

Senate Committee: Education and Employment Legislation

Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

**Public Hearings
FRIDAY, 4 MARCH 2016**

QUESTION ON NOTICE: No 1

Senator Lines, Sue asked on Proof Hansard page 30

Modelling methodology

Question

Senator LINES: You got the ECA research yesterday, as I understand it. That says that double the number of families will be worse off.

Ms Wilson: We did receive it late yesterday. If you want, we can talk through what we think the difference in methodology is. I understand that you had the author of the report, Ben Phillips, talking to the committee.

Senator LINES: Yes. We might get you to do that on notice.

Answer

The report commissioned by Early Childhood Australia (ECA) and undertaken by the ANU Centre for Social Research and Methods (ANU) states that the proposed policy will benefit most families who use formal child care.

The study also states that the new subsidy is more progressive with lower income families more likely to gain than high income families.

The results of the study have differences to the Department of Education and Training's modelling results. The ANU study estimates that around 56 per cent of families are better off under the new subsidy with 32 per cent worse off.

While these are significant differences the ANU study acknowledges that the data sources that they used are very different to that of the Department. The Department has used administrative data with exact hours and prices of all child care fees paid per child and family with work activity estimated using data from the Household, Income and Labour Dynamics in Australia (HILDA) survey. The ANU study has used a much smaller sample of all information including child care usage and work hours.

The report notes that "*The Commonwealth will have a superior data base with the full population of formal childcare families and exact price and hours information for child care use*".

The report acknowledges that the Australian Bureau of Statistics (ABS) Survey of Income and Housing data used for the modelling is based on around 1,100 income

units (families). They have then extrapolated this data to estimate the number of families at a national level result.

- The resultant population distribution by income does not match the actual distribution of families using child care. In particular, it overstates the number of families at incomes less than \$65,710. As such, the analysis of the impacts of the new policy will not match those produced by the Department.
- The ANU modelling estimates 10 per cent fewer families will be using child care in 2017-18 than the Department's estimates. This will also have an effect on the analysis.
- The paper also acknowledges that ABS survey data undercounts the number of families using formal care.

The ANU report notes that, based on ABS data, 25.5 per cent of families could potentially not meet the first tier of the activity test as they do not have both parents (or one parent for single parents) working. The Department's administrative data shows that around 95% of those families using child care are currently undertaking some form of approved activity.

The ANU acknowledges that their modelling has not fully considered the scope of the activity test.

Importantly, the report states *"The data in the surveys however does not necessarily line up exactly with the legislated policy, as some people will be undertaking training or charity work that is not covered by the surveys"*.

The Department's model is far more comprehensive. It uses:

- Actual data from around 900,000 families, which includes the actual fees they pay and the hours for which they are charged
- Agreed parameter growth in Consumer Price Index and Wage Price Index
- Agreed inputs on the growth in the number of children in child care
- Agreed inputs on the growth in the number of hours of care used by children
- Agreed inputs on the growth in the fees paid by families
- Imputation from the Household, Income and Labour Dynamics in Australia (HILDA) survey on the hours of work of families in child care so as to better align their individual circumstances with their use of child care and the activity test
- First round behavioural changes of families based on the activity test.

It is not clear what assumptions the ANU have made in relation to all of these components, particularly for the forward estimates, which would have a significant bearing on the overall results.

It is also important to note that using a small sample size (1,100) when grown out to estimate the number of families in the Child Care System may overstate the impact due to inaccuracies when growing such a small sample size.

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QUESTION ON NOTICE: No 2

Senator Lines, Sue asked on Proof Hansard page 30–31

ECA consultations findings not recommended

Question

Senator LINES: (1) What did the report find? (2) Did it recommend any changes to the package? (3) And, if so, were the changes made?

Ms Wilson: The report, actually—and colleagues may correct me if I am wrong—did not find; it was to report on consultations. It was a statement of consultations all around Australia that all of us at the table participated in, and it told us what people said. For example, it told us that people thought grandparents should get access to 120 per cent. They are all decisions that government has since taken and where it, for example

Senator LINES: (4) What did the consultations find that were not recommended?

Ms Wilson: I would have to take that on notice.

