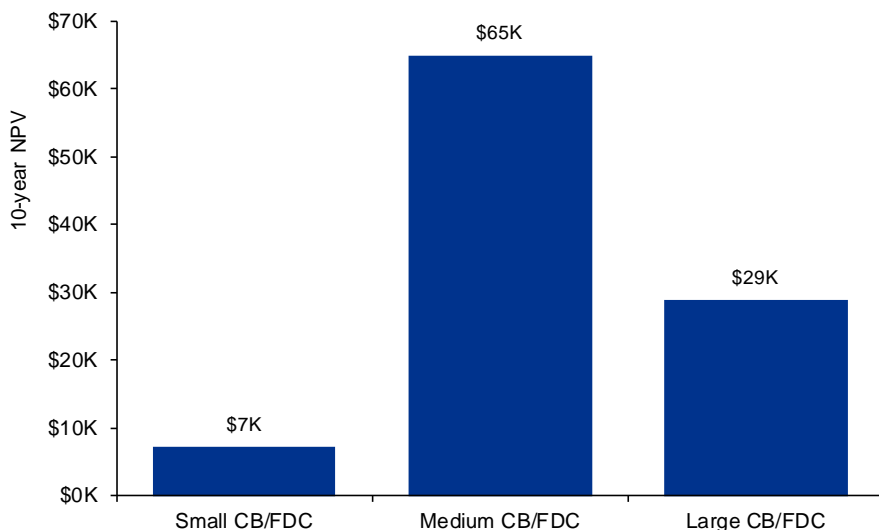


Key observations:

- Applicants in medium CB/FDC services are expected to have the highest burden cumulatively, with an NPV of \$114K, driven by the high number of CB services that fall in the medium-size band (5-80 children).

Figure 3-26 below estimates the NPV of implementing Option D. Allocation of fees across by service size is considered proportionate to the number of services within each size-band. The costs of implementing Option B will be borne by higher education institutes, not the service centres.

Figure 3-26 Net-present-value of cost/benefit for implementing Option D by service centre size

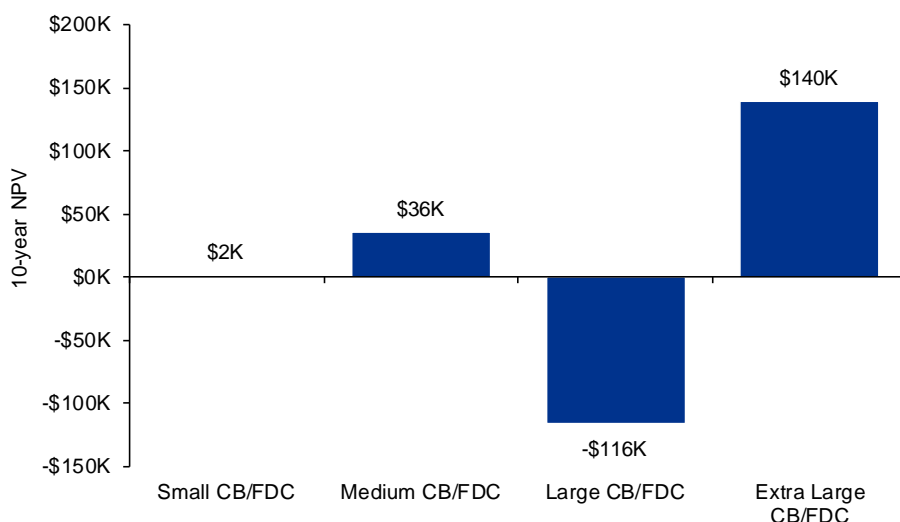


Key observations:

— Applicants in medium CB/FDC services are expected to have the highest burden cumulatively, with an NPV of \$65K, driven by the high number of CB services that fall in the medium-size band (5-80 children).

Figure 3-27 below estimates the NPV of implementing Option E. Allocation of fees across by service size is considered proportionate to the number of services within each size-band.

Figure 3-27 Net-present-value of cost/benefit for implementing Option E by service centre size



Key observations:

-
- The introduction of the extra-large CB/FDC service category is expected to bring in an NPV of \$140K in fees from the category. However, this is partially offset by \$116K reduced fee intake from large CB/FDC services due to the recategorization of some services.

3.6 Detailed Results – Initiative 3.1 (Safety of children during transition between services)

3.6.1 Initiative background

Safety of children during transition between services

This proposal looks to improve the supervision of children during transition between services and ensure appropriate duty of care for children's safety is applied between services such as schools and OSHC services. This is in response to a national average of 100 children being reported 'missing or unaccounted' for each year during transition between these services nationally. Incidents where a child is reported 'missing or unaccounted' for longer periods of time can have a negative impact on the health and wellbeing of children as well as the emotional impact on families and educators. As identified in the CRIS, children can be missing or unaccounted for varying periods of time, which accounts for the risk to children's safety during transitions between services. The development of policies and procedures for children attending E&C services at a location other than on school grounds will require schools and services to establish who is responsible for supervising the transfer of children from one educational setting to another.

The following options for change were evaluated as part of this proposed initiative, with wording taken directly from the CRIS:

- Option B – Legislative change to specify staff supervision requirements during periods of transition between education and care services.
- Option D – Require that where relevant, an education and care service has a policy and procedures for the transition period between education and care services (for example between school and OSHC, or OSHC and preschool), including a risk assessment process.
- Option E – Develop further guidance to support policies and procedures relating to the delivery of children to, and the collection from, education and care service premises, with an emphasis on transition periods between services, as well as further guidance for parents and families around notifying when a child is unable to attend an education and care service.

In a base case scenario, there may continue to be potential gaps in the supervision responsibility of children between schools and OSHC services as well as a lack of understanding of responsibilities by staff. Existing service policies will continue to be implemented and further administrative burdens associated with additional policies will be avoided. The continued occurrence of incidents will have an impact the health and wellbeing of children as well as families and service staff alongside negative financial, operational and reputational impacts for OSHC providers.

3.6.2 Cost and benefit quantification

Table 3-6 Cost and benefit impact assumptions of implementing Initiative 3.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Supervision Cost	Requiring staff to supervise children adds 30 minutes of paid staff labour at the diploma level for 200 days annually.	The transition periods include 15 minutes before the start of school and 15 minutes after school prior to the start of OSHC. This is estimated at a cost of \$26.01 per hour at the diploma rate.** 200 days is based on 4 10-week terms with 5 days per week.	CRIS <i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> Based on advice from governments and OBPR	Cost to Outside School Hours Care sector.

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
	The number of staff required to perform additional supervisory duties is set at the ratios of staff to children in OSHC.	Ratios of staff to children are: <ul style="list-style-type: none"> • ACT: 1:11 • WA: 1:13 • All other jurisdictions: 1:15 	CRIS DESE Data Table 1.2 (December 2019)	Cost to Outside School Hours Care sector.
Increased administrative burden	Implementing policies and procedures for transition periods will impose a burden of 2 days per service at the diploma level in the first year, and 0.5 days per service in future years.	Implementing policies and procedures will require all staff to be trained for supervisory duties during transition periods, including undertaking risk assessments. Larger services may require additional time to train staff. 2 days is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain compliant with policies and procedures is 25% of the first-year implementation cost. This includes costs for new services.	DESE Data Table 1.2 & 3.2 (December 2019) Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma) Based on advice from governments and OBPR*	Cost to Outside School Hours Care sector.
	Providing additional guidance for the transition periods will impose a burden of 1 day per service at the diploma level in the first year, and 0.25 days per service in future years.	Providing guidance will require all staff to read and be aware of guidelines for transition periods between E&C services and schools. Larger services may require additional time. 1 day is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain aware of guidelines is 25% of the first-year implementation cost. This includes costs for new services.	DESE Data Table 1.2 & 3.2 (December 2019) Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma) Based on advice from governments and OBPR*	Cost to Outside School Hours Care sector.
Improved health, safety and wellbeing of children, staff and families	Increased collaboration between schools and E&C services to cover the supervision requirements during transition periods will likely increase communication and engagement to ensure the health, safety and wellbeing of children at all times. The reduction of further incidents is expected to reduce impacts on the health, safety and wellbeing of children as well as the emotional wellbeing of families and services staff involved in any incidents.			Benefit to families and communities.
Reduction in incidents and associated operational costs	Increased communication and engagement between school staff and E&C services may result in a reduction in the number of incidents involving missing or unaccounted for children. This is expected to result in the reduction of required reporting of missing or unaccounted for children as well as a reduction in associated operational burden for staff required to manage any incidents.			Benefit to Outside School Hours Care sector.

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
<p><i>*This impact has not been directly measured in the CRIS or in consultations with the sector to-date, and so is provided as an indication but is subject to testing</i></p> <p><i>**Data provided by DESE indicates that the majority of FDC educators are self-employed and it is not clear how chargeable rates vary among self-employed educators with different levels of qualification. As such, this cost estimate is a proxy of costs to the FDC sector and not for services.</i></p>				

3.6.3 Results

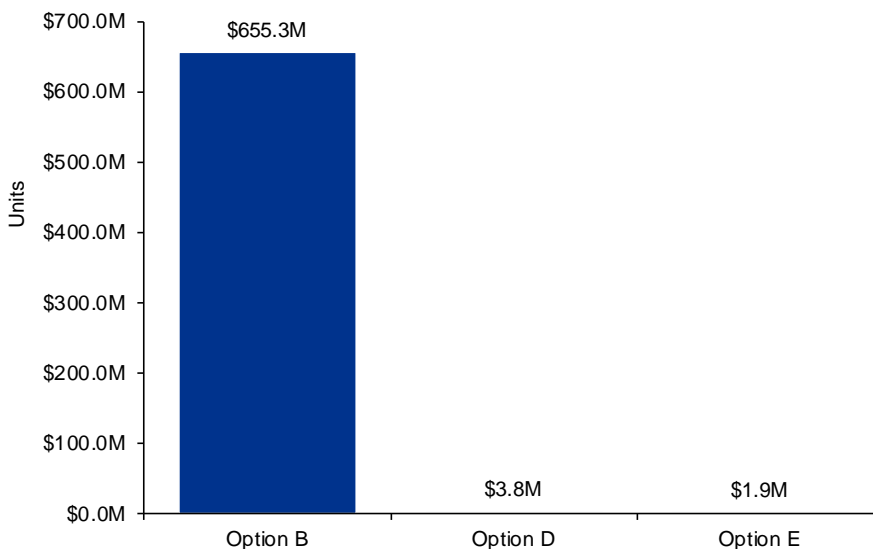
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 3.1. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-6 above. There are other non-monetary benefits and costs including a reduction in incidents of missing or unaccounted for children that are not quantified in this section. A detailed breakdown of these benefits is provided in Table 3-6. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 3.1 at this stage.

Based on data provided to date, governments have advised that the quantifiable options are Options B, D and E.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-28 below estimates the NPV of implementing preferred Options B, D and E of Initiative 3.1. These estimates were obtained using data from the CRIS and assumptions set out in Table 3-6.

Figure 3-28 Net-present-value of cost/benefit for implementing Options B, D and E of Initiative 3.1

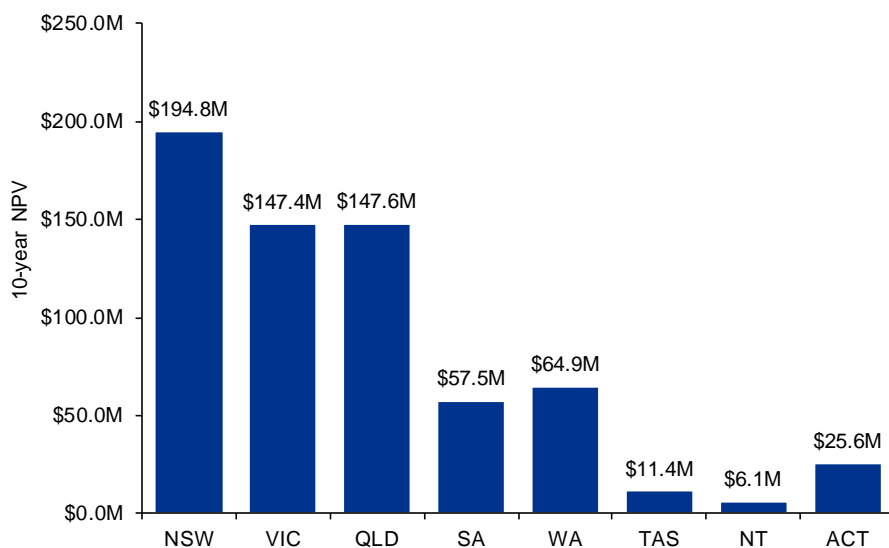


Key observations:

- Option B is by far the costliest option, with an estimated NPV of \$655M. This is driven by the requirement that services must provide an extra 30 minutes of supervision by OSHC staff every day at a ratio of 1:15 staff per children for most jurisdictions.
- Options D and E have an estimated NPV of \$3.8M and \$1.9M respectively.

Figure 3-29 below estimates the NPV of implementing Option B by jurisdiction. Allocation of cost by jurisdiction is proportionate to the number of children in OSHC services per DESE's December 2019 Quarter data tables.

Figure 3-29 Net-present-value of cost/benefit for implementing Option B, by jurisdiction



Key observations:

— NSW has the highest estimated cost, with an NPV of nearly \$200M. This is driven by the state's high number of children in OSHC services. Queensland and Victoria have the next highest estimated costs, with NPV's of nearly \$150M.

Figure 3-30 below estimates the NPV of implementing Option D by jurisdiction. Allocation of cost by jurisdiction is proportionate to the number of OSHC services per DESE's December 2019 Quarter data tables.

Figure 3-30 Net-present-value of cost/benefit for implementing Option D, by jurisdiction





Key observations:

— NSW has the highest estimated cost, with an NPV of \$1.2M, followed by Victoria with an estimated NPV of \$1.1M. This is driven by these states' high volumes of OSHC services.

Figure 3-31 below estimates the NPV of implementing Option E by jurisdiction. Allocation of cost by jurisdiction is proportionate to the number of children in OSHC services per DESE's December 2019 Quarter data tables.

Figure 3-31 Net-present-value of cost/benefit for implementing Option E, by jurisdiction



Key observations:

— NSW has the highest estimated cost, with an NPV of \$600K, followed by Victoria with an estimated NPV of \$500K. This is driven by these states' high volumes of OSHC services.

3.7 Detailed Results – Initiative 3.2 (Sleep and rest requirements)

3.7.1 Initiative background

Sleep and rest requirements

This proposal looks to improve safe sleeping and rest practices for children attending E&C services. These practices should be tailored to the ages, development stages and individual needs of children. Increased awareness of safe sleeping practices across services and communities will help reduce the risk of SUDI, as services continue to look after young children. .

The following options for change were evaluated as part of this proposed initiative, with wording taken directly from the CRIS:

- Option B – Legislative change to require compulsory safe sleep practices training for all educators who care for sleeping children (birth to five years).
- Option C - Further guidance developed to support policies and procedures for sleep and rest, and to provide information to families on safe sleeping practices.

In a base case scenario, there may continue to be current risks of SUDI during periods of sleep and rest in E&C services. This may lead to another serious incident or death in a worst-case scenario, as an increasing proportion of young children attend these services. Existing service policies and procedures will continue to be implemented and further administrative burdens associated with additional policies will be avoided.

3.7.2 Cost and benefit quantification

Table 3-7 Cost and benefit impact assumptions of implementing Initiative 3.2

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Training costs	Cost of training is set at \$90 per paid primary contact staff.	Per the CRIS, safe sleep practices training costs \$45 for a one hour course, all staff must undertake this training, and the hourly labour cost (including 75% on-costs) for a Diploma level staff is approximately \$45.* We assume all paid primary contact staff per the ROGS data tables are educators.	<i>ROGS data table 3A.30 Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma) CRIS</i>	<i>Cost to centre-based services and Family Day Care sector.</i>
	The staff turnover rate for educators is determined by the average tenure of educators by state/territory.	We assume that the average tenure of all paid contact staff as reported in the National Workforce Census is representative of the average turnover for educators, by jurisdiction.	<i>National Workforce Census (2016) Tables 1.10.1-1.10.9</i>	<i>Cost to centre-based services and Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden	Providing additional guidance for sleep safety will impose a burden of 0.5 hours per educator at the diploma level in the first year, and 0.5 hours for number of current educators divided by the average turnover of educators for ongoing years.	Providing guidance will require all staff to read and be aware of guidelines for sleep safety. Larger services may have economies of scale in training staff. 0.5 hours per educator is considered an average across all services. It is assumed that all new staff will have to read and be aware of the guidance. The number of new staff each year is determined by the average staff turnover rate for all paid contact staff as reported in the National Workforce Census.	ROGS data table 3A.30 Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma) Based on advice from governments and OBPR*	Cost to centre-based services and Family Day Care sector.
Improved child health and safety	Strengthened practices, policies and procedures as well as greater awareness of safe sleeping practices for staff and families is expected to improve the health, safety and wellbeing of children. The implementation of evidence-based practices in E&C services can help protect children during the early years. This would likely lead to the reduction of risks associated with children's safety during periods of sleep and rest and is likely to result in greater safety, especially for infants who are at greater risk of SUDI.			Benefit to families and communities.
Increased workforce shortages	The eligibility requirement for educators to undertake training to be permitted to care for sleeping children may present an additional barrier to labour supply for services. This in effect can further limit access to childcare places and exacerbate existing workforce shortages. Additional limitations may exist for providers looking to access quality training courses for staff.			Cost to centre-based services and Family Day Care sector.
Improved educator practices	Improved knowledge of safe sleeping practices will help educators assess risks to children during periods of sleep and rest and implement risk mitigation strategies. This should ensure that all educators providing care for sleeping children will have an improved understanding of safer sleeping practices. This awareness can similarly be provided to families engaging with services on how to best care for children while sleeping.			Benefit to families and communities.
*Data provided by DESE indicates that the majority of FDC educators are self-employed and it is not clear how chargeable rates vary among self-employed educators with different levels of qualification. As such, this cost estimate is a proxy of costs to the FDC sector and not for services.				