Answer

1. The Early Childhood Australia (ECA) report provided a summary of the key issues raised in the 2015 Regulation Impact Statement (RIS) consultations.
2. The ECA report did not make recommendations for changes to the *Jobs for Families* Child Care Package. Rather the report provided a summary of stakeholder views and feedback from the RIS consultations about the implementation options and approaches set out in the RIS.
3. There were a number of changes made to the Package following the RIS consultation process based on feedback and suggestions from stakeholders. A summary of the key changes made based on feedback from the RIS process is at Attachment A.
4. Some aspects of the Package were not changed following stakeholder feedback provided during the RIS consultations, including:
 - suggestions that children older than 13 years of age be eligible for the Child Care Subsidy
 - options for probationary periods for providers and services
 - providing more than 24 hours of subsidised child care per fortnight regardless of parent's activity for low income families or as a universal entitlement.

Summary of the key feedback from stakeholders in the Early Childhood Australia report – changes made

<i>RIS ISSUE</i>	<i>STAKEHOLDER FEEDBACK</i>	<i>CHANGES MADE</i>
Family eligibility – activity test for eligibility for the Child Care Subsidy (CCS) – recognised activities	<p>Stakeholders indicated support for the proposed list of recognised activities that would satisfy the activity test, with divided support for limits on subsidised hours per week for some activities.</p> <p>Stakeholders supported a broad definition for voluntary work, studying and parents with caring responsibilities, and suggestions for additional recognised activities included all types of work experience, unpaid leave and non-contact hours associated with training.</p> <p>There was minimal support for limiting how long certain activities would be recognised, for example, limiting access to subsidies for setting up a business to six months.</p>	<p>The range of recognised activities will be expanded to include unpaid work experience and a broader definition of voluntary work.</p> <p>Limits on access to subsidised child care will be set for some activities where individuals are not currently engaged in the workforce. Individuals who are looking for work and not in receipt of income support, or undertaking voluntary work, will be entitled to 36 hours per fortnight of subsidised child care if this is the only activity and it is not combined with other recognised activities.</p> <p>The Bill provides that paid work (whether or not as an employee), a training course for the purpose of improving an individual's work skills or employment prospects or both, or an approved course of education or study, are recognised activities. Other recognised activities will be prescribed in the Minister's rules.</p>
Activity test for families with variable hours	<p>Stakeholders were concerned that the fortnightly activity test would be difficult for people with irregular hours to understand or use (casual workers were often cited).</p> <p>Some stakeholders were concerned that services may have difficulty increasing and decreasing hours of care in response to variability of work.</p>	<p>To make it easier for individuals to maintain their level of subsidised child care, for example because they are working casual or irregular hours, they will be able to estimate their hours of activity over a three month period to ensure their workforce participation is supported.</p> <p>The Australian Government will reduce regulatory requirements currently applying to child care services, including the hours per day and days per week a service must open to provide greater flexibility.</p>

<i>RIS ISSUE</i>	<i>STAKEHOLDER FEEDBACK</i>	<i>CHANGES MADE</i>
Family eligibility for the CCS – exemptions to the activity test	<p>Stakeholders strongly supported the continued operation of the current exemption categories, and agreed that supporting evidence is required to verify exemptions.</p> <p>There was also strong support for a range of additional circumstances giving rise to exemptions.</p>	<p>The existing exemptions to the activity test will be retained and an additional exemption category included for families if their child is attending a preschool programme in a child care service (for the period of the preschool programme).</p> <p>An exceptional circumstances exemption will address a range of circumstances, including families affected by domestic violence, serious illness or medical condition preventing an individual from working and families impacted by significant trauma.</p> <p>Exemptions from the activity test will be captured in the Minister's rules.</p>
Family eligibility for the CCS – allowable absences	There was strong consensus from stakeholders to retain the current arrangements for allowable absences, and a majority agreed that evidence needs to be provided to support absence days or applications for additional days.	Access to 42 allowable absence days per year will be retained.
Service eligibility for the CCS – approval process	There was stakeholder support for streamlining the approval process and placing more emphasis on the approved provider (operator).	The provider/service approval processes have been streamlined under the Bill – child care operators including those with multiple services can apply to be granted a provider approval to administer subsidies in respect of one or more services the provider operates.
Service eligibility for the CCS – Eligibility criteria to approve a provider/service to administer subsidies	The majority of stakeholders supported strengthening the eligibility requirements, including the capacity to require additional information, particularly with respect to financial management capability.	<p>The Bill strengthens the requirements to be considered in order for a provider to be approved to administer the CCS, including:</p> <ul style="list-style-type: none"> • the provider is a fit and proper person to be involved in the administration of CCS • any person with management or control of the provider is a fit and proper person • demonstrated financial management capability.