3.7.3 Results

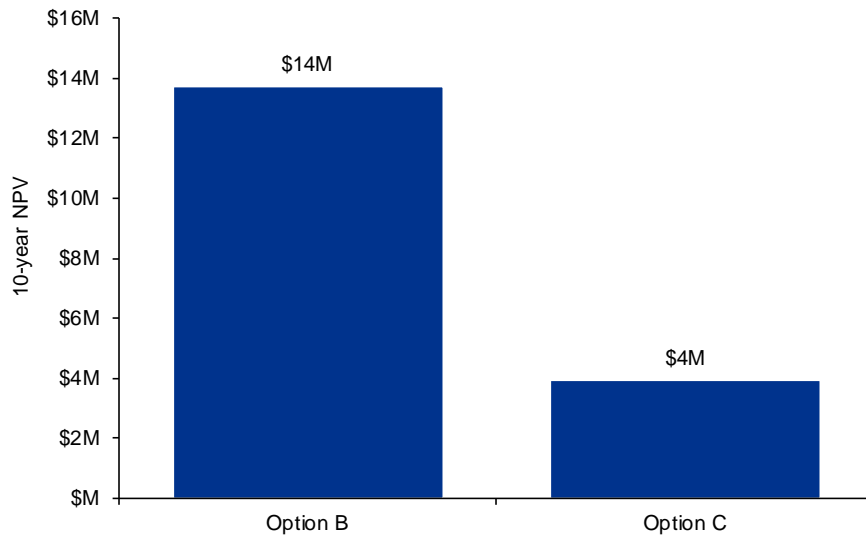
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 3.2. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-7 above. There are other non-monetary benefits and costs including a reduction in SUDI that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-7. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 3.2 at this stage.

Based on data provided to date, governments have advised that the quantifiable options are Options B and C.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-32 below estimates the NPV of implementing preferred Options B and C of Initiative 3.2. These estimates were obtained using data from the CRIS and assumptions set out in Table 3-7.

Figure 3-32 Net-present-value of cost/benefit for implementing Options B and C of Initiative 3.2

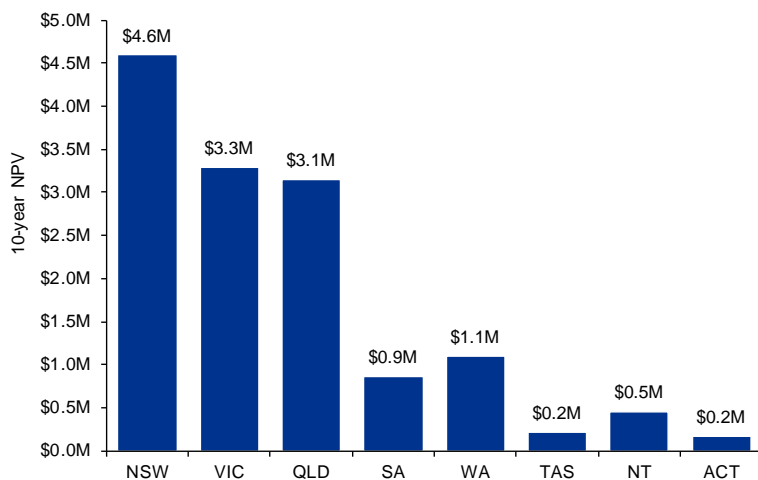


Key observations:

- Option B is the costlier option, with an estimated NPV of \$14M. This is wholly the result of training costs associated with sleep safety training.
- Option C is estimated to cost an NPV of \$4M. This is based on the assumption that educators will require 30 minutes to understand guidelines relating to safe sleep practices.

Figure 3-33 below estimates the NPV of implementing Option B by jurisdiction. Allocation of cost is determined by the distribution of paid primary contact staff per the ROGS data table 3A.30.

Figure 3-33 Net-present-value of cost/benefit for implementing Option B by jurisdiction



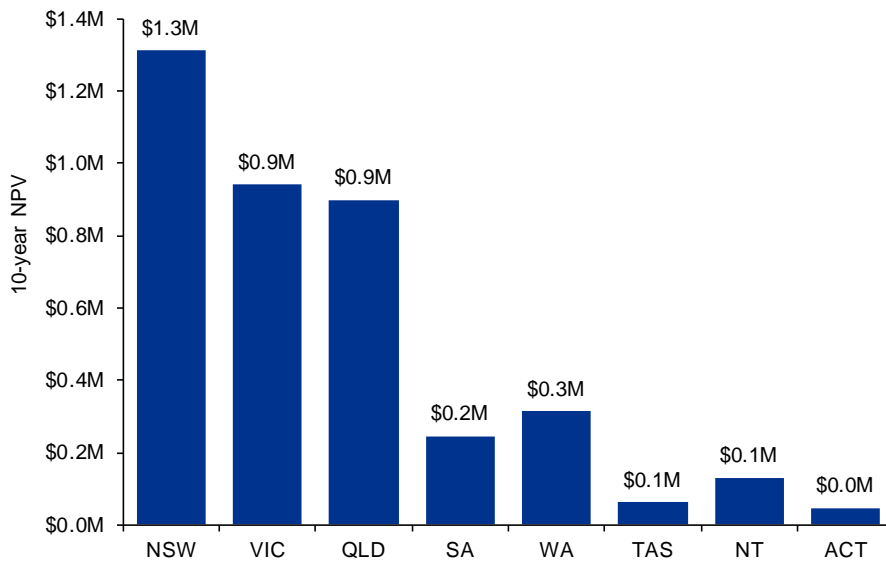


Key observations:

— NSW has the highest estimated cost, with an NPV of over \$4.5M. This is a result of the high number of early childhood educators in the state.

Figure 3-34 below estimates the NPV of implementing Option C by jurisdiction. Allocation of cost is determined by the distribution of paid primary contact staff per the ROGS data table 3A.30.

Figure 3-34 Net-present-value of cost/benefit for implementing Option C by jurisdiction



Key observations:

— NSW has the highest estimated cost, with an NPV of \$1.3M. This is a result of the high number of early childhood educators in the state.

3.8 Detailed Results – Initiative 3.3 (Improving children’s safety during regular transportation)

3.8.1 Initiative background

Improving children’s safety during regular transportation

This proposal looks to improve the safety requirements for children being transported or who have transportation arranged by an E&C service. Regular transportation activities often have a similar risk profile while services are typically responsible for children throughout the duration of transportation including embarking and disembarking. Regular transportation can include the educator’s own vehicle and can involve collecting children from their home. Ensuring the safety of children through adequate supervision, transport-specific policy and procedures, appropriate risk management and minimisation of any hazard likely to cause harm is critical to educator obligations and other staff. Existing providers may seek approval for transportation services offered from NQA ITS, obtain written permission from families, organise staff with the required approvals and maintain adequate staff to children ratios.

The following options for change were evaluated as part of this proposed initiative:

- Option B – Legislative change to require specific transport ratio requirements for when children are being transported by, or are on transportation arranged by, an education and care service. To clarify that the driver is counted in the ratio during transportation. For example, transport specific ratio requirements could require:
 - In the case of vehicles carrying no more than 7 children at any one time, only the driver of the vehicle is required to be on the vehicle; and
 - In the case of vehicles carrying more than 7 children at any one time, there must be the driver and at least one other additional staff member on the vehicle.
 - For FDC services, the FDC age limitations continue to apply.
- Option D - Legislative change to require the presence of a staff member of the service (other than the driver) when children are embarking and disembarking from the vehicle at the service.
- Revised Option F - Further explicit guidance on the application of current requirements for ratios and qualifications, and what is adequate supervision as it relates to transportation provided or arranged by a service. Separate guidance will also be generated for the FDC sector.

In a base case scenario, there may continue to be persistent risks to children of serious harm during regular transportation carried out by E&C services. A lack of understanding of the supervision requirements during regular transportation will continue to create inconsistent practices and instances where there will be inadequate supervision of children.

3.8.2 Cost and benefit quantification

Table 3-8 Cost and benefit impact assumptions of implementing Initiative 3.3

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased supervisory costs	7% of centre-based services operate transport services and do not have any additional staff besides the driver onboard. It is assumed that all these transport services have more than 7 children per vehicle.	In a 2020 Queensland Regulatory Authority survey it was identified that 31% of services operated some form of transport for families. Of these, 22% of centre-based services had the driver as the only supervisor on the vehicle.	<i>CRIS DESE data table 3.2</i> <i>Based on advice from governments and OBPR*</i>	<i>Cost to centre-based services and Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
	Educators required to be supervisors under Option B will be required to perform supervisory duties for 6 hours, 200 days per year.	6-hours per weekday assumes 3 hours of supervision by a Diploma level staff member in the morning and 3 hours in the afternoon.* This requirement only applies to services where the driver is the only supervisor on the vehicle. 200 days is based on 4 10-week terms with 5 days per week.	<i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> Based on advice from governments and OBPR	<i>Cost to centre-based services and Family Day Care sector.</i>
	Educators required to supervise disembarking children under Option D will be required to perform supervisory duties for 1 hour, 200 days per year. This only applies to small services (those with 0-24 children)	1 hour per weekday assumes 30 minutes of supervision by a Diploma level staff member in the morning and 30 minutes in the afternoon.* This requirement applies to all services providing transport. 200 days is based on 4 10-week terms with 5 days per week.	<i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> Based on advice from governments and OBPR*	<i>Cost to centre-based services and Family Day Care sector.</i>
Increased administrative burden	Providing additional guidance for the transition periods will impose a burden of 1 day per service providing transport at the diploma level in the first year, and 0.25 days per service in future years.	Providing guidance will require all staff at services providing transport to read and be aware of guidelines for transportation/supervision risk assessments. Larger services may require additional time. 1 day is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain aware of guidelines is 25% of the first-year implementation cost. This includes costs for new services.	<i>DESE Data Table 1.2 & 3.2 (December 2019)</i> <i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> Based on advice from governments and OBPR*	<i>Cost to centre-based services and Family Day Care sector.</i>
Reduced risk to children's health and safety	Transportation can present heightened risk to children's safety, in particular during the period of transition between a vehicle and the service provider. The consequences of leaving children unsupervised on transportation can be fatal in certain circumstances. The effective implementation of consistent supervision and risk mitigation practices during regular transportation is expected to minimise the potential risk of harm to children engaging in these services. This may lead to a reduction in the likelihood of incidents where a child is left on a vehicle or is placed at risk due to inadequate supervision such as during embarking and disembarking.			<i>Benefit to families and communities.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Improved provider understanding and more consistent transportation practices	Service providers can better understand the requirements associated with regular transportation including what constitutes adequate supervision at each stage of the transportation process. Policies and practices can then more appropriately reflect these requirements to create greater consistency of implementation for providers and educators.	Management strategies to mitigate risks can be applied more appropriately on a case-by-case basis. Services can undertake risk assessments to determine the requirement for supervision and other risk mitigation strategies.		<i>Benefit to centre-based services and Family Day Care sector.</i>
Increased compliance, operational and administrative burden	There may be costs associated with achieving compliance if additional staff members are required to undertake regular transportation activities. Services may have to employ additional staff during periods of transportation or cease transportation services altogether if compliance cannot be met.	Services will continue to need to undertake risk assessments for regular transportation services provided to identify the number of personnel required and establish mitigation strategies for risks involved. Staff supervision requirements may increase as embarking and disembarking supervision processes are required.		<i>Cost to centre-based services and Family Day Care sector.</i>
<p><i>*Data provided by DESE indicates that the majority of FDC educators are self-employed and it is not clear how chargeable rates vary among self-employed educators with different levels of qualification. As such, this cost estimate is a proxy of costs to the FDC sector and not for services.</i></p>				

3.8.3 Results

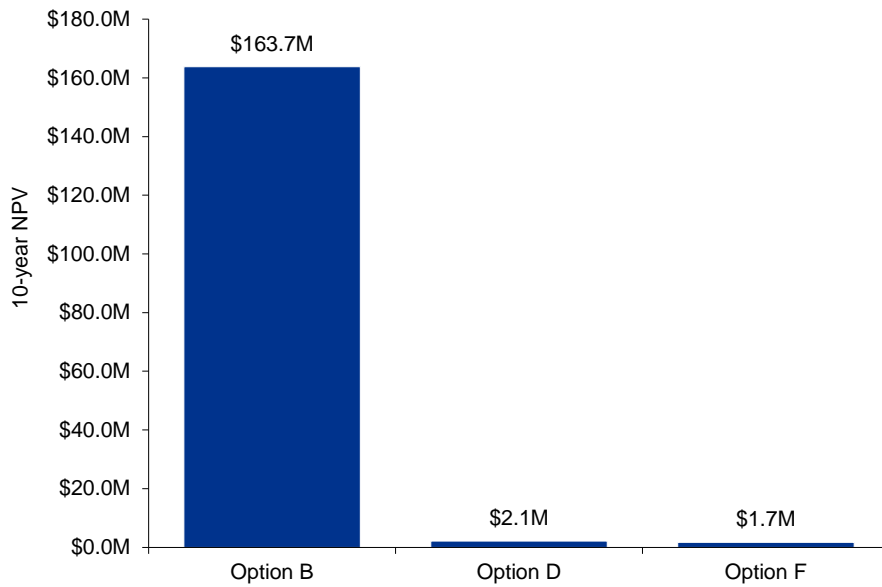
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 3.3. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-8 above. There are other non-monetary benefits and costs including a reduction in transportation and supervision-related incidents that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-8. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 3.3 at this stage.

Based on data provided to date, governments have advised that the quantifiable options are Options B, D, and F.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-35 below estimates the NPV of implementing preferred Options B, D and F of Initiative 3.3. These estimates were obtained using data from the CRIS and assumptions set out in Table 3-8.

Figure 3-35 Net-present-value of cost/benefit for implementing Options B, D and F of Initiative 3.3

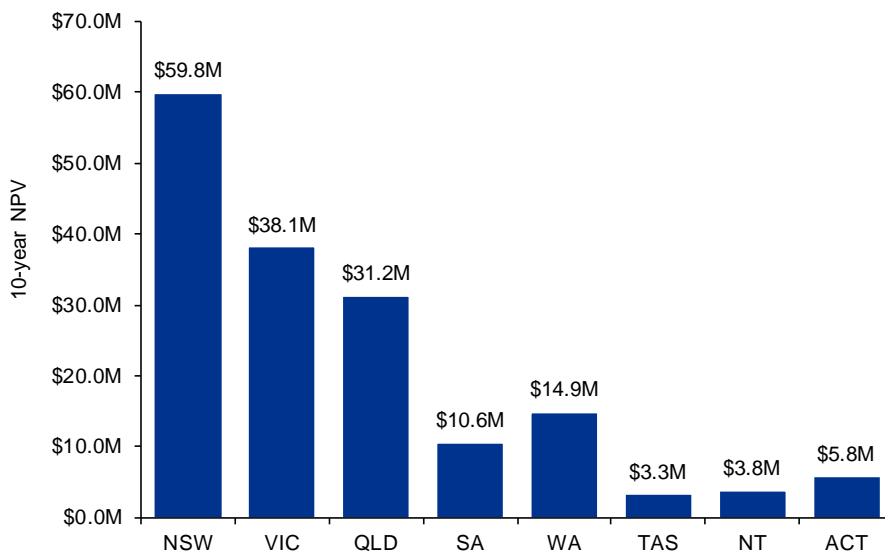


Key observations:

- The supervision cost for Option B is estimated at an NPV of \$164M. This is driven by the 6 hours of additional labour required at services where transport is provided and there is no other educator to supervise children on the vehicle besides the driver. This option is specific to educator to child ratios when transporting children.
- Option D has an estimated cost of \$2.1M in terms of its NPV. This is driven by the 1 additional hour of labour required at small services where transport is provided and there is currently no other supervisor on the vehicle besides the driver.

Figure 3-36 below estimates the NPV of implementing Option B by jurisdiction. Allocation of cost is determined by the distribution of OSHC and centre-based services per the DESE December 2019 data tables.

Figure 3-36 Net-present-value of cost/benefit for implementing Option B by jurisdiction



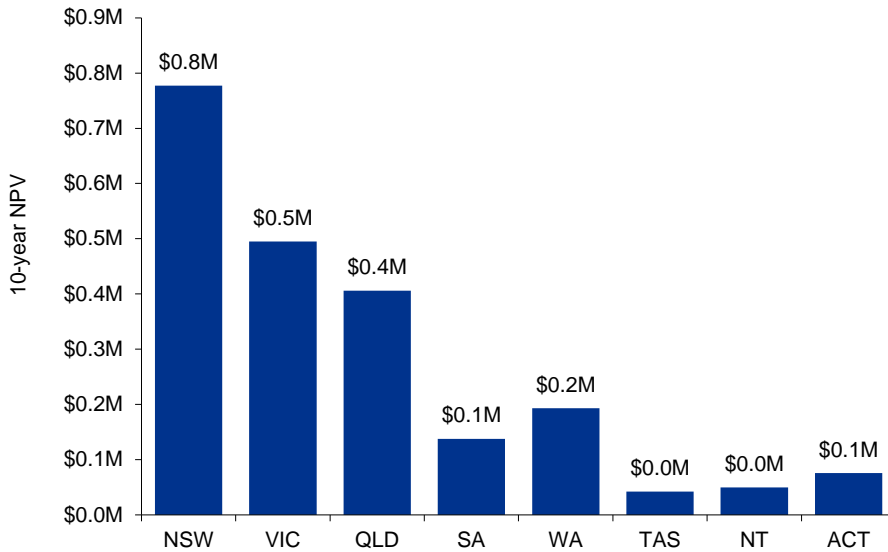


Key observations:

— NSW has the highest estimated cost, with an NPV of \$60M. This is driven by the high number of OSHC services in the state.

Figure 3-37 below estimates the NPV of implementing Option D by jurisdiction. Allocation of cost is determined by the distribution of OSHC and centre-based services per the DESE December 2019 data tables.

Figure 3-37 Net-present-value of cost/benefit for implementing Option D by jurisdiction



Key observations:

— NSW has the highest estimated cost, with an NPV of \$0.8M. This is driven by the high number of OSHC services in the state providing transport that do not currently have an additional supervisor on vehicles.

Figure 3-38 below estimates the NPV of implementing Option F by jurisdiction. Allocation of cost is determined by the distribution of OSHC and centre-based services per the DESE December 2019 data tables.

Figure 3-38 Net-present-value of cost/benefit for implementing Option F by jurisdiction



Key observations:

- NSW has the highest estimated cost, with an NPV of \$600K. This is driven by the high number of OSHC services in the state providing transport.

3.9 Detailed Results – Initiative 3.4 (Improving Children's safety during emergency evacuations from multi-storey buildings)

3.9.1 Initiative background

Improving Children's safety during emergency evacuations from multi-storey buildings

This proposal looks to ensure the safety and timely evacuation of children and staff that are based in multi-storey buildings, through the implementation of effective building safety features and emergency equipment as well as approved policies and procedures. The number of centre-based E&C services has continued to increase in Australia, with over 470 services located in multi-storey buildings across Australia in 2020. Currently under the NQF, services must have in place policies and procedures relating to 'emergency and evacuation', including the setting out of instructions for steps taken during an emergency, a floor plan and a risk assessment to identify potential emergencies relevant to the service, and instructions for staff and volunteers to follow procedures. A rehearsal of this emergency and evacuation plan must be conducted every three months. The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Amend the legislation about emergency and evacuation procedures to require that for centre-based services located in multi-storey buildings:
 - that the emergency and evacuation procedures must set out additional information in regard to instructions for what must be done in an emergency, staged evacuations, identification of the person-in-charge and staff roles and responsibilities, and
 - a review and/or risk assessment, following certain prescribed events or a prescribed time period.
- Option C – Strengthen service approval processes to require that for centre-based services located in multi-storey buildings the regulatory authority, in assessing the suitability of the education and care service premises, is to consider the need for direct egress to safe evacuation areas for very young children and non-ambulatory children.
 - This option would also apply to FDC requiring approved providers to assess the FDC residence as part of their approval processes, where located in multi-storey buildings.
- Option D – Victoria and ACT only – Amend service approval processes to require approved providers wishing to operate a centre-based service from premises in a multi-storey building in Victoria or ACT to apply to the regulatory authority for pre-approval of development and building plans for the proposed premises prior to development and construction.
- Option E – Enhance national guidance and communication strategies to improve understanding of service approval considerations for centre-based multi-storey buildings and reinforce existing emergency and evacuation requirements for the early childhood education and care sector.
 - Guidance would also be prepared for persons involved in third-party planning and building development processes across states and territories.

In a base case scenario, there may continue to be risks associated with an actual emergency situation for children and staff at services operating in multi-storey buildings. While the likelihood is small, the consequences of this situation can be catastrophic and result in the loss of life. Services operating in these buildings may continue to lack appropriately drafted evacuation plans or hold inadequate procedures which can impact on the timely and safe evacuation of children and staff.

3.9.2 Cost and benefit quantification

Table 3-9 Cost and benefit impact assumptions of implementing Initiative 3.4

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased labour costs relating to inspections	3% of centre-based services are in multi-storey buildings, except for Victoria, where the rate is 5.4%	Victoria has provided data on the number of centre-based services located in multi-storey buildings. The remainder is based on a 3% assumption that has been provided by the NQF Snapshot.	<i>NQF Snapshot Q4 2019</i> <i>Governments and OBPR*</i>	<i>Cost to centre-based services.</i>
Increased administrative burden	Strengthening service approval processes will require an effort of 3 hours per service in multi-storey buildings at the diploma level in the first year, and 0.75 hours per service in future years.	Strengthening service approval processes will require staff at all services in multi-storey buildings to read and be aware of service approval processes. Larger services may require additional time. 3 hours at the diploma rate is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain aware of processes is 25% of the first-year implementation cost. This includes costs for new services.	<i>(December 2019) Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR*</i>	<i>Cost to centre-based services and Family Day Care sector.</i>
	Requiring pre-approval of development for new centre-based services in multi-storey buildings in Victoria and the ACT will require 3 hours per approval at the diploma level.	Pre-approvals for new services in multi-storey buildings in the ACT and Victoria are expected to take 3 hours of diploma time per approval. Victoria is projected 25 new approval applications in 2021. ACT's projected approvals is based on Victoria's ratio of projected approvals to current services multiplied by ACT's current services.	<i>(December 2019) Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>ACECQA</i> <i>Governments and OBPR*</i>	<i>Cost to centre-based services</i>
	Amending the legislation about emergency and evacuation procedures will not require any additional administrative burden.	Introduction of additional information on emergency instructions is expected to be included in business-as usual training for service providers and is not expected to create additional time requirements in current risk assessment procedures.	<i>Governments and OBPR</i>	<i>N/A</i>
Reduced risk to children and staff's health and safety	The effective implementation of building safety features, emergency equipment and appropriate emergency and evacuation plans and policies may be critical in supporting the safe and timely evacuation of children and staff. The reduction of failures relating to emergency and evacuation procedures is expected to result in the reduction of breaches as well as a reduction in risk to children and staff's health and safety. Procedures that account for young children, non-ambulatory children and infants as part of evacuation movements can better ensure all children's health and safety are maintained.			<i>Benefit to families and communities.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Improved guidance and provider policies	Greater consistency across jurisdictions in the application and formation of policies and procedures for emergencies and evacuations is expected to be achieved. The application of more expert oversight should also ensure that safety and evacuation procedures are more viable. Clear and consistent guidance can assist in raising awareness for staff, providers and families to improve child safety.	These policies are expected to lead to a reduction in the number of breaches relating to emergency and evacuation floor plans, instructions for evacuation, conduct of rehearsals and poor display of information. This can help ensure policies and procedures are thorough and effective, and equipped with appropriate risk assessment provisions. This may enable greater compliance with safety requirements by services in multi-storey buildings.		<i>Benefit to centre-based services.</i>
Increased administrative and operational burden	There are likely to be increased administrative and operational costs associated with the requirement for appropriate experts for the development of emergency evacuation procedures. There are also likely to be longer approval periods. The annual attendances of contractors to observe and report on a rehearsal will also depend on the complexity of the premises, as well as numbers and ages of children. Varied expert opinions and experience with evacuating young children may create greater delays for providers.	Additional administrative costs are associated with the introduction of reviews and/or risk assessments which will likely increase depending on frequency. Administrative delays from the regulatory authority can further impact providers where further information and expert advice is required for service approval.		<i>Cost to centre-based services.</i>

3.9.3 Results

In this section we set out the quantifiable costs of implementing the preferred options of Initiative 3.4. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-9 above. There are other non-monetary benefits and costs including a reduction in failures relating to emergency and evacuation procedures that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-9. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 3.4 at this stage.

Based on data provided to date, governments have advised that the quantifiable options are Options C, D and E.

Option B has been revised from its original recommendation. Option B was written in the CRIS as:

Amend the legislation about emergency and evacuation procedures to require that for centre-based services located in multi-storey buildings:

- i appropriate experts (such as fire safety experts, fire safety engineers, or emergency management professionals) are required to be:

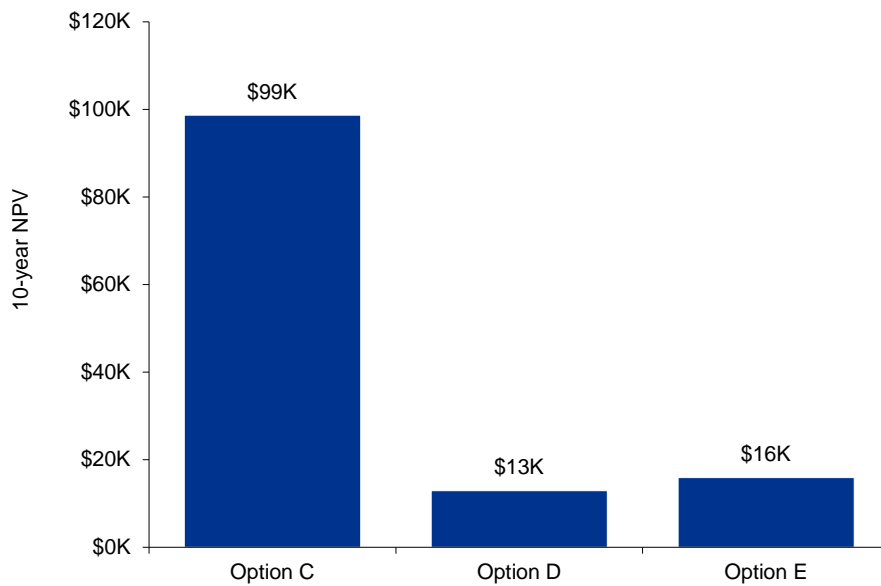
 - o engaged in the development of emergency and evacuation procedures and/or plans; and*
 - o to observe and report on one full emergency evacuation rehearsal at least annually and provide a report (which is made available upon request to the regulatory authority); and**
- ii that the emergency and evacuation procedures must set out additional information in regard to instructions for what must be done in an emergency, staged evacuations, identification of the person-in-charge and staff roles and responsibilities, and*
- iii a review and/or risk assessment, following certain prescribed events or a prescribed time period.*

Option B(i) was previously quantified to have an estimated total quantifiable cost of \$1.5 million NPV.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-39 below estimates the NPV of implementing preferred Options C, D and E of Initiative 3.4. These estimates were obtained using data from the CRIS and assumptions set out in Table 3-9.

Figure 3-39 Net-present-value of cost/benefit for implementing Options C, D and E of Initiative 3.4

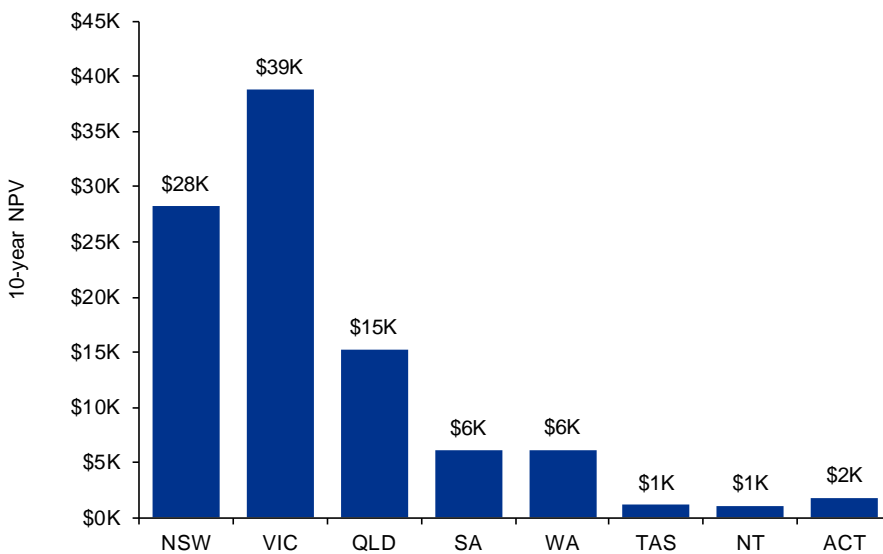


Key observations:

- Option C is the costliest option, with an estimated NPV of \$99K. This is driven by the requirement that all multi-storey services will require 3 hours of additional administrative work for strengthened service approval processes.
- Option D is the lowest cost option, with an estimated NPV of \$13K. This is a result of the low number of projected approval applications in Victoria and the ACT.

Figure 3-40 below estimates the NPV of implementing Option C by jurisdiction. Allocation of cost is determined by the distribution of all multi-storey services per the ACECQA 2019 Q4 snapshot and assumptions of the number of services located in multi-storey buildings as informed by governments.

Figure 3-40 Net-present-value of cost/benefit for implementing Option C by jurisdiction



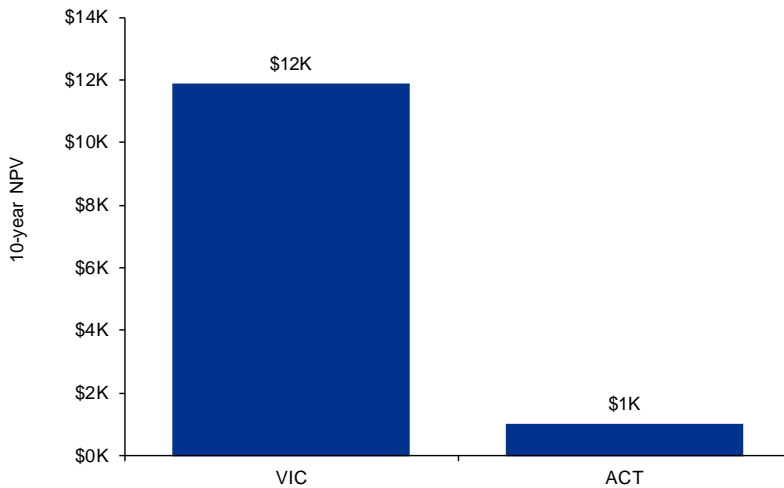


Key observations:

- Victoria has the highest estimated cost, with an NPV of \$39K. This is driven by Victoria's 5.4% proportion of services located in multi-storey buildings, compared with 3% assumption for all other jurisdictions.

Figure 3-41 below estimates the NPV of implementing Option D by jurisdiction. Allocation of cost is determined by the number of expected multi-storey approval applications in Victoria and the ACT.

Figure 3-41 Net-present-value of cost/benefit for implementing Option D by jurisdiction

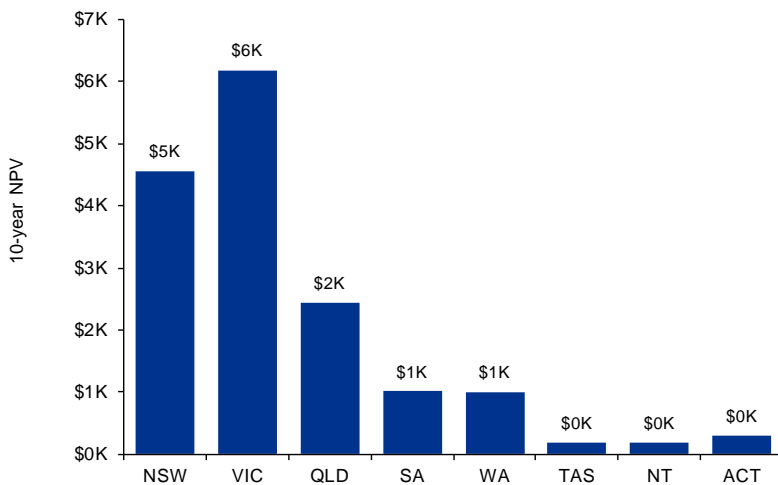


Key observations:

- Victoria is expected to have an estimated cost of \$12K in terms of its NPV, compared to just \$1K for the ACT. This is a result of Victoria having significantly higher projected approvals in multi-storey buildings due to their higher volumes of centre-based services.

Figure 3-42 below estimates the NPV of implementing Option E by jurisdiction. Allocation of cost is determined by the distribution of multi-storey centre-based services per the ACECQA 2019 Q4 snapshot and assumptions of the number of services located in multi-storey buildings as informed by governments.

Figure 3-42 Net-present-value of cost/benefit for implementing Option E by jurisdiction



Key observations:

-
- Victoria has the highest estimated cost, with an NPV of \$6K. This is driven by Victoria's 5.4% proportion of centre-based services located in multi-storey buildings, compared with 3% assumption for all other jurisdictions.

3.10 Detailed Results – Initiative 6.1 (Assessment and rating of OSHC services)

3.10.1 Initiative background

Assessment and rating of OSHC services

This proposal looks to modify the current assessment and rating processes of OSHC services whose main purpose is providing school-aged E&C, to better encapsulate the distinct quality characteristics of these services. The assessment and rating process will become more streamlined and tailored to OSHC services to ensure compliance while giving consideration to the alternative arrangements and conditions of OSHC services. This acknowledges that assessment and planning requirements may not be proportionate to the hours of attendance for children or reflective of the play and leisure aspect of OSHC. Approaches to quality assurance and compliance monitoring also require attention given increasing demands for this service type and government initiatives to expand OSHC capacity.

The following options for change were evaluated as part of this proposed initiative:

- Option B – Review and consider changes to the assessment and rating methodology for services whose main purpose is providing education and care to children over preschool age.
- Option C – Development of additional guidance to support the OSHC sector and Regulatory Authorities with assessment and rating.

In a base case scenario, OSHC services will continue to be assessed and rated under the current system which does not adequately capture the distinct quality characteristics of OSHC services. This may result in a lower number of OSHC services receiving quality ratings. The current requirements for OSHC services associated with the assessment and rating process will continue and the same quality standards will be maintained alongside the rest of the sector.

3.10.2 Cost and benefit quantification

Table 3-10 Cost and benefit impact assumptions of implementing Initiative 6.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden	Development of additional guidance to support the OSHC sector and Regulatory Authorities will impose a burden of 1 hour per OSHC service at the diploma level in the first year, and 0.25 hours per service in future years.	Providing guidance will require staff at OSHC services and the regulatory authority to read and be aware of guidelines for assessment and ratings. Larger services may require additional time. 1 hour is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain aware of guidelines is 25% of the first-year implementation cost. This includes costs for new services.	<i>DESE Data Table 1.2 & 3.2 (December 2019)</i> <i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR*</i>	<i>Cost to Outside School Hours Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Reduced regulatory burden for OSHC providers	OSHC services will benefit from more streamlined assessment and rating processes that will decrease the administrative burden associated with preparing documents relevant to areas of submission while ensuring compliance. This considers OSHC services' alternative learning framework, varying enrolment patterns, and often shorter hours of care compared to centre-based services.	These changes are expected to reduce variations in cost impacts and compliance requirements in the sector evidenced through quality ratings allocation. These changes are also expected to reduce time and paperwork burden for service providers. This can similarly clear up confusion about programming requirements and documentation requirements for individual children.		<i>Benefit to Outside School Hours Care sector.</i>
Reputational risk of the sector	The importance of maintaining the professionalism of the sector is a key consideration that can be impacted as a result of reduced regulation. This can pose concerning reputational risks to the sector and further de-professionalise the perception of the sector through the variation in standards applied, such as the role of the Educational Leader.			<i>Cost to Outside School Hours Care sector.</i>
Increased capacity for core educational activities	Streamlined processes would likely increase OSHC services' capacity to focus on the core educational program and practice needs of children attending this service type. This includes developmental outcomes, nutrition, relaxation and socialisation while streamlining assessment and planning requirements.	More time can be allocated to children and focus on age-appropriate spaces, programs and learning experiences while changes can also assist OSHC services with quality improvement overall. Additional guidance can similarly assist OSHC services with general quality improvements.		<i>Benefit to Outside School Hours Care sector.</i>
Improved understanding of Assessment and Rating of OSHC by Regulatory Authority staff	Regulatory Authority staff and authorised officers will improve their overall capacity to recognise the distinct characteristics of OSHC services and adequately factor these characteristics in when conducting assessment and rating. This will likely ensure ratings more appropriately reflect the quality of OSHC services and may clear up confusion about programming requirements / documentation requirements for individual children.			<i>Benefit to Outside School Hours Care sector.</i>

3.10.3 Results

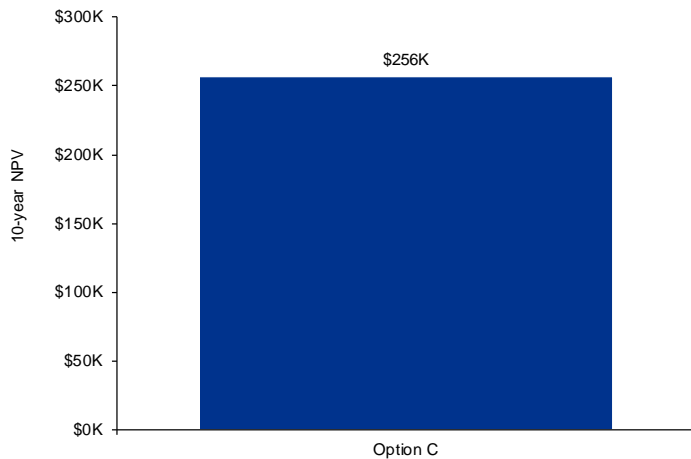
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 6.1. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-10 above. There are other non-monetary benefits and costs including improvements in the understanding of Regulatory Authority staff and authorised officers that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-10. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 6.1 at this stage.