RIS ISSUE	STAKEHOLDER FEEDBACK	CHANGES MADE
Service eligibility for the CCS – operating requirements	There was strong stakeholder support to remove the restrictions on operating hours and days, but retain the minimum number of weeks per year requirement while allowing services in rural and remote locations to apply for an exemption if they are unable to operate for the required weeks.	<p>The Bill removes the current hours per day and days per week requirements and only specifies the number of weeks a service must operate.</p> <p>A shorter operating period can be considered in special circumstances, for example in the case of services in rural and remote locations.</p>
Service eligibility for the CCS – priority of access (POA) requirements	There was reasonably strong stakeholder support to retain the POA Guidelines with stakeholders also supporting reform or some simplification (although a significant proportion of stakeholders did not have strong views on how these are simplified). There were mixed views on the enforcement of the POA Guidelines; however there was strong support that the POA Guidelines only apply to filling vacancies, so as not to displace children already accessing care at a service.	<p>The POA Guidelines will be simplified to include two priorities only:</p> <ul style="list-style-type: none"> • Priority 1 – a child at risk of serious abuse or neglect (receiving Additional Child Care Subsidy) • Priority 2 – a child of a parent(s) who satisfy, the activity test through paid employment. <p>It is intended that the streamlined POA Guidelines will only be applied to vacancies.</p>
Temporary Financial Hardship	There was some feedback that the Department of Human Services (DHS) should determine temporary financial hardship for families rather than have services claim on behalf of families.	Services will no longer be required to certify/apply for Temporary Financial Hardship on behalf of individuals. Families will apply directly to DHS, who will manage the application and assessment process.
Additional Child Care Subsidy – Grandparent Carers	There was strong support for grandparents who are the primary carers of children to be included under the Additional Child Care Subsidy.	A new component of the Additional Child Care Subsidy to support grandparent primary carers who are in receipt of income support was announced on 30 November 2015.
Community Child Care Fund – Access to Affordability support	While feedback showed broad support for the policy intent of this element, there were strong concerns expressed about its implementation through a competitive grants programme under the Community Child Care Fund. The measure was seen as administratively complex and unlikely to provide the additional support to the families needing it the most.	This element of the Community Child Care Fund has been removed and this was announced through the 2016–16 Mid-Year Economic and Fiscal Outlook. Lower income families living and working in high cost areas will still be assisted through the Child Care Subsidy, with low income families earning \$65,710 or less being entitled to the maximum rate (85 per cent) of the Child Care Subsidy.

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QUESTION ON NOTICE: No 3

Senator Hanson-Young, Sarah asked on Proof Hansard page 37

Activity test - families using more and less than 36 hours care

Question

Senator HANSON-YOUNG: Can you tell me how many families on the first step of the activity test use more than 36 hours of care a fortnight?

Ms Wilson: We would have to take that on notice.

Senator HANSON-YOUNG: How many use less than 36 hours? If we could get that back within a reasonable time frame, that would be great.

Answer

The Department does not collect the exact hours of care, nor the hours actually needed and used as providers charge for sessions of care. The Department models families' entitlements under the activity test based upon their current Child Care Benefit and Child Care Rebate activity test outcomes. The Department then takes this into account when modelling the impact in the new system to determine their entitlement under the new activity test.

Based upon the Department's modelling, the percentage of families at each tier of the activity test is as follows:

Activity test - allowed hours per fortnight	Percentage of Families
0	3.0%
24	5.3%
36	3.6%
72	21.2%
100	66.9%
All	100.0%

Note: this is an entitlement and families usage may differ.

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QUESTION ON NOTICE: No 4

Senator Lines, Sue asked on Proof Hansard page 38

Stakeholder confidentiality agreements

Question

Senator LINES: (1) In the course of developing policy for this bill, did the department ask any stakeholders to sign confidentiality agreements?

Ms Wilson: In the lead-up to the budget, where we presented what our intentions were in terms of thinking around the budget, we asked stakeholders who attended those meetings to sign confidentiality agreements. It is a normal practice when we are releasing budget considerations ahead of the budget.

Senator LINES: (2) How many were signed, and on how many occasions?

Ms Wilson: They only ever signed them once. It was called a technical reference group, and while the group met several times the confidentiality agreements covered the whole process of our engagement with them. I will have to take on board how many actually signed. My recollection is that there were about 25 people who participated in the group, from various organisations.

Senator LINES: So you pooled together a specific group that you called a technical consultation group for the purpose of consultation.

Ms Wilson: For the purpose of testing the budget position.

Senator LINES: Yes. (3) So, did the minister or the minister's office at the time request or require that the agreements be put in place?

Ms Wilson: My recollection is that it was actually a suggestion from the department.

Senator LINES: Is that a yes? Or a no?

Ms Wilson: I would have to go and check, but I think my recollection—

Senator LINES: If you cannot be certain, you will need to check.

Ms Wilson: I will take it on notice.

Answer

1. Yes, as this is a normal practice when we are releasing Budget considerations ahead of the Budget.
2. Twenty-five agreements were signed. Agreements were only signed once.
3. No, it was a requirement of the department.

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QUESTION ON NOTICE: No 5

Senator Lines, Sue asked on Proof Hansard page 38

List of members of technical reference group

Question

Senator LINES: Can we get a list of that group?

Ms Wilson: You certainly can.

Answer

Members of Technical Group were:

- Ms Kylie Brannelly, Queensland Children's Activity Network
- Ms Gwynn Bridge, Australian Childcare Alliance, and Childcare Qld
- Ms Brianna Casey, Childcare NSW
- Ms Ros Cornish, Early Childhood Australia, and Lady Gowrie Tasmania
- Ms Anita Jovanovski, NSW Family Day Care Association
- Ms Christine Legg, KU Children's Services
- Ms Judith McKay-Tempest, Early Childhood Education, Macquarie University
- Ms Robyn Paterson, National Association of Mobile Services for Rural and Remote Families and Children
- Ms Prue Warrilow, Australian Community Children's Services, and Families At Work
- Ms Naomi Wilson, Spectrum Lifestyle Counselling & Coaching
- Ms Jane Bourne, The Gowrie QLD
- Ms Anne Bowler, National Association of Mobile Services for Rural and Remote Families and Children
- Ms Lisa Godwin, Child Care Association of WA
- Mr Tom Hardwick, Guardian Childcare
- Ms Julia Davison, Goodstart Early Learning
- Mr Bernie Nott, Early Childhood Management Services
- Mr Michael Tizard, C&K
- Ms Melodie Davies, FKA Children's Services
- Mr Andrew Hume, Lady Gowrie Victoria
- Mr Shane Lucas, Early Learning Association Australia
- Ms Sam Page, Early Childhood Australia
- Ms Ginie Udy, SDN Children's Services

- Ms Carla Northam, Family Day Care Australia
- Mr Nick Anagnostou, Folkstone Education
- Ms Annmarie Sansom, Australian Nanny Association NSW

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QUESTION ON NOTICE: No 6

Senator Lines, Sue asked on Proof Hansard page 39

Future funding for nanny services

Question

Senator LINES: And then on 5 June—I think when you were still in the other department—Mr Pratt said: There is funding in the overall appropriation for a continuation of a nanny service, depending on what comes out of the trial. There is money set aside for a future program if the government decides to go with that. And then Mr Pratt went on to say: On the assumption that the trial is successful in some degree, based on the outcomes of the trial, there may be further advice to government, changes to the arrangements and so forth. But the money is there if it is needed. Page 6 of the department's submission says that \$184.5 million will be allocated to the nanny pilot in 2016-17.

Ms Wilson: That is right.

Senator LINES: Is there any ongoing allocational provision beyond this?

Ms Wilson: Yes. Senator LINES: How much?

Ms Wilson: I might have to take the exact number on notice.

Senator LINES: Where does it say that there is additional funding?

CHAIR: Ms Wilson is just going to go to—

Ms Wilson: I am just looking here. The \$184.5 million is for the actual nanny pilot spans 2016 and 2017. And because it is not a childcare benefit or a childcare rebate it actually comes in our budget papers under 'Childcare Community Support Program' in the budget documentation. That \$184.5 million is available through that part of our programs. What Mr Pratt was saying—and I recall being with him at the time—is that in terms of that nanny pilot there is an evaluation after that and there is money within the childcare subsidy, which is a new program that starts on 1 July 2017, to continue with a form of that.