Based on data provided to date, governments have advised that the quantifiable option is Option C.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-43 below estimates the NPV of implementing preferred Option C of Initiative 6.1. These estimates were obtained using data from the CRIS and assumptions on administrative burden set out in Table 3-10.

Figure 3-43 Net-present-value of cost/benefit for implementing Option C of Initiative 6.1

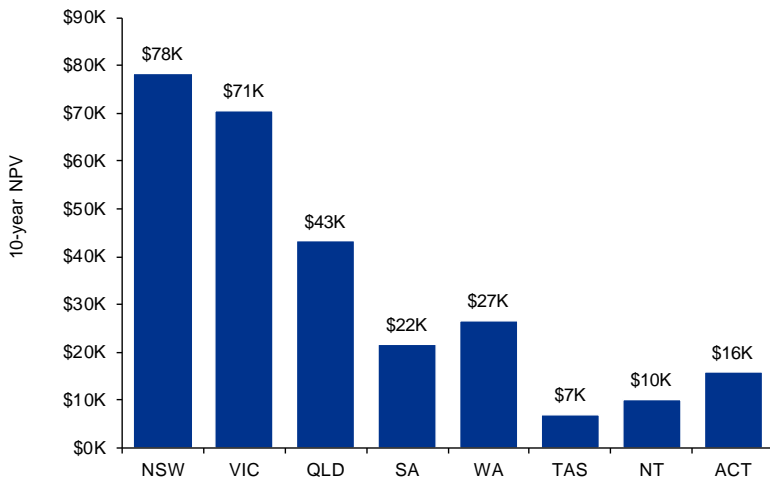


Key observations:

- The estimated NPV of the cost of implementing Option C is \$256K. This is a result of all OSHC services requiring 1 hour of labour to become aware of enhanced guidelines in the first year of implementation, and 15 minutes in all subsequent years.

Figure 3-44 below estimates the NPV of implementing Option B by jurisdiction. Allocation of cost is determined by the distribution of OSHC and centre-based services per the DESE December 2019 data tables.

Figure 3-44: Net-present-value of cost/benefit for implementing Option B by jurisdiction



Key observations:

- NSW and Victoria have the highest estimated costs, with an NPV of over \$70K each. This is a result of the high number of OSHC services in those states.

3.11 Detailed Results – Initiative 7.1 (Restrictions on short term relief for early childhood educators)

3.11.1 Initiative background

Restrictions on short term relief for early childhood educators

This proposal looks to allow primary teachers or other educators to act as short-term relief educators to offer more flexibility for service providers. This will allow providers to substitute differently-qualified educators in the short term to assist with meeting staff ratio requirements. . Staffing for providers comprises the highest business cost for running and E&C service, accounting for 69% of providers' operating costs. This corresponds to staffing shortages predicted for the future of the industry and the corresponding effect this can have on the quality of E&C.

The following options for change were evaluated as part of this proposed initiative, with wording taken directly from the CRIS:

- Option C – Broaden the qualification requirements for short-term staff replacements by allowing primary teachers to replace Certificate III and diploma qualified educators for a period of up to 30 days.
- Option D - Allow Suitably Qualified Persons to replace a third or fourth ECT to address workforce shortages (NSW only).

In a base case scenario, there may continue to be difficulty for services to replace educators on short notice as a result of ongoing and future workforce shortages. This will result in increased applications for waivers, associated regulatory burden and reduced flexibility for services in managing staff vacancies. This can have a negative impact on children's educational outcomes. Conversely, the employment of educators that meet qualification requirements may promote positive educational outcomes given adequate staffing. Waivers also allow for oversight and monitoring of staffing levels to ensure services are not over-using allowances for short term replacements.

3.11.2 Cost and benefit quantification

Table 3-11 Cost and benefit impact assumptions of implementing Initiative 7.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased flexibility to fill short-term vacancies and reduced operational / administrative burden	The replacement of diploma and Certificate III qualified educators with primary teachers will reduce the operating cost and administrative burden imposed on providers. This will assist providers that find it difficult to find and retain appropriate staff to fill vacancies while improving flexibility and easing pressure caused by staff shortages. Providers will minimise administrative burden associated with regular recruiting and staffing waivers. Providers will be incentivised to fill short-term absences with differently-qualified educators to ensure continuity of operations. Notably, this may not provide a long-term solution to persistent labour shortages across the sector.			<i>Benefit to centre-based services and Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Fluctuation and short-term net benefit in quality of education	The use of differently-qualified educators to fill short-term absences will promote greater access to childcare. Using differently-qualified educators may the quality of education at the service in the long-term but should have minimal impact to no impact in the short-term. Utilising primary qualified teachers may incur additional costs for services. However, allowing the use of differently-qualified educators may support services in not reducing availability of childcare places due to staffing numbers.	SQPs are likely to have sufficient professional knowledge and skills in early childhood education, so this option would not be expected to compromise the quality of E&C provided to children. In circumstances where a primary or secondary school teacher replaces an ECT, there may be some impact on the quality of care if the replacement teacher has less experience working with younger children than an ECT.		<i>Benefit to centre-based services and Family Day Care sector.</i> <i>Benefit to families and communities.</i>

3.11.3 Results



Note: As confirmed in consultation with governments and OBPR and based on the assumptions in table 3-11, there are no quantifiable cost or benefit impacts to this initiative given available data.

3.12 Detailed Results – Initiative 7.2 (Educators who are ‘actively working towards a qualification’)

3.12.1 Initiative background

Educators who are ‘actively working towards a qualification’

This proposal looks to provide additional requirements and guidance for staff hired within the ‘actively working towards’ provision. These requirements will need to be met for staff to determine whether they are making ‘satisfactory’ progress towards their qualification and provide greater clarity for providers to provide oversight. The provision that allows greater workforce flexibility for service providers can compromise educational outcomes for children in the long-term if staffing arrangements are not maintained. The imposed minimum proportion of educators with a completed degree aims to ensure providers are staffed appropriately.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B– Limit the ‘actively working towards’ provision by:
 - i. Introducing a minimum proportion of educators with a completed qualification (as opposed to 50 per cent of educators required within ratios to be qualified or ‘actively working towards’ a qualification); or
 - ii. Introducing a timeframe in which staff ‘actively working towards’ a qualification must complete their qualification in order to be counted in ratios; or
 - iii. Specifying a threshold staff must meet to make ‘satisfactory’ progress through their course in order to be counted in ratios.
- Option C - Develop guidance for providers to ensure staff who are ‘actively working towards’ qualifications are making satisfactory progress.

In a base case scenario, there may continue to be staff working with children who count as ‘actively working towards’ their qualification for extended periods without completing their course. This may extend to implications for the quality of E&C provided, child safety practices and the professional reputation for the sector. Transparency by providers and greater flexibility to hire staff will alleviate the impacts of qualified staffing shortages, maintain current ratio requirements and minimise administrative burden for staffing waivers.

3.12.2 Cost and benefit quantification

Table 3-12 Cost and benefit impact assumptions of implementing Initiative 7.2

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased staffing costs	Under option B(i), 50% of centre-based educators must hold a diploma qualification. This is costed at the difference between the diploma rate (award level 3.4) and award level 3.1.	According to the 2016 Workforce Census, about 40% of paid contact staff in centre-based services held a diploma or higher qualification, with some variance by jurisdiction. The number of staff that hold a Certificate III or higher qualification is above 50% in all jurisdictions. Certificate III salaries are assumed to be set at award level 3.1. As such, the cost to ensure 50% diploma qualified ratios are met is calculated as: (Award level 3.4 rate – Award level 3.1 rate) * (50% of total paid contact staff - # of paid contact staff with a diploma or higher qualification).	<i>National Workforce Census (2016) Tables 1.4.1-1.4.9</i> <i>(December 2019) Children’s Service Awards (01 April 2021): Children’s Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR</i>	<i>Cost to centre-based services.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative costs	Developing guidance for providers to ensure staff are adequately working towards qualifications will require an effort of 3 hours per centre-based service at the diploma level in the first year, and 0.75 hours per service in future years.	Developing guidance for providers to ensure communications at centre-based services requires coordinator and educator staff to read and be aware of guidelines. Larger services may require additional time. 3 hours at the diploma rate is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain aware of processes is 25% of the first-year implementation cost. This includes costs for new services.	<i>NQF Snapshot Q4 2019</i> <i>(December 2019) Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR</i>	<i>Cost to centre-based services.</i>
Increased administrative burden and staffing costs (cont.)	Providers may incur additional administrative costs to monitor the proportion of staff 'actively working towards' a qualification in addition to the current obligation to monitor staff progress on qualification completion. Educators who are working towards a qualification would be required to comply with increased accountability requirements for course completion and to produce evidence periodically to demonstrate their progress. Providers may also incur increased staffing costs to attract qualified staff. Guidance can provide suggested processes for tracking staff progress and improve staff's ability to effectively comply with these changes, supporting a reduction in administrative burden in the long term.			<i>Cost to centre-based services.</i>
Increased workforce shortages	Limiting the 'actively working towards' provision would likely increase the demand for qualified educators, which would exacerbate the problems associated with qualified workforce shortages. Applications for staffing waivers may increase, with an additional administrative burden for providers. This may restrict the operation or impact the viability of services in regional and remote areas.			<i>Cost to centre-based services.</i>
Improved quality of workforce and educational outcomes for children	The additional requirements may encourage increased rates of course completion by educators which may support an increase in the quality of E&C being provided. Similarly, the minimum proportion of fully qualified educators in services will likely increase overall workforce quality. This can provide assurance that the service can provide quality E&C while acknowledging the link between educator qualifications and improved child outcomes as well as the quality of care provided. Additional guidance may similarly support providers to track and monitor course completion for educators 'actively working towards' a qualification. This can ensure educators maintain adequate progress towards their qualification, likely providing greater capacity to provide improved care for children.			<i>Benefit to families and communities.</i> <i>Benefit to centre-based services.</i>

3.12.3 Results

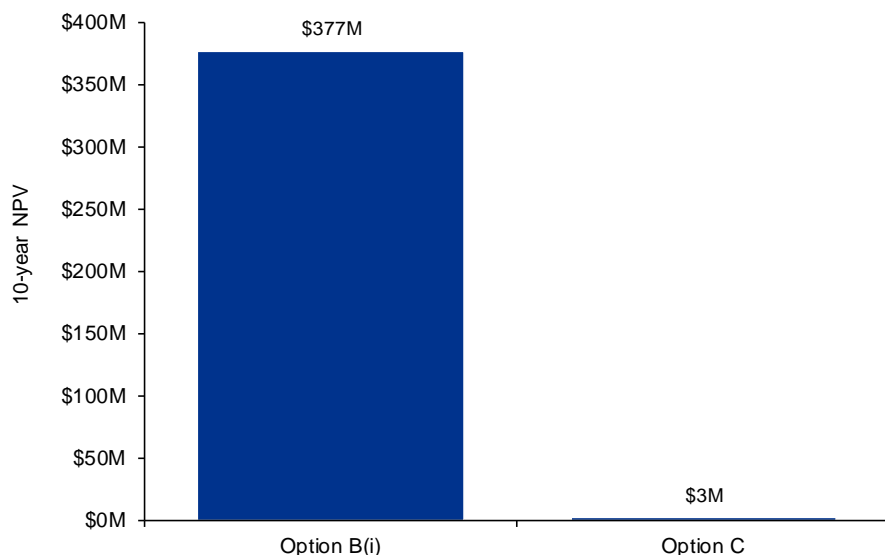
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 7.2. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-12 above. There are other non-monetary benefits and costs including an improvement of workforce and educational outcomes for children that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-12. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 7.2 at this stage.

Based on data provided to date, governments have advised that the quantifiable options are Options B(i) and C.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-45 below estimates the NPV of implementing preferred Options B(i) and C of Initiative 7.2. These estimates were obtained using data from the CRIS and assumptions set out in Table 3-12.

Figure 3-45: Net-present-value of cost/benefit for implementing Options B(i) and C of Initiative 7.2



Key observations:

— Option B is by far the costlier option, with an estimated NPV of \$377M over ten years. This is a result of approximately 11,000 staff having to be paid at the diploma level (award level 3.4) rather than their current Certificate III rates (award level 3.1). Note, this costing assumes the 50% diploma qualification ratio is reached by 1 July 2022.

Figure 3-46 below estimates the NPV of implementing Option B(i) by jurisdiction. Allocation of costs is determined by the distribution of centre-based educators according to 2016 National Workforce Census.

Figure 3-46: Net-present-value of cost/benefit for implementing Option B(i) by jurisdiction.



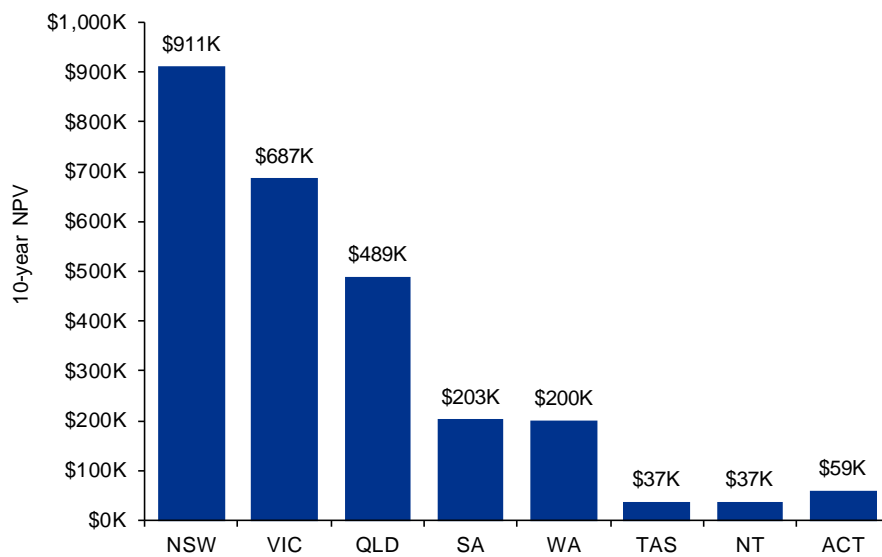


Key observations:

- NSW and QLD have the highest estimated costs, with an NPV of \$130M each. This is a result of the high number of Certificate III trained staff that will need to achieve a diploma qualification under the regulation.
- Despite its large size, Victoria has a relatively low cost, with an estimated NPV of \$29M. This is because 48% of centre-based educators in Victoria already have a diploma or higher qualification.

Figure 3-47 below estimates the NPV of implementing Option C by jurisdiction. Allocation of costs is determined by the distribution of centre-based services according to the 2019 Q4 NQF Snapshot.

Figure 3-47: Net-present-value of cost/benefit for implementing Option C by jurisdiction.



Key observations:

- NSW has the highest cost, with an estimated NPV of over \$900K. This is a result of the high number of centre-based services in the state.

3.13 Detailed Results – Initiative 7.3 (Minimum qualification requirements for educators in FDC)

3.13.1 Initiative background

Minimum qualification requirements for educators in FDC

This proposal looks to build on Initiative 7.2 by setting minimum qualification requirements for centre-based care that require all FDC educators to hold a Certificate III before caring for children. This will in effect remove the 'actively working towards' provision to allow FDC providers flexibility with staffing arrangements. A 2019 survey conducted by FDC Australia found that approximately 4% of FDC educators were actively working towards a Certificate III and did not hold an early childhood E&C qualification.

The following option for change was evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Remove the 'actively working towards' provisions for FDC educators and require these educators to hold an approved Certificate III qualification prior to commencing their role in an FDC service.
- Option C – Require educators in FDC services to have completed at least an approved Certificate III qualification within 24 months of commencement in an FDC educator role. Not applicable to South Australia.

In a base case scenario, FDC providers will be able to continue to hire staff that are 'actively working towards' a qualification to maintain flexible staffing arrangements, fill short-term vacancies and fulfil current ratio requirements. This will likely continue to support access to care for families across regional and metropolitan areas, while lowering barriers. This however may place children at risk as a result of FDC educators' lack of awareness of child safety best practice and lack of day-to-day support from qualified colleagues.