Senator LINES: How much? is the question.

Ms Wilson: I think we will need to take that on notice.

Answer

An allocation of \$268.0 million (\$89.3 million in 2017-18 and \$178.8 million in 2018-19) was included in the forward estimates through the 2015-16 Budget to provide ongoing funding. This amount allowed for up to 4000 families anticipated to be participating in the Nanny Pilot Programme to access the Child Care Subsidy.

This allocation will be amended at the next estimates update process to take into account the revision, as announced through MYEFO, to 3000 families.

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QUESTION ON NOTICE: No 7

Senator McKenzie, Bridget asked on Proof Hansard page 41

Comment on witness's evidence

Question

CHAIR: I have a final question. On notice, earlier today Ms Woodward gave some evidence which I would like you to review and see if there is any way that you could clarify for her the position of the package, I would appreciate that.

Page 18-19

Ms Woodward: Just recently I was going to have to pull my daughter out of child care after being denied the JET assistance—Jobs, Education and Training assistance—because I am still doing a bachelor's degree and I have not moved on to do masters or something yet. Therefore I was not eligible for continued JET assistance, which meant I would have to drop my degree and everything. Under the current childcare benefit and childcare rebate I am still paying, without JET assistance, about \$175 a week and living full time on a single parenting pension. After rent I have about \$500 left a fortnight, so paying \$350 in child care a fortnight is not a viable option. That means that on top of full-time uni I am going to have to look at part-time work, which also is not really an option. With how it currently works, it is absolutely not a viable option for single parents, and I believe that under the proposed—sorry, I am still a bit unsure. Is it being funded by cutting benefits from the family tax?

Ms Briskey: That is a concern of parents, as at the moment the government is proposing that the only way to increase the investment is by having savings from the cuts to family tax benefit payments and paid parental leave.

CHAIR: And there are some other things that assist in paying for this. It is not simply changes to that.

Ms Briskey: That is the major concern this year.

CHAIR: Let's be fulsome in our information, thanks, Ms Briskey.

Ms Briskey: No, absolutely.

Ms Woodward: Any cuts at all there would affect me. Although child care might be more affordable as a low-income earner, without paying any child care at all I am already losing out a lot.

Senator HANSON-YOUNG: So you are saying that, if you have cuts to your family tax benefit, then overall you are going to be worse off—even if the childcare subsidy increases—because it is taking out of one part of—

Ms Woodward: It is just taking from something to go to another thing. For parents who are on low income and are not using child care, those cuts are going to affect them while they

cannot afford child care either. So it is taking from the poor, really, to benefit people who are able to work and are able to earn that \$65,000 or more, which is not necessarily possible for single parents.

CHAIR: I do not think that accurately describes the situation for those who are earning under \$65,000. They still have access to fully subsidised child care—so if you are earning less than \$65,000 the taxpayer is fully subsidising.

Ms Woodward: Yes. So it would go down, from my calculations, to around \$15 a day in child care, which is still a lot of money if you are earning, after rent, about \$500 a fortnight.

Page 20

CHAIR: Ms Woodward, how do you feel about that—about The Parenthood actually supporting 50 per cent subsidies for families on \$500,000 a year?

Ms Woodward: As someone who is earning under \$30,000 a year, I think it removes the stigma that goes along with being poor and getting handouts, so I actually support it.

...

Ms Woodward: I would like to add to that. If the money used by those high-income earners on day care went going toward low-income earners, perhaps it would be a different story. But the fact is that, to pay for these cuts, it comes from low-income earners anyway.

Answer

Due to a lack of detail regarding Ms Woodward's study and JETCCFA history, particularly in regards to how long she has been receiving assistance for her bachelor level course, the department is unable to provide a detailed response. The department however can provide some information regarding current JETCCFA requirements.

JETCCFA provides additional assistance to parents on income support to enhance their skills through work, training or study to enter or return to the workforce, without the cost of child care being a barrier to their participation.

Specific limits on the length of JETCCFA funding apply depending on the type of activity being undertaken. For example, assistance is limited to 26 weeks for employment activities and up to 104 weeks for study, regardless of the duration of the course.