3.13.2 Cost and benefit quantification

Table 3-13 Cost and benefit impact assumptions of implementing Initiative 7.3

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased staffing costs	All staff regardless of qualification are paid the same rate (the diploma rate). As such, the increased staffing costs are nil for this recommended option.	Data provided by DESE indicates that the majority of FDC educators are self-employed. Chargeable rates may vary among self-employed educators with some jurisdictions indicating different qualification levels that have an average FDC educator wage at a similar level to the Diploma award rate (3.4) under the Children's Services Award. Therefore, increasing qualification requirements to a Certificate III level is not expected to increase overall costs to services.	<i>CRIS</i> <i>National Workforce Census (2016) Tables 1.4.1-1.4.9</i> <i>(December 2019) Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR</i>	<i>Cost to Family Day Care sector.</i>
Improved quality of education and public perception	This option can increase educator qualifications, which would likely support the quality of E&C being provided at FDC. The support for quality service provision and increased knowledge of educators through qualifications can reduce the risk of harm to children and improve overall public perception. This option also aligns with current requirements in South Australia where FDC educators must have completed a minimum Certificate III qualification before they commence their role.			<i>Cost to Family Day Care sector.</i> <i>Cost to families and communities.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden and reduced access		Any additional costs associated with recruiting qualified staff or applying for a staffing waiver would likely be reflected in higher fees. This would reduce access to quality E&C by making it financially prohibitive for some families. Alternatively, if providers absorb the increased costs of employing higher qualified educators, they may have to limit the number of places they are able to offer. Requiring the employment of higher qualified educators may impose administrative burdens on services due to recruitment or applying for a staffing waiver. It will also remove providers' flexibility to meet workforce demands through reducing the pool of available candidates.		<i>Cost to Family Day Care sector.</i> <i>Cost to families and communities.</i>

**Data provided by DESE indicates that the majority of FDC educators are self-employed and it is not clear how chargeable rates vary among self-employed educators with different levels of qualification. As such, this cost estimate is a proxy of costs to the FDC sector and not for services.*

3.13.3 Results



Note: As confirmed in consultation with governments and OBPR and based on the assumptions in table 3-13, there are no quantifiable cost or benefit impacts to this initiative given available data.

3.14 Detailed Results – Initiative 5.1 (FDC register and notification requirements)

3.14.1 Initiative background

FDC register and notification requirements

This proposal looks to overcome fraud and associated costs within the FDC sector through the improved accuracy and timely access to FDC provider registers by regulators. The change to record keeping requirements would create a one-off additional task for approved providers to move the information from their localised register into the NQA ITS. These registers are required to log all educators, coordinators and assistants engaged by the service, alongside their up-to-date details, qualifications and compliance checks. Costs associated with poor access to accurate educator information can include high costs to taxpayers (i.e. Child Care Subsidy) and risks to the health, safety and wellbeing of children. These costs also impact on the ability of the Regulatory Authorities to monitor Family Day Care services and educators.

The following option for change was evaluated as part of this proposed initiative:

- Revised Option B – Changes (legislative or otherwise) to the FDC register requirements to enable Regulatory Authorities to have timely access to FDC service level data that will enable risk-based proactive approaches to regulation and allow Regulatory Authorities, particularly during emergency situations such as bushfires, to support service providers in meeting their obligations to ensure the safety of children.

In a base case scenario, poor accuracy and limited access to FDC registers by regulators may pose risks to the safety of children. Limited access to educator details may prevent satisfactory monitoring of family day care educators by Regulatory Authorities and responses during emergency situations while families and children may come into contact with educators with a history of non-compliance.

3.14.2 Cost and benefit quantification

Table 3-14 Cost and benefit impact assumptions of implementing Initiative 5.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden	The cost to amend the register requirements is set at 3 hours per FDC service. NOTE: under the revised option B, quantification has not been calculated as it is highly unlikely to be accurate.	FDC registers are updated weekly. The additional tasks that are required in Option B are estimated to take an average of 3 hours per service.	CRIS <i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR</i>	<i>Cost to Family Day Care sector.</i>
Improved access to FDC registers by government regulators	The change to record keeping requirements will likely create a one-off additional task for approved providers to move the information from their register into the NQA ITS. This option can improve the traceability and accountability of FDC educators (and in some cases, coordinators) across the system, which may help better monitor the compliance of family day care services.			<i>Benefit to families and communities.</i>
Reduction in fraudulent activity in the FDC sector	Improved access to FDC provider registers and relevant information is expected to improve the traceability and accountability of FDC educators (and in some cases, coordinators) across the system, which may help governments to limit services that engage in fraudulent conduct.			<i>Benefit to families and communities.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Streamlined notification and register processes for FDC sector	The change to record keeping requirements can create a one-off additional task for approved providers to move the information from their register into the NQA ITS. It is expected that in the longer term, the burden on approved providers would drop as the online maintenance of information is likely to become more efficient.	This will likely reduce existing non-compliance costs associated with providers not keeping accurate registers of all FDC educators that can be made available to regulators within 24 hours of a request. These penalties range from \$2,000 to \$20,000.		<i>Benefit to Family Day Care sector.</i>
Improvement to children's health, safety and wellbeing	Improvements to FDC register compliance through streamlined processes and decreases in fraudulent activity may ensure children and families are not exposed to educators and other employees who may be non-compliant. This provides greater protection to children and families and reduces the impact to their health, safety and wellbeing.	Further access to FDC educator details during emergency situations such as bushfires and COVID-19 may allow Regulatory Authorities to support service providers in meeting their duty of care and safety obligations for children. Making current point-in-time information about FDC educators, coordinators and children available to Regulatory Authorities will also allow for more effective monitoring of FDC services.		<i>Benefit to families and communities.</i>

3.14.3 Results

Under the revised Option B for Issue 5.1, either legislative or non-legislative instruments may be used to ensure FDC-specific information is shared between the Australian Government and state and territory regulatory authorities.

Considering the revised recommendation has a relatively broad scope, calculating an associated cost for this issue is unlikely to be accurate. This is because the additional policy work required during implementation (such as the synchronisation of IT systems and revising internal government and processes) will ultimately determine the scale of impact on the education and care sector.

3.15 Detailed Results – Initiative 5.2 (Exceptional circumstances in FDC)

3.15.1 Initiative background

Exceptional circumstances in FDC

This proposal looks to improve oversight of FDC educators who have been approved to care for greater numbers of children due to exceptional circumstances. This will be actioned through the introduction of notification requirements for FDC educators that are operating above ratio due to exceptional circumstances. Current limits imposed include a total of seven children per FDC educator including no more than four children preschool age or under per FDC educator.

The following option for change was evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Require approved providers to include details of FDC educators operating above ratio due to exceptional circumstances on the FDC register.

In a base case scenario, there may continue to be FDC educators that operate above the required ratio for an extended period of time without proper cause. This may lead to poor supervision practices for children resulting in potential decreased safety. Approval for exceptional circumstances may continue to be rarely provided.

3.15.2 Cost and benefit quantification

Table 3-15 Cost and benefit impact assumptions of implementing Initiative 5.2

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Improved educational and developmental outcomes		Enabling Regulatory Authorities to monitor potential misuse of the exceptional circumstances provision may encourage compliance with required ratios which better promote children’s educational development.		<i>Benefit to families and communities.</i>
Increase in regulatory burden for providers		The provision of further details requiring approved providers to include details of FDC educators operating above ratio on the FDC register is expected to create a minor increase in regulatory burden for approved providers. This can however promote accountability and transparency through the centralised storage of information.		<i>Cost to Family Day Care sector.</i>

3.15.3 Results



Note: As confirmed in consultation with governments and OBPR and based on the assumptions in table 3-15, there are no quantifiable cost or benefit impacts to this initiative given available data.

3.16 Detailed Results – Initiative 5.3 (Safety around swimming pools in FDC)

3.16.1 Initiative background

Safety around swimming pools in FDC

This proposal looks to improve structural safety requirements and safety procedures for the operation of swimming pools in FDC residences and venues. This provides additional safeguards by reinforcing the need for active supervision and regular review of risk factors at existing and future FDC residences or venues with a pool, and by providing improved information and guidance to the FDC sector. Other than guidance, this proposal will not apply to Tasmania and Western Australia given existing jurisdictional legislation. There were 69 instances across Australia where children had been exposed to harm or hazard relating to swimming pools between 2017 and 2019. It is notable that the number of swimming pools in FDC differs across the nation, and some states and territories have a very limited number of FDC residences or venues with swimming pools. However, the continuing risk of hazard or harm relating to swimming pools in FDC can be have catastrophic consequences for children.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Swimming pools allowed with improved oversight.
 - Enable new and existing FDC educators with swimming pools to continue to operate with children under five years of age, with requirements for:
 - fencing (consistent with existing laws)
 - monthly monitoring by the approved provider (checklist assessment of pool and surrounds – with training: differentiated from compliance checks by council).
- Option D - Regulatory Authorities to provide additional guidance and resources in relation to water safety to FDC educators.

In a base case scenario, there may continue to be increased risks to young children around swimming pools at FDC residences or venues given the there is only one person supervising children and no oversight on ensuring safety and compliance. All E&C services will continue to have policies and procedures in place for water safety, including safety during any water-based activities.

3.16.2 Cost and benefit quantification

Table 3-16 Cost and benefit impact assumptions of implementing Initiative 5.3

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden	The number of FDC residences is equivalent to the number of FDC educators.	There is no data provided on the total number of FDC residences in Australia. As such, a conservative estimate of cost considers each FDC residence to have one educator.	<i>National Workforce Census (2016) Tables 1.4.1-1.4.9</i> <i>Governments and OBPR</i>	<i>Cost to Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
	The % of FDC residences with a pool in each state is set at 13%. Except for WA, which is set at 178 residences and Tasmania which prohibits swimming pools per its regulation 345.	In 2018, 13% of Australian residences had a swimming pool. WA is the only jurisdiction to report their number of FDC residences with a swimming pool at 178- corresponding to 10% of WA FDC educators. 13% was chosen for all other jurisdictions as a conservative estimate.	<i>Roy Morgan</i> <i>Governments and OBPR</i>	<i>n/a</i>
	There is no additional fencing required.	It is assumed that all FDC residences are currently compliant with existing laws for swimming pool fencing.	<i>Governments and OBPR</i>	<i>n/a</i>
	There is no additional reporting required.	FDC residences are expected to undergo one hour of monthly reporting under current practices. It is expected that reporting on pool safety is already included in this reporting time.	<i>Governments and OBPR</i>	<i>n/a</i>
	Providing additional guidance materials (Option D) is assumed to require one hour of labour for FDC educators at a Certificate III level.	All FDC educators working in an FDC residence with a pool will need to remain compliant and aware of guidance and resources in relation to pool safety. This is estimated at an effort of 1 hour per educator at the level 3.4 rate of \$26.01.*	<i>National Workforce Census (2016) Tables 1.4.1-1.4.9</i> <i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4</i> <i>Governments and OBPR</i>	<i>Cost to Family Day Care sector.</i>
Training Costs	Training cost per educator is set at \$78.03 + \$452 for drafting of training materials.	3-hour training is expected to be provided to all educators, which we assume are paid at the 3.4 award level. It is assumed that drafting the training materials will require 14 hours of FDC coordinator time.	<i>CRIS Children's Service Awards (01 April 2021): Children's Services Employee level 3.4</i>	<i>Cost to Family Day Care sector.</i>
Increased awareness and workforce training burden		There would also likely be additional costs in accessing or setting up a training program for FDC approved provider staff to be able to undertake the monthly inspections appropriately. The provision of training or guidance may improve the overall awareness of the sector in relation to water hazards including swimming pools and may result in increased knowledge of educators as well as improved ability to respond to emergencies associated with pools.		<i>Benefit to Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Varied access to childcare		It is possible but unknown how this may affect the availability of FDC places. FDC approved providers may find the additional requirements onerous and choose to reduce the number of FDC educators with pools. A reduced available pool of future educators may result in an increased difficulty for families trying to access care, while the impact of supply of available childcare options will particularly impact families in regional and remote areas.		<i>Cost to families and communities.</i>
Reduction in risk to child health and safety		The improved supervision and oversight of children engaging with or around swimming pools could assist in reducing the likelihood of an event due to a failure in safety measures. This can reduce the number of incidents where children drown or have a near drowning incident.		<i>Benefit to families and communities.</i>

**Data provided by DESE indicates that the majority of FDC educators are self-employed and it is not clear how chargeable rates vary among self-employed educators with different levels of qualification. As such, this cost estimate is a proxy of costs to the FDC sector and not for services.*

3.16.3 Results



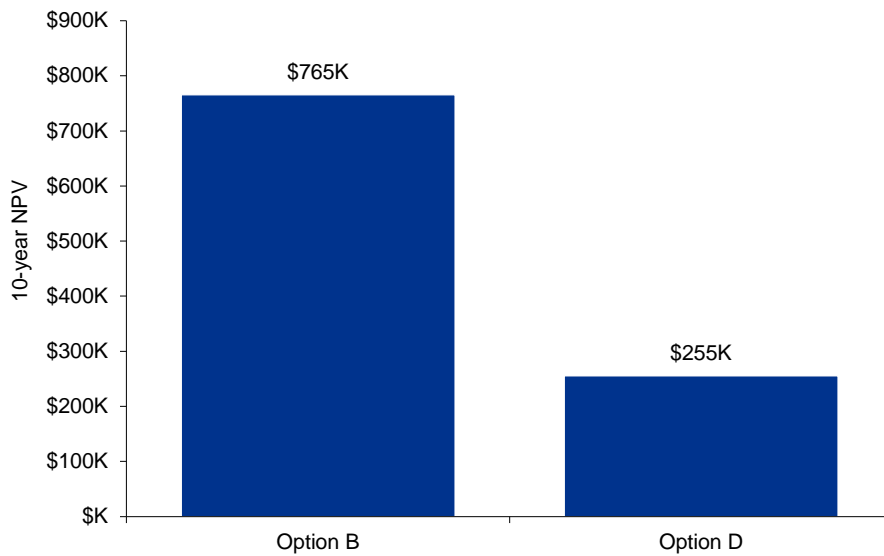
Note: Results for Initiative 5.3 are based on the assumption that the proportion of FDC residences with swimming pools is equal to the national average of residences of swimming pools of 13%. As such, the costs to warmer states (such as Queensland and the Northern Territory) are very likely to be understated and the costs for cooler states such as Victoria are very likely to be overstated. Data on the proportion of residences with swimming pools by jurisdiction was not available.

In this section we set out the quantifiable costs of implementing the preferred options of Initiative 5.3. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-16 above. Based on the data provided to date, we are only able to provide an estimate of the costs of each initiative that relate to additional administrative burden and training costs required for FDC residences to comply with regulations relating to swimming pool safety. There are other non-monetary benefits including a reduction in swimming pool related injuries that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-16. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 5.3 at this stage.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-50 below estimates the NPV of implementing preferred Options B and D of Initiative 5.3. These estimates were obtained using data and guidance from the CRIS and assumptions on training and other administrative costs set out in Table 3-16.

Figure 3-48 Net-present-value of cost for implementing options B and D of Initiative 5.3

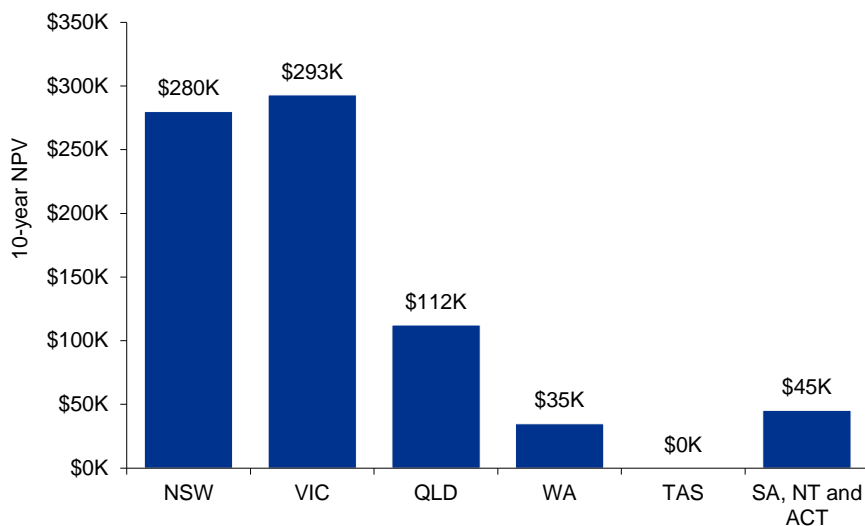


Key observations:

- The NPV of Option B is estimated to cost of \$765K. This cost is almost entirely driven by training costs for FDC educators.
- Providing guidance assumes an effort of 1 hour per FDC residence or venue with a swimming pool. This cost is estimated to have a 10-year NPV of \$255K.

Figure 3-51 below estimates the NPV of training costs for implementing Option B by state/territory. We estimate the number of FDC residences by state using the National Workforce Census and an assumption of 1 educator per residence.

Figure 3-49 Net-present-value of cost/benefit for implementing Option B by state/territory



Key observations:

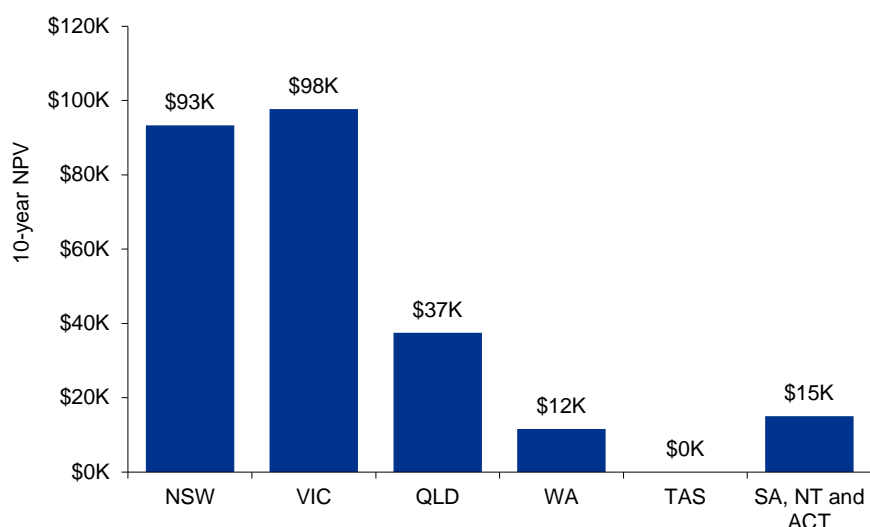
- FDC residences in Victoria are estimated to incur the greatest training costs, with a 10-year NPV of \$293K. However, these costs are very likely to be overestimated as it is expected that Victoria has a

lower proportion of FDC residences and venues with swimming pools relative to the national average, noting the limitation of available data.

- Tasmania’s Regulation 345 prohibits swimming pools at FDC services. As such, there are no costs for Tasmania.
- The FDC staffing numbers for ACT, NT and SA are not reported in the National Workforce Census. Their cumulative FDC residence numbers are estimated as the difference between the total Australian FDC staff and the sum of the other States per the National Workforce Census.

Figure 3-52 below estimates the NPV of administrative costs of implementing Option D by state/territory. We estimate the number of FDC residences by state using the National Workforce Census and an assumption of 1 educator per residence.

Figure 3-50 Net-present-value of cost/benefit for implementing Option D by state/territory



Key observations:

- FDC residences in Victoria are expected to incur the greatest administration costs, with a 10-year NPV of over \$98K. However, these costs are very likely to be overestimated as it is expected that Victoria has a lower proportion of FDC residences and venues with swimming pools relative to the national average, noting the limitation of available data.
- Tasmania’s Regulation 345 prohibits swimming pools at FDC services. As such, there are no costs for Tasmania.
- The FDC staffing numbers for ACT, NT and SA are not reported in the National Workforce Census. Their cumulative FDC residence numbers are estimated as the difference between the total Australian FDC staff and the sum of the other States per the National Workforce Census.

3.17 Detailed Results – Initiative 5.4 (Safety of glass used by services in FDC)

3.17.1 Initiative background

Safety of glass used by services in FDC

This proposal looks to improve the requirements for glass safety across the FDC sector, including home-based care services. Inconsistency and non-compliance with height requirements in FDC settings may expose children to a greater risk of harm than in other settings. Initiative 5.4 looks to bridge the information gap for FDC providers attempting to better understand and access glass requirements under the NQF. There have been 61 instances of confirmed breaches relating to glass requirements as at May 2019 and several critical incidents that have caused significant harm to children. This issue does not apply to WA as it has state-specific legislation on this matter.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – All FDC residences and venues to comply with 0.75m height requirement. (This reverts to previously superseded version of regulation 117)
- Option C – FDC residences and venues that are approved on or after the date the regulation comes into effect will be required to comply with 1m height requirement. Existing FDC residences will retain current requirements as follows:
 - a. FDC residences/venues approved before 1 June 2014 to comply with 0.75m requirement
 - b. FDC residences/venues approved between 2 June 2014 and [date regulation comes into force] to comply with 0.5m requirement, as currently specified by AS 1288–2006.
 - (This mirrors the Western Australia approach, with a clause that does not require residences or venues from 2 June 2014 to the date the regulation comes into effect, to comply with the increased height requirement).
- Option D – All new FDC residences and venues to comply with 1m height requirement from [date regulation comes into force].
 - FDC residences/venues approved before [date regulation comes into force] subject to the 0.5m and 0.75m requirements to be transitioned into the new 1m requirement by [sunset date].
 - (This will eventually require all approved FDC residences and venues to comply with a height requirement of 1m by putting in place an expiry date for the 0.75m and 0.5m requirements to allow these residences and venues time to comply with the 1m requirement).
- Option E – Regulatory Authorities to provide additional guidance and resources in relation to glass safety requirements for FDC services.

In a base case scenario, there may be serious incidents of significant harm to children from glass-related causes while FDC providers will continue to find it difficult to understand and access current glass requirements as outlined in the regulations. This may contribute to further breach incidents as well as FDC providers not complying with regulatory requirements. Incidents and the risks of incidents will continue to remain low.

3.17.2 Cost and benefit quantification

Table 3-17 Cost and benefit impact assumptions of implementing Initiative 5.4

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Costs associated with glass compliance	The number of FDC residences is equivalent to the number of FDC educators.	There is no data provided on the total number of FDC residences in Australia. As such, a conservative estimate of cost considers each FDC residence to have one educator.	<i>National Workforce Census (2016) Tables 1.4.1-1.4.9</i> <i>Governments and OBPR</i>	<i>n/a</i>
	80% of FDC residences were approved after 1 June 2014. Of these, 80% have safety glass/film on all panes that are between 0-0.75 metres from the ground, and 20% have safety glass/film on all panes that are between 0-0.5 metres from the ground.	Regulation AS 1288–2006 amended the minimum height of glass panels from 0.75 metres to 0.5 metres effective on 1 June 2014. However, most residences approved after that date are assumed to have remained compliant with the prior regulations that mandated a minimum height of 0.75 metres.	<i>Governments and OBPR</i>	<i>Costs to Family Day Care sector.</i>
	FDC residences are assumed to each have 10 1.5x1.5 metre windowpanes that must comply with regulations. Of these 10 panes, it is assumed that: <ul style="list-style-type: none"> • 5 are within 0.5 metres of the floor • 3 are within 0.5-0.75 metres of the floor • 2 are within 0.75-1 metres of the floor. 	Data on the number of windows per FDC residence and the height of windows on average is not currently available. The volume, width and distribution of windowpanes were provided by governments.	<i>Governments and OBPR</i>	<i>Costs to Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
	The cost of 1 square metre of safety film is set at \$41.03. Installation costs are based on market rates	\$41.03 is the per square metre cost of ASWF 100 micron Safety film—the lowest cost option for approved safety film. It is assumed that installation will be provided by a professional and not an FDC educator or other paid staff.	<i>Safety film and installation costs from: tintshop.tintingdirect.com.au</i> <i>Governments and OBPR</i>	<i>Costs to Family Day Care sector.</i>
	FDC residences will require 1 hour of labour at a diploma level to research and order safety film where required.	FDC coordinators are expected to assess whether the residence is compliant and educators will likely be responsible for bringing the residence to compliance by placing orders on the amount of safety film required for each impacted residence. As a conservative approach, this is assumed to take 1 hour of time at the diploma rate of \$26.01.*	<i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR</i>	<i>Costs to Family Day Care sector.</i>
	Providing additional guidance materials (Option E) is assumed to require 0.5 hours of labour for FDC educators at a diploma level.	All FDC educators working in an FDC residence or venue will need to remain compliant and aware of guidance and resources in relation to glass safety. This is estimated at an effort of 0.5 hours per educator at the diploma rate of \$26.01.*	<i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR</i>	<i>Costs to Family Day Care sector.</i>
Increased regulation on FDC providers	FDC services may need to implement additional safety measures to comply with renewed regulation requirements for glass. This can disrupt day-to-day activities and increase regulatory burdens for FDC providers. Flexibility and a grace period offered to FDC providers may prevent short term costs associated with these changes.			<i>Costs to Family Day Care sector.</i>
Increased consistency, awareness and compliance	Regulation requirements regarding glass safety are expected to be made nationally consistent across the FDC sector, alongside maintaining compliance with Australian standards. National regulations will then become consistent across states and territories regardless of FDC provider location. Greater consistency and clearer communication of information for glass safety requirements may improve FDC provider understanding and awareness.			<i>Benefit to Family Day Care sector.</i>
Reduction in incidents	Improved understanding of consistent regulatory requirements regarding glass safety may reduce non-compliance and the resulting number of incidents from poor glass safety at FDC providers.			<i>Benefit to families and communities.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Improved safety for children	A universal standard for glass safety may improve the safety for children attending residences or venues. This will assist in reducing the likely risks associated with glass at FDC services, while the full extent of risk of harm to children may not be accurately measured. Improvements to the consistency and communication of glass safety requirements to FDC providers can ensure child safety is at the forefront of daily operations and activity.			<i>Benefit to families and communities.</i>
*Data provided by DESE indicates that the majority of FDC educators are self-employed and it is not clear how chargeable rates vary among self-employed educators with different levels of qualification. As such, this cost estimate is a proxy of costs to the FDC sector and not for services.				

3.17.3 Results

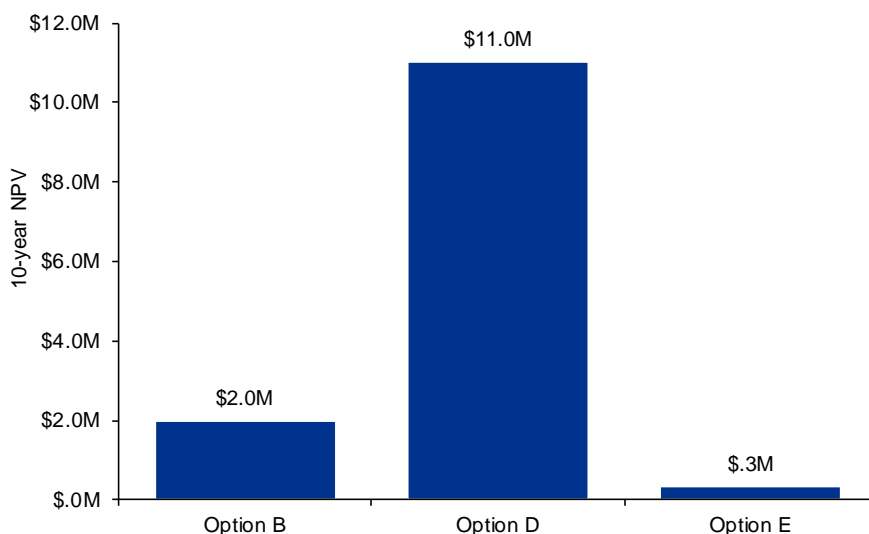
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 5.4. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-17 above. Based on the data provided to date, we are only able to provide a cost estimate for each initiative that relates to compliance with glass safety including administrative burden costs for impacted FDC residences. There are other non-monetary benefits including a reduction in glass-safety related injuries that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-17. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 5.4 at this stage.

No data has been provided on projected approvals and builds of new FDC residences or venues. As such, no cost estimates are provided for Option C, and the costs for Options B, D and E only reflect costs to existing FDC residences and venues. This approach has been validated in consultation with governments.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-53 below estimates the NPV of implementing preferred Options B, D and E of Initiative 5.4. These estimates were obtained using data from the CRIS and assumptions on the amount of safety glass and installation required as set out in Table 3-17.

Figure 3-51 Net-present-value of cost/benefit for implementing Options B, D and E of Initiative 5.4.



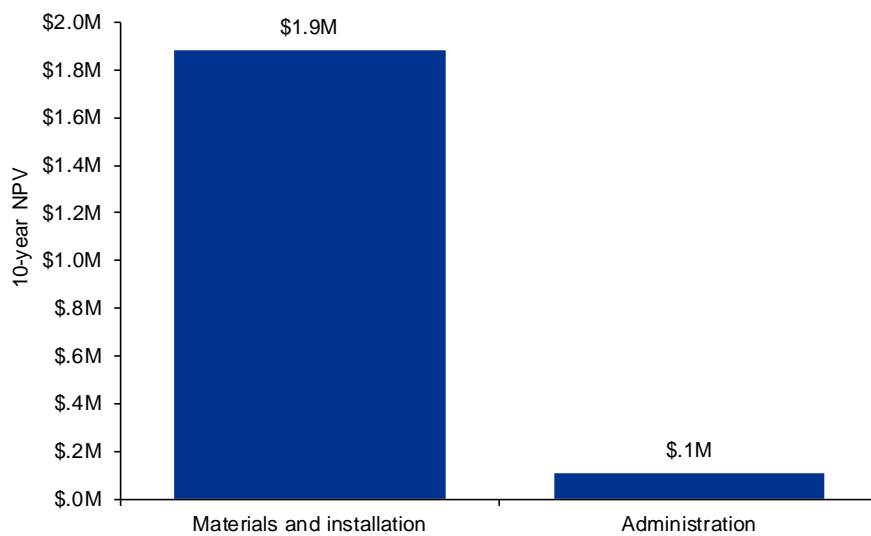


Key observations:

- Option D is the most expensive option, with a 10-year NPV of \$11M. This is largely driven from all existing residences having to apply safety film to at least some of their windowpanes.
- Option B has a 10-year NPB of \$2M. This is applicable only for FDC residences approved after 1 June 2014 that are compliant with regulation AS 1288–2006, but not with prior regulations mandating 0.75 metres. Given this was the minimum height of glass from the floor without safety glass or film.
- Option E is expected to have 10-year NPV cost of \$0.3M. This is a driven by every existing FDC residence undergoing 30 minutes of labour to read and understand guidance on glass safety.

Figure 3-54 below estimates the NPV of implementing Option B, split by materials and installation costs vs. administrative burden.

Figure 3-52 Net-present-value of cost/benefit for implementing Option B by cost category

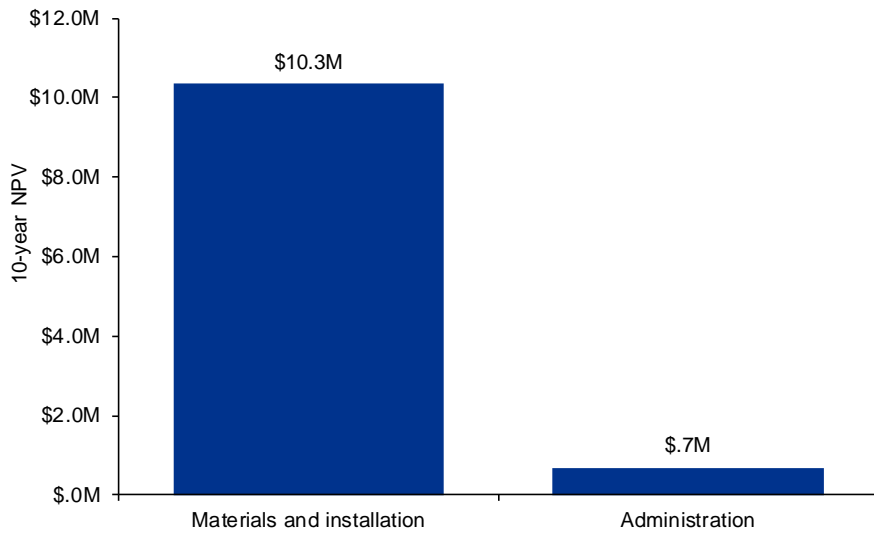


Key observations:

- Materials and installation of safety film drive the majority of costs for Option B, with a 10-year NPV of \$1.9M, compared with approximately \$100K in administrative labour costs.

Figure 3-55 below estimates the NPV of implementing Option D, split by materials and installation costs vs. administrative burden.

Figure 3-53 Net-present-value of cost/benefit for implementing Option D by cost category



Key observations:

- Materials and installation of safety film drive the majority of costs for Option D, with a 10-year NPV of \$10.3M, compared with approximately \$700K in administrative labour costs.

3.18 Detailed Results – Initiative 8.1 (The quality ratings system)

3.18.1 Initiative background

The quality ratings system

This proposal looks to address engagement with quality ratings by families and carers. This aims to improve public knowledge of, and access to, information about the quality of E&C services. The low understanding of the National Quality Standards rating scale often leads families to confuse the quality rating with the standards required for a service to legally operate and families will generally rely on their own assessment about a service and other practical considerations such as accessibility. These rating labels are perceived to be difficult to engage with and require additional explanation for families and carers. This proposal looks to improve the communication and presentation of the quality ratings label system and refine its use to better support public understanding of the value of quality in E&C settings.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Modify the quality rating terminology.
- Option C – Introduce a visual representation for communicating and promoting the quality ratings.
- Option D – Provide further guidance and advice to the community about the purpose of quality ratings, and the differentiation between a quality rating and minimum standards required under the National Law.

In a base case scenario, there may continue to be confusion with the complexity of the quality ratings label system with families lacking an adequate understanding of how to use service quality ratings to inform choices about childcare. Families may continue to confuse the rating system with the standards required for service to legally operate and apply their own judgement when seeking care. A targeted campaign by governments may alleviate the communication and engagement issue and can avoid further confusion caused by additional changes to the system.

3.18.2 Cost and benefit quantification

Table 3-18 Cost and benefit impact assumptions of implementing Initiative 8.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden	Development of additional guidance for the community about the purpose of quality ratings will impose a burden of 30 minutes per service at the diploma level in the first year, and 7.5 minutes per service in future years.	Providing guidance will require staff to read and be aware of advice to the community about the purpose of quality ratings. Larger services may require additional time. 30 minutes is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain aware of guidelines is 25% of the first-year implementation cost. This includes costs for new services.	<i>NQF Snapshot 2019 Q4</i> <i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR*</i>	<i>Cost to centre-based services and Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased awareness and understanding by families		Modifications to the rating terminology and improved presentation of the rating system may enable families to better understand the quality ratings to make more informed decisions when seeking education and care. This improved understanding of quality ratings can similarly reduce misconceptions associated with the 'Working Towards NQS' rating and support families and community to engage with the quality ratings system. This improved understanding will likely increase families' confidence that their children are safe and provided with high quality E&C in a quality service. This may also enable greater accessibility to services by families. This may also support providers and educators to promote their services and signal the importance of quality for children and the community.		<i>Benefit to families and communities. Benefit to centre-based services and Family Day Care sector.</i>
Increased administrative and staff training burden in the short term		Changes to the quality ratings system will likely lead to increased administrative burden in the short-term with requirements to update policies and procedures, incorporate promotional material and retrain educators. These changes may require additional costs, resources and time allocation. The costs associated with these changes will likely be assumed by governments in the short term. Costs may similarly be associated with implementing new visual representations that require visuals to be incorporated into branding and marketing materials used by the services.		<i>Cost to centre-based services and Family Day Care sector.</i>

3.18.3 Results

In this section we set out the quantifiable costs of implementing the preferred options of Initiative 8.1. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-18 above. There are other non-monetary benefits and costs including increasing awareness and understanding for families that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-18. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 8.1 at this stage.

Based on data provided to date, governments have advised that the quantifiable option is Option D.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-56 below estimates the NPV of implementing preferred Option C of 8.1 by jurisdiction. These estimates were obtained using data from the CRIS and assumptions set out in Table 3-18. Allocation of cost by jurisdiction is based on the distribution of services per the 2019 Q4 NQF Snapshot.

Figure 3-54 Net-present-value of cost/benefit for implementing Option D of 8.1.



Key observations:

- The estimated NPV of the cost of implementing Option D is \$452K. This is a result of all care services requiring 30 minutes of labour at the diploma level to become aware of enhanced guidelines in the first year of implementation, and 7.5 minutes in all subsequent years.
- NSW has the highest cost, with an estimated NPV of \$157K. This is a result of the high number of care services in the state.

3.19 Detailed Results – Initiative 10.1 (Assessing suitability of individuals to work directly or indirectly with children)

3.19.1 Initiative background

Assessing suitability of individuals to work directly or indirectly with children

This proposal looks to ensure that the assessment of individuals for their suitability to work directly or indirectly with children will continue to be robust and thorough to identify persons who pose a risk to children. This is designed to protect children from risks to their health, safety and wellbeing overseen by the appointment of a Person with Management or Control (PMC) of a service. This initiative similarly looks to align the definition of a PMC within FAL and National Law, define the full scope of responsibilities, and outline the proper assessment for the fitness and propriety of individuals who work with children.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Amend the definition of ‘person with management or control’ (PMC) of a service in the National Law to align with the definition of PMC of an approved provider body in the Commonwealth Family Assistance Law to the extent necessary to capture the individuals who direct and/or have significant influence over managing the delivery of an education and care service (whether or not they are employed by the approved provider of the service, for example people who work for third party management companies or who act as ‘shadow directors’ but have a large amount of influence over the control of service/s).
- Option E – Include an explicit obligation for FDC educators to notify the approved provider of circumstances arising that pose a risk to the health, safety or wellbeing of children of the service and that approved providers use this information in a risk assessment.

In a base case scenario, there may continue to be confusion surrounding the requirements between two different definitions of PMCs within the legislation governing E&C services in Australia. The overlap in the two definitions of a PMC within National Law and FAL will continue to create a situation where additional requirements may need to be satisfied for a person to be deemed a suitable PMC, leading to additional administrative burden and policy confusion for services. Instances may also exist where inappropriate individuals who pose a risk to children are permitted to enter the sector because of inconsistencies in the assessment of applications.

3.19.2 Cost and benefit quantification

Table 3-19 Cost and benefit impact assumptions of implementing Initiative 10.1

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden		<p>If the National Law were amended to match the FAL, some additional individuals who direct and/or have significant influence over managing the delivery of an E&C service (whether or not they are employed by the approved provider of the service) would be captured by the definition. The reform is expected to have little impact on providers where the company directors or members of the executive committee run the service and are already identified as PMCs. However, as alignment will result in a wider number of individuals being captured as PMCs, there could be a moderate increase in administrative burden involved in some of these individuals with influential roles in the management of an E&C service(s) needing to provide evidence of their fitness and propriety to the regulator, noting that these are typically obligations already existing under the FAL. These impacts could be ameliorated by regulatory systems, practices and smart technology that deliver improvement in application and assessment processes that simplify and streamline requirements for providers overall.</p> <p>Moreover, the alignment of the definitions is expected to more aptly streamline the approvals process and reduce overall burden for prospective providers, as well as existing providers seeking to expand service delivery.</p>		<i>Cost to centre-based services and Family Day Care sector.</i>
Improved application efficiency and effectiveness		<p>The alignment of definitions for a PMC within the FAL and National Law is expected to create consistency of the definitions on a national-level. This will likely make it easier to communicate a clearer definition of a PMC to providers and stakeholders.</p> <p>The clearer definition and alignment across the regulations will likely allow the approvals process to be more aptly streamlined and can improve efficiency for processing applications across the two systems. This can minimise associated confusion experienced by providers and can improve public confidence in the integrity of the system.</p>		<i>Benefit to centre-based services and Family Day Care sector.</i>
Reduction of risk to children's health, safety and wellbeing		<p>The associated improvements from a consistent definition of PMCs, the required assessment of individual suitability, and required notification of key risks to child safety will likely reduce the risks to the health, safety and wellbeing of children. The exclusion of individuals correctly identified as unsuitable will likely benefit children and families by reducing their exposure to harm.</p> <p>The application of making approved providers and other duty holders more accountable for the safety and wellbeing of children can provide greater oversight for child safety and assist in reducing the risk posed to their health, safety and wellbeing.</p>		<i>Benefit to families and communities.</i>

3.19.3 Results



Note: As confirmed in consultation with governments and OBPR and based on the assumptions in table 3-19, there are no quantifiable cost or benefit impacts to this initiative given available data.

3.20 Detailed Results – Initiative 10.2 (Cancellation of Provider Approval under Family Assistance Law)

3.20.1 Initiative background

Cancellation of Provider Approval under Family Assistance Law

This change looks to ensure FAL cancellation becomes explicit grounds for cancellation of provider approval under the NQF in order to streamline the process required to establish sufficient grounds. This aligns to community expectations that both systems reflect similar standards and inappropriate services do not continue to operate under the NQF system, posing a risk to the health, safety and wellbeing of children.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Legislative change that provides for FAL cancellation as explicit grounds for cancellation of provider approval under the NQF in circumstances where the FAL cancellation relates to fitness and propriety and/or a breach of the NQF.
- Option C – Legislative change that provides for refusal of provider approval under the FAL as explicit grounds for cancellation of provider approval under the NQF, where the FAL refusal relates to fitness and propriety and/or a breach of the NQF.

In a base case scenario, there may continue to be services that operate under the NQF that are considered unsuitable under the FAL. These services will pose a risk to children during the time taken for regulators to build a case for cancellation.

3.20.2 Cost and benefit quantification

Table 3-20 Cost and benefit impact assumptions of implementing Initiative 10.2

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Reduction of risks for children	The changes could likely lead to shorter timeframes for cancellation or refusal of provider approval, which is likely to reduce the risk that children in these services are exposed to.	This process can hold providers accountable for these requirements through a more streamlined process that can reduce the duration of risks posed to the health, safety and wellbeing of children.		<i>Benefit to families and communities.</i>
Reduced access to care for families (equity)	This may temporarily affect families with children in these services as they may have less time to seek alternative solutions for the E&C of their child.	When the cancelled provider is the only provider in the area, families may have to make significant life adjustments in order to care for their children (e.g. reducing work hours, leaving a job, travelling out of area).		<i>Cost to families and communities.</i>



Note: As confirmed in consultation with governments and OBPR and based on the assumptions in table 3-20, there are no quantifiable cost or benefit impacts to this initiative given available data.

3.21 Detailed Results – Initiative 10.3 (Arrangements to transfer a service to another approved provider)

3.21.1 Initiative background

Arrangements to transfer a service to another approved provider

This proposal looks to improve the processes involved with transferring a service to another approved provider including increased notification requirements to Regulatory Authorities and families. This aims to ensure service providers are appropriately vetted to deliver E&C to children and to enable families to reconsider their needs in the event of a transfer. New notice periods and requirements will hope to reduce complexities and delays, enable receiving providers to commence providing E&C once transferred and allow the Regulatory Authority to ensure the transfer meets the stringent requirements under the National Law and Regulations.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Develop guidance for services and providers about the service transfer process and how to best advise families about the transfer (for example, in relation to storage of children’s records).
- Option C – Minor legislative changes to address challenges associated with timeframes including:
 - a Increasing the notification period to 60 days;
 - b
 - c Making it mandatory for transferring and receiving providers to notify the Regulatory Authority of any change or delay to the intended date of transfer.
 - d Increase the notice period to families from 2 to 7 days.
- Option D – Amend the National Regulations to ‘deem’ the transfer to have occurred based on the advice of the receiving provider only, with receipt of the receiving provider’s right to occupy.

In a base case scenario, there may continue to be a lack of sufficient time for families to assess the impact of the transfer and make an informed decision for the E&C of their children. Incoming and outgoing service providers will continue to experience delays and administrative requirements while Regulatory Authorities may be unable to adequately assess the impacts on the safety and quality of service provision for children.

3.21.2 Cost and benefit quantification

Table 3-21 Cost and benefit impact assumptions of implementing Initiative 10.3

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased administrative burden	540 transfers a year are delayed annually.	According to the CRIS, there are 300-600 transfers each year. The high end of this average is assumed to account for expected increases in transfers and is a conservative estimate. According to an audit by NSW governments, approximately 90% of transfers were delayed by more than 7 days.	CRIS Governments and OBPR	Cost to centre-based services and Family Day Care sector.

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
	Every delayed transfer will require an additional 5 hours of labour at the diploma level under Option C.	In consultation with governments, it is advised that revising a transfer that has been refused will require an additional 5 hours of administrative work by a staff paid at the Diploma Level (\$26.01 per hour).	<i>National Workforce Census (2016) Tables 1.4.1-1.4.9</i> <i>Governments and OBPR</i>	<i>Cost to centre-based services and Family Day Care sector.</i>
	Developing guidance on service transfer processes is estimated to impose a burden of 0.5 days per service in the first year, and 0.125 days per service for ongoing years.	Providing guidance will require all staff to read and be aware of guidelines on transfer processes. Larger services may require additional time. 0.5 days per service is considered an average across all services. It is assumed that the ongoing cost of ensuring services remain aware of guidelines is 25% of the first-year implementation cost. This includes costs for new services.	<i>CRIS</i> <i>Children's Service Awards (01 April 2021): Children's Services Employee level 3.4 (Diploma)</i> <i>Governments and OBPR*</i>	<i>Cost to centre-based services and Family Day Care sector.</i>
Improved understanding for providers and families	The guidance created can provide greater clarity and understanding of the processes for transfer amongst providers and may better support families to understand the impact of change for their child or their records. This can support service providers to understand the complexity of the process and allow for greater due diligence to occur. Improvements in understanding and changes to notification timeframes can also provide families more time to make informed decisions about their child's care.			<i>Benefit to families and communities. Benefit to centre-based services and Family Day Care sector.</i>
Variability in process application	This can equally remove certainty for service providers and make the process more complicated and confusing. The receiving of provider advice only may streamline the process where necessary and can allow the process to become more flexible based on the circumstances.			<i>Cost to centre-based services and Family Day Care sector.</i>

3.21.3 Results

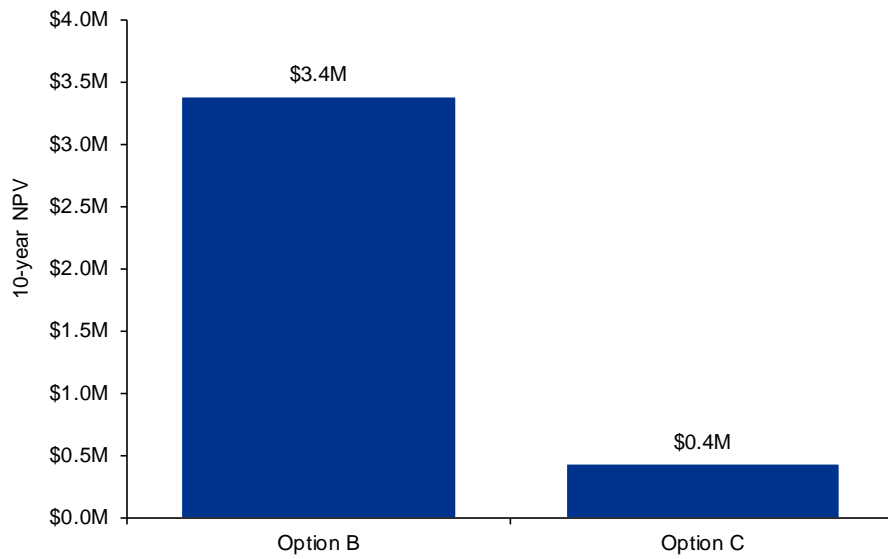
In this section we set out the quantifiable costs of implementing the preferred options of Initiative 10.3. The costs were estimated using the CRIS along with data and assumptions set out in Table 3-21 above. There are other non-monetary benefits and costs, including improved understanding by families of options available for their child's care that are not quantified in this section. A detailed breakdown of these benefits is described in Table 3-21. As such, these figures only present the direct monetary impact and thus cannot be interpreted as the net cost-benefit impact of implementing Initiative 10.3 at this stage.

Based on data provided to date, governments have advised that the quantifiable options for this initiative are Options B and C.

The figures below present cost figures in terms of a ten-year Net Present Value (NPV) of total cost, assuming a 7% real discount rate. Based on consultation with governments and OBPR, we assume the first date of cash flow to be 30 June 2023, to account for time to draft regulations and pass legislation, where required.

Figure 3-57 below estimates the NPV of implementing preferred Options B and C of 10.3. These estimates were obtained using data from the CRIS and assumptions set out in Table 3-21.

Figure 3-55 Net-present-value of cost/benefit for implementing Options B and C of 10.3.



Key observations:

- The NPV for providing guidance to services is estimated to cost \$3.4M.
- Assuming 90% of transfers are delayed, the additional administrative burden imposed on services by rejecting these transfers is estimated with an NPV of \$0.4M.

3.22 Detailed Results – Initiative 10.4 (Maintaining current information about service delivery)

3.22.1 Initiative background

Maintaining current information about service delivery

This proposal looks to update the notification requirements of service providers from voluntary to mandatory to ensure their service description and provider information continues to remain up-to-date. This requires service providers to give notification of changes to the ‘description of the nature of E&C service’ and the ‘proposed ages of children to be educated for’ along with other components such as current facilities. This ensures that service providers are adequately structured to provide services to their updated age groups or nature of care, while maintaining up-to-date registers for data accuracy.

The following options for change were evaluated as part of this proposed initiative, *with wording taken directly from the CRIS*:

- Option B – Amend the National Regulations to require notification of changes to the ages of children being cared for and nature of care provided to the Regulatory Authority, with an associated offence for failing to notify.
- Option C – Amend the National Regulations to introduce an approval requirement, which obliges providers to apply to the Regulatory Authority to change the ages of children cared for and nature of care delivered by a service.
- Option D – Regulatory Authorities to provide guidance and resources in relation to age-appropriate programs and facility requirements.

In a base case scenario, there may continue to be services that change the nature of care offered or accept children of different age groups than originally approved without accounting for changes required to facilities, staff or knowledge. This may continue to expose children to risks for their health, safety and wellbeing and will impact on the accuracy of data along with the ability for Regulatory Authorities to intervene. Service providers will continue to manage risks as required and can avoid additional administrative burdens associated with the change.

3.22.2 Cost and benefit quantification

Table 3-22 Cost and benefit impact assumptions of implementing Initiative 10.4

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased regulatory burden and restricted flexibility		The increased notification and application requirements for providers may restrict the flexibility of service providers to alter their operations to suit market conditions. This may create onerous administrative tasks for service providers that can threaten their service viability, and will likely require greater forward planning. This impact will depend on the ease and speed of the application / notification process. This change will likely incur application and processing costs for providers, and may result in longer timeframes for applications to change service type and age group information. This can lead to foregone earnings for the provider and additional hours for staff required to support the application process.		<i>Cost to centre-based services and Family Day Care sector.</i>
Improved support and processes for providers		The provision of guidance and resources by the Regulatory Authority on matters that a service should consider before changing its nature of care and/or age groups can allow the service to reconsider its decision or implement age-appropriate programs prior to making critical changes. This can create incentives for providers to ensure they have adequate knowledge of the different requirements of different service types and ensure their services cater to the needs of the current age groups.		<i>Benefit to centre-based services and Family Day Care sector.</i>

Impact considered	Assumption	Details and rationale	Sources	Cost/Benefit Impact
Increased access to information and assessment of risk		<p>The notification requirement changes can ensure Regulatory Authorities and families have access to information that is current and accurate. This can allow a more stringent and accurate assessment of the risks, safety and suitability of providers and their ability to provide E&C for varying age groups. Information on these services can likely assist family decision-making.</p> <p>Regulatory Authorities can conduct compliance visits to manage concerns associated with risks to new age groups. Regulatory Authorities will also have improved access to more accurate information about the type of care provided. This can allow regulators to proactively manage risks to the health, safety and wellbeing of children and implement safeguards where needed.</p>		<i>Benefit to families and communities.</i>
Restricted access for some families		Additional requirements that create delays for providers can also lead to temporary restrictions to access for families seeking an E&C service.		<i>Costs to families and communities.</i>

3.22.3 Results



Note: As confirmed in consultation with governments and OBPR and based on the assumptions in table 3-22, there are no quantifiable cost or benefit impacts to this initiative given available data.

Appendix

3.23 Appendix I: Endorsed options for Decision Regulation Impact Statement (DRIS)

The table below provides detail as to which options have been endorsed by ECGP for inclusion in the Decision Regulation Impact Statement (DRIS).

Table 4-1 Options endorsed by ECGP for inclusions in the DRIS.

Issue	Subgroup Decision	ECGP Decision Date	ECGP Recommendation
3.1 Transitions between services	Option C - Recommendation to State and Territory school authorities and non-government school sector organisations to develop policies and procedures to safely transfer children between schools and ECE services.	Endorsed 19 August 2021 ECPG	Endorsed recommending to Education Ministers that consideration of transitions between schools and early childhood education services be considered by the Schools Policy Group (option C).
3.1 Transitions between services	Option D - Require that where relevant, an education and care service has a policy and procedures for the transition period between education and care services (for example between school and OSHC, or OSHC and preschool), including a risk assessment process.	Endorsed 19 August 2021 ECPG	Endorsed option D to be progressed as the recommended options within the Decision Regulation Impact Statement (DRIS).
3.1 Transitions between services	Option E - Develop further guidance to support policies and procedures relating to the delivery of children to, and the collection from, education and care service premises, with an emphasis on transition periods between services, as well as further guidance for parents and families around notifying when a child is unable to attend an education and care service.	Endorsed 19 August 2021 ECPG	Endorsed option E to be progressed as the recommended options within the Decision Regulation Impact Statement (DRIS).
3.2 Sleep & Rest	Option C - Further guidance developed to support policies and procedures for sleep and rest, and to provide information to families on safe sleeping practices.	Endorsed 19 August 2021 ECPG	Endorsed option C to be progressed as a recommended option within the DRIS, with the inclusion of a targeted guidance package and an online training support module to support the policies and procedures for safe sleep and rest.

			NSW has not yet confirmed whether it will also seek to progress Option B (training) as a state-specific amendment.
3.2 Sleep & Rest	Option D - Amend the National Regulations to specify the matters that must be included in services' policies and procedures for sleep and rest.	Endorsed 19 August 2021 ECPG	Endorsed option D to be progressed as a recommended option within the DRIS, with a revision to include amendments to the National Regulations that specify that service providers must take account of the guidance provided by ACECQA, and how service providers will develop informed induction processes utilising the prepared training and guidance resources.
3.2 Sleep & Rest	Option E - Amend the National Regulations to require a risk assessment be conducted in relation to sleep and rest, including matters that must be considered within that risk assessment.	Endorsed 19 August 2021 ECPG	Endorsed option E to be progressed as a recommended option within the DRIS.
3.3 Transportation	Option D - Legislative change to require the presence of a staff member of the education and care service premises (other than the driver) when children are embarking and disembarking from the vehicle at the service.	Endorsed 19 August 2021 ECPG	Endorsed option D to be progressed as a recommended option within the DRIS with the exemption of Family Day Care. NSW has not yet confirmed its support for Option B and will provide its position to ECPG out of session.
3.3 Transportation	Option F - Further explicit guidance on the application of current requirements for ratios and qualifications, and what is adequate supervision as it relates to transportation provided or arranged by a service. Separate guidance will also be generated for the FDC sector.	Endorsed 19 August 2021 ECPG	Endorsed option F to be progressed as the recommended option within the DRIS with an amendment that guidance be explicit in regards to what is adequate supervision and the separation of Family Day Care guidance. Noting that QLD want further clarity about ratios in guidance

3.4 Safety in multistorey buildings	<p>Option B - Amend the legislation about emergency and evacuation procedures to require that for centre-based services located in multi-storey buildings:</p> <ul style="list-style-type: none"> • appropriate experts (such as fire safety experts, fire safety engineers, or emergency management professionals) are required to be: <ul style="list-style-type: none"> – engaged in the development of emergency and evacuation procedures and/or plans; and – to observe and report on one full emergency evacuation rehearsal at least annually and provide a report (which is made available upon request to the regulatory authority); and • that the emergency and evacuation procedures must set out additional information in regard to instructions for what must be done in an emergency, staged evacuations, identification of the person-in-charge and staff roles and responsibilities, and • a review and/or risk assessment, following certain prescribed events or a prescribed time period. 	Endorsed 16 September 2021 ECPG	<p>It is recommended that Option B, C, D and E be pursued as the recommended option within the DRIS. Noting that option B has been amended from the original wording in the CRIS to remove the requirement for consultation with an appropriate expert.</p> <ul style="list-style-type: none"> • <i>B: Amend the legislation about emergency and evacuation procedures to require that for centre-based services located in multi-storey buildings.</i> <ul style="list-style-type: none"> • <i>That the emergency and evacuation procedures must set out additional information in regard to instructions for what must be done in an emergency, staged evacuations, identification of the person-in-charge and staff roles and responsibilities, and</i> • <i>a review and or risk assessment, following certain prescribed events or a prescribed time period.</i>
3.4 Safety in multistorey buildings	<p>Option C - Strengthen service approval processes to require that for centre-based services located in multi-storey buildings the regulatory authority, in assessing the suitability of the education and care service premises, is to consider the need for direct egress to safe evacuation areas for very young children and non-ambulatory children. This option would also apply to FDC requiring approved providers to assess the FDC residence as part of their approval processes, where located in multi-storey buildings.</p>	Endorsed 16 September 2021 ECPG	Endorsed option C to be progressed as a recommended option within the DRIS.
3.4 Safety in multistorey buildings	<p>Option D - Amend service approval processes to require approved providers wishing to operate a centre-based service from premises in a multi-storey building in Victoria or ACT to apply to the regulatory authority for pre-approval of development and building plans for the proposed premises prior to development and construction. (Victoria and ACT only).</p>	Endorsed 16 September 2021 ECPG	Endorsed option D (for VIC and ACT) to be progressed as a recommended option within the DRIS.

3.4 Safety in multistorey buildings	<p>Option E - Enhance national guidance and communication strategies to improve understanding of service approval considerations for centre-based multi-storey buildings and reinforce existing emergency and evacuation requirements for the early childhood education and care sector. Guidance would also be prepared for persons involved in third-party planning and building development processes across states and territories.</p>	Endorsed 16 September 2021 ECPG	Endorsed option E to be progressed as a recommended option within the DRIS.
4.1 National Principles	<p>Option D - Amend the National Regulations and associated guidance to address identified gaps between the Child Safe Principles and the NQF to:</p> <ul style="list-style-type: none"> • Clarify that volunteers must be aware of the existence and application of any child protection law and any obligations held under it. • Require that all FDC co-ordinators complete child protection training prior to commencing employment and undertake annual refresher training. • Include working with vulnerable people/children check details on volunteer staff records. • Clarify that service providers' child safe environment policies and procedures must also cover the creation of a child safe culture. • Require services to develop and implement a policy and procedure around the safe use of online environments. • Require service complaint handling policies to include policies and procedures for managing complaints about children exhibiting harmful sexual behaviours. 	Endorsed 8 July 2021 ECPG	Endorsed Option D, Amend the National Regulations and associated guidance to address identified gaps between the Child Safe Principles and the NQF, proceed as the recommended option within the DRIS.
4.2 Record keeping requirements	<p>Option B - Improved guidance to assist providers on record keeping utilising existing best practice instructions developed by relevant Commonwealth, State and Territory Archive Authorities (for example, the National Archives of Australia General Records Authority 41) as per Recommendation 8.3, along with the five high-level record keeping principles recommended by the Royal Commission in Recommendation 8.4.</p>	Endorsed 8 July 2021 ECPG	Endorsed Option B, Improved guidance to assist providers on record keeping utilising existing best practice instructions developed by relevant Commonwealth, State and Territory Archive Authorities be progressed as the recommended option within the DRIS.

5.1 FDC register	<p>Option B - Amend the register requirements so that the FDC register is kept within the NQA ITS, and records information such as:</p> <ul style="list-style-type: none"> • Names and Dates of Birth of children attending the service. • Names and contact phone numbers of educators, co-ordinators and educator assistants. • Days and hours of care and number of children attending per session. • Relevant dates (e.g. residence assessment date, educator commencement/end dates). • Educators operating above ratio (and the applicable approved provider approved exceptional circumstance as per proposal 5.2). • FDC educators' and co-ordinators' PRODA numbers. 	Endorsed 16 September 2021 ECPG	<p>Option B revised to: “Changes (legislative or otherwise) to the FDC Register requirements to enable Regulatory Authorities to have timely access to FDC service level data that will enable risk-based proactive approaches to regulation and allow regulatory authorities, particularly during emergency situations such as bushfires, to support service providers in meeting their obligations to ensure the safety of children.”</p> <p>Endorsed revised option B to be progressed as a recommended option within the DRIS.</p>
5.2 FDC exceptional circumstances	<p>Option B - Require approved providers to include details of FDC educators operating above ratio due to exceptional circumstances on the FDC register.</p>	Endorsed 19 August 2021 ECPG	Endorsed option B to be progressed as the recommended option within the DRIS.
5.3 FDC swimming pools	<p>Option B - Swimming pools allowed with improved oversight.</p> <ul style="list-style-type: none"> • Enable new and existing FDC educators with swimming pools to continue to operate with children under five years of age, with requirements for: <ul style="list-style-type: none"> • fencing (consistent with existing laws) • monthly monitoring by the approved provider (checklist assessment of pool and surrounds – with training: differentiated from compliance checks by council) 	Endorsed 19 August 2021 ECPG	Endorsed options B to be progressed as the recommended options within the DRIS.
5.3 FDC swimming pools	<p>Option D - Regulatory authorities to provide additional guidance and resources in relation to water safety to FDC educators.</p>	Endorsed 19 August 2021 ECPG	Endorsed options D to be progressed as the recommended options within the DRIS, noting that it does not apply to WA or Tasmania.
5.4 FDC glass	<p>Option B - FDC residences and venues to comply with 0.75m height requirement.</p>	Endorsed 19 August 2021 ECPG	Endorsed option B to be progressed as the recommended options within the DRIS, noting it does not apply to WA.

5.4 FDC glass	Option E - Regulatory Authorities to provide additional guidance and resources in relation to glass safety requirements for FDC services.	Endorsed 19 August 2021 ECPG	Endorsed option E to be progressed as the recommended options within the DRIS.
6.1 Assessment and rating of OSHC	Option B - Modify assessment and rating methodology for services whose main purpose is providing education and care to children over preschool age.	Endorsed 18 October 2021 ECPG	The following revised version has been endorsed as the recommended option within the DRIS: <i>“Review and consider changes to the assessment and rating methodology for services whose main purpose is providing education and care to children over preschool age.”</i>
7.1 short term relief of ETCS	Option C - Broaden the qualification requirements for short-term staff replacements. For example, by allowing primary teachers and/or Certificate III qualified educators to replace diploma qualified educators on a short-term basis.	Endorsed 18 October 2021 ECPG	The following revised Option C has been endorsed as the recommended option within the DRIS: <i>“Broaden the qualification requirements for short-term staff replacements by allowing primary teachers to replace certificate III and diploma qualified educators for a period of up to 30 days.”</i>
7.2 Actively working towards	Option A - no change.	Endorsed 16 September 2021 ECPG	It is recommended that Options A and C are pursued as the recommended options within the DRIS. Noting that option C will be pursued once workforce data is available.
7.2 Actively working towards	Option C - Develop guidance for providers to ensure staff who are ‘actively working towards’ qualifications are making satisfactory progress.	Endorsed 16 September 2021 ECPG	It is recommended that Options A and C are pursued as the recommended options within the DRIS. Noting that option C will be pursued once workforce data is available.
7.3 Minimum qualifications for FDC	Option B - Remove the ‘actively working towards’ provisions for FDC educators and require these educators to hold an approved certificate III qualification prior to commencing their role in a FDC service.	Endorsed 16 September 2021 ECPG	Endorsed options B to be progressed as the recommended options within the DRIS.
8.1 Quality Ratings	Option A - no change.	Endorsed 16 September 2021 ECPG	It is recommended that Option A be pursued as the recommended option within the DRIS. Noting that option B and D will be considered after further research and evaluation is completed by governments through the Regulatory Practice Committee (RPC).

8.1 Quality Ratings	Option B - Modify the quality rating terminology	Endorsed 16 September 2021 ECPG	It is recommended that Option A be pursued as the recommended option within the DRIS. Noting that option B and D will be considered after further research and evaluation is completed by governments through the Regulatory Practice Committee (RPC).
8.1 Quality Ratings	Option D - Provide further guidance and advice to the community about the purpose of quality ratings, and the differentiation between a quality rating and minimum standards required under the National Law.	Endorsed 16 September 2021 ECPG	It is recommended that Option A be pursued as the recommended option within the DRIS. Noting that option B and D should be progressed after further research and evaluation is completed by governments through the regulatory practice committee.
9.1 Fees for Regulatory Authorities	Option B - Create a fourth category of application/annual fee for centre-based services with 101 or more places and FDC services with 61 or more educators.	Endorsed 29 July 2021 ECPG	Endorsed option B to proceed within the DRIS, but as a phased in approach.
9.1 Fees for Regulatory Authorities	Option C - Increase fees for the following: 1. Annual fees 2. Approved provider applications 3. Service approval applications 4. Transfer of service notifications.	Endorsed 29 July 2021 ECPG	Endorsed option C to proceed within the DRIS, but as a phased in approach.
9.1 Fees for Regulatory Authorities	Option D - Introduce a new fee for approval applications for amendment to service approval (which is currently free).	Endorsed 29 July 2021 ECPG	Endorsed option D to proceed within the DRIS, but as a phased in approach.
9.2 Fees for ACECQA	Option B - Increase application fee for a review by the ratings Review Panel of rating level (s145(2)(c)).	Endorsed 8 July 2021 ECPG	Endorsed options B to proceed within the DRIS, but not a doubling of the fee amount, and as a phased in approach over time.
9.2 Fees for ACECQA	Option D - Increase application fee for assessment of a course to be included as an approved qualification (regulation 138).	Endorsed 8 July 2021 ECPG	Endorsed option D to proceed within the DRIS, but as an increase with a phased in approach.
10.1 Suitability to work with children	Option B - Align the matters that must be taken into account in a fitness and propriety assessment under the National Law to be the same as the FAL, including in defining who is a PMC.	Endorsed 16 September 2021 ECPG	Option B has been amended to be alignment with the FAL to the extent necessary to capture the individuals who direct and/or have significant influence over managing the delivery of an education and care service (whether or not they are

			<p>employed by the approved provider of the service). This change reflects that alignment of matters to be taken into account under the NQF and FAL does not adequately address the underlying problem of the restricted definition of PMC within the national law.</p> <ul style="list-style-type: none"> • <i>“Amend the definition of ‘person with management or control’ (PMC) of a service in the National Law to align with the definition of PMC of an approved provider body in the Commonwealth Family Assistance Law to the extent necessary to capture the individuals who direct and/or have significant influence over managing the delivery of an education and care service (whether or not they are employed by the approved provider of the service). Amendment will be supported by regulatory policies and streamlined business process / IT solutions enabling a nationally consistent, risk-based approach to how regulatory authorities apply relevant discretionary aspects of fitness and propriety assessment.”</i>
<p>10.1 Suitability to work with children</p>	<p>Option C - Specify in the National Law that the regulatory authority can administer questions to an applicant in any format, in addition to the already existing powers to ask the person to provide further information and undertake inquiries in relation to the person.</p>	<p>Endorsed 16 September 2021 ECPG</p>	<p>Options C and D have been combined so that regulatory authorities can administer questions to test an applicant in any format, including assessment of knowledge of the NQF.</p> <ul style="list-style-type: none"> • <i>“Specify in the National Law that the regulatory authority can administer questions to an applicant in relation to their fitness and propriety in any format and undertake an assessment of their knowledge of the NQF. This will align to the regulatory authority’s existing powers to ask the prospective applicant to provide further information and conduct further enquiries about their fitness and propriety.”</i> <p>Endorsed reworded option C and D to proceed within the DRIS.</p>

10.1 Suitability to work with children	Option D - Make provision in the National Law to require applicants to undertake an assessment of their knowledge of the NQF prior to making an application, if requested by the regulatory authority.	Endorsed 16 September 2021 ECPG	Options C and D have been combined so that regulatory authorities can administer questions to test an applicant in any format, including assessment of knowledge of the NQF. <ul style="list-style-type: none"> • <i>“Specify in the National Law that the regulatory authority can administer questions to an applicant in relation to their fitness and propriety in any format and undertake an assessment of their knowledge of the NQF. This will align to the regulatory authority’s existing powers to ask the prospective applicant to provide further information and conduct further enquiries about their fitness and propriety.”</i> <p>Endorsed reworded option C and D to proceed within the DRIS.</p>
10.1 Suitability to work with children	Option E - Include an explicit obligation for FDC educators to notify the approved provider of circumstances arising that pose a risk to the health, safety or wellbeing of children of the service and that APs use this information in a risk assessment.	Endorsed 16 September 2021 ECPG	Option F to be progressed as a recommended option within the DRIS.
10.2 Cancellation of provider approval	Option B - Legislative change that provides for FAL cancellation as explicit grounds for cancellation of provider approval under the NQF in circumstances where the FAL cancellation relates to fitness and propriety and/or a breach of the NQF.	Endorsed 19 August 2021 ECPG	Endorsed option B to be progressed as the recommended options within the DRIS.

10.2 Cancellation of provider approval	Option C - Legislative change that provides for refusal of provider approval under the FAL as explicit grounds for cancellation of provider approval under the NQF, where the FAL refusal relates to fitness and propriety and/or a breach of the NQF.	Endorsed 19 August 2021 ECPG	Endorsed options C to be progressed as the recommended options within the DRIS.
10.3 Transfer of service approval	Option B - Develop guidance for services and providers about the service transfer process and how to best advise families about the transfer (for example, in relation to storage of children's records).	Endorsed 19 August 2021 ECPG	Endorsed options B to be progressed as the recommended options within the DRIS.
10.3 Transfer of service approval	Option C - Minor legislative changes to address challenges associated with timeframes including: 1. Increasing the notification period to 60 days; 2. Allowing the regulatory authority to refuse or delay a transfer if a significant issue arises after the intervention period has ended (intervention period is at least 28 days prior to intended transfer date) but before the transfer date; and/or 3. Making it mandatory for transferring and receiving providers to notify the regulatory authority of any change or delay to the intended date of transfer. 4. Increase the notice period to families from 2 to 7 days.	Endorsed 19 August 2021 ECPG	Endorsed option C to be progressed as the recommended options within the DRIS, with the removal of option C(2).
10.4 Maintaining current information	Option B - Amend the National Regulations to require notification of changes to the ages of children being cared for and nature of care provided to the regulatory authority, with an associated offence for failing to notify.	Endorsed 19 August 2021 ECPG	Endorsed options B to be progressed as the recommended options within the DRIS.
10.4 Maintaining current information	Option D - Regulatory authorities to provide guidance and resources in relation to age appropriate programs and facility requirements.	Endorsed 19 August 2021 ECPG	Endorsed options D to be progressed as the recommended options within the DRIS.

Source: Governments

3.24 Appendix II: Mutually exclusive options

The table below details each recommended option within each initiative and describes which initiatives are mutually exclusive in terms of their implementation.

Table 4-2 mutually exclusion options by initiative.

Issue	Option A	Option B	Option C	Option D	Option E	Option F
3.1	N/A	Not exclusive	Not exclusive	Not exclusive	Not exclusive	
3.2	N/A	Not exclusive	Not exclusive	Not exclusive	Not exclusive	Not exclusive
3.3	N/A	Not exclusive	Not exclusive	Not exclusive	Not exclusive	Not exclusive
3.4	N/A	Not exclusive	Not exclusive	Not exclusive	Not exclusive	
4.1	N/A	Not exclusive	Exclusive (either C or D)	Exclusive (either C or D)		
4.2	N/A	Not exclusive	Not exclusive	Not exclusive		
5.1	N/A	Only 1 option for change				
5.2	N/A	Only 1 option for change				
5.3	N/A	Not exclusive	Not exclusive	Not exclusive		
5.4	N/A	Exclusive (either B, C or D)	Exclusive (either B, C or D)	Exclusive (either B, C or D)	Not exclusive	
6.1	N/A	Not exclusive	Not exclusive			
7.1	N/A	Not exclusive	Not exclusive	Not exclusive		

Issue	Option A	Option B	Option C	Option D	Option E	Option F
7.2	N/A	Exclusive (either Bi, Bii, or Biii)	Not exclusive			
7.3	N/A	Exclusive (can't be with C or D)	Can be alone or with D	Can be alone or with C		
8.1	N/A	Not exclusive	Not exclusive	Not exclusive		
9.1	N/A	Not exclusive	Not exclusive	Not exclusive	Not exclusive	Only if Options A-E aren't chosen
9.2	N/A	Not exclusive	Not exclusive	Not exclusive	Not exclusive	
10.1	N/A	Not exclusive	Not exclusive	Not exclusive		
10.2	N/A	Not exclusive	Not exclusive			
10.3	N/A	Not exclusive	Exclusive (either C or D)	Exclusive (either C or D)		
10.4	N/A	Exclusive (either B or C)	Exclusive (either B or C)	Not exclusive		

Source: Governments