As part of the 2012 Budget changes to the programme, assistance for study activities was more specifically targeted to accredited courses of study from the Certificate II level to Graduate Diploma level. Access to JETCCFA for lower level vocational qualifications, Masters and Doctoral degrees, and non-accredited studies is no longer available under the programme.

In January 2015 further changes were made to the programme including introducing a 36 hours weekly limit per child for JETCCFA payments to recipients undertaking study. Parents who study and use JETCCFA can access up to 36 hours of child care across the week. Parents who are working or undertaking a combination of activities, for example work and study, can still be eligible for the number of hours required per week, up to a maximum of 50 hours of assistance.

As part of the Jobs for Families child care package, the Additional Child Care Subsidy Transition to Work element will provide support to families who are transitioning to work from income support by engaging in work, study or training activities. Transition to Work provides a higher subsidy for families of 95 per cent of the actual fee charged (up to the hourly fee cap), with the number of hours determined by the Child Care Subsidy activity test. It also allows for up to 12 weeks of the higher subsidy if recipients are employed and come off income support, as an incentive for people to move into jobs.

To be eligible for Transition to Work, families need to be:

- eligible for the Child Care Subsidy
- receive a rate of income support from one of the following payments:
 - Parenting Payment
 - Newstart Allowance
 - Disability Support Pension
 - Youth Allowance
 - a payment prescribed by the Minister's rules.
- have a Job Plan (whether mandatory or voluntary) in effect (employment pathway plan within the meaning of the *Social Security Act 1991* (Cth), or a participation plan under section 94B of the *Social Security Act 1991* (Cth)).

Assistance provided under Transition to Work will compare favourably to that currently available under JETCCFA.

The Government has stated that the provisions of the Jobs for Families Child Care Package are all subject to the passage of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 and the Family Tax Benefit savings required to fund it.

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QUESTION ON NOTICE: No 8

Senator McKenzie, Bridget asked on Proof Hansard page 41

ANU and Deloitte modelling

Question

CHAIR: There was Mr Phillips's and the Deloitte modelling that was put forward by different submitters today. I would also like to know whether the department has any comments to make around the veracity of the claims made in those reports. I would appreciate that on notice.

Answer

Re ANU modelling

Please refer to response to Question No 1.

Re Deloitte modelling

The Deloitte Access Economics Report is not reliable, as its analysis is based on a survey of 24 Budget Based Funded (BBF) services, representing about 8 per cent of the 298 BBF services.

This analysis was narrow in scope as it focussed on a limited number of child care service types, largely Multifunctional Aboriginal Children's Services and Outside School Hours Care services, located in Victoria, New South Wales, Northern Territory and Western Australia. The Report did not take into account changes in parental behaviour to meet higher activity test thresholds.

The survey analysed the impact of the Child Care Subsidy (CCS), but did not consider the impact of additional funding services could receive through the Child Care Safety Net.

Through the Child Care Safety Net, former BBF services, who become approved CCS providers, will be able to access the Additional Child Care Subsidy which will fully cover fees for some families and the Community Child Care Fund which will provide additional support to services.

The Department of Education and Training does not believe Deloitte's analysis is an accurate reflection of the impact of the *Jobs for Families* Child Care Package on BBF services.

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QUESTION ON NOTICE: No 9

Senator Reynolds, Linda provided in writing

Indigenous specific program within the Child Care Safety Net

Question

Aboriginal and Torres Strait Islander services - which serve the most vulnerable Indigenous children - may be significantly compromised by the Jobs for Families Package. Has consideration been given to establishment of an Indigenous specific program within the Child Care Safety Net to reflect the special need of this cohort and Australian Government goals?

Answer

Indigenous families will be supported under the *Jobs for Families* Child Care Package through access to the Child Care Subsidy and the Additional Child Care Subsidy. In some cases these families will be able to access child care subsidies for the first time.

A key component of the Package is the Child Care Safety Net, which will provide \$858 million over the forward estimates from July 2017 to assist disadvantaged or vulnerable families and children, which will include families from Indigenous backgrounds.

Also under the Child Care Safety Net, commencing in July 2016, \$10 million a year will provide for the integration of early childhood, maternal and child health and family support services with schools in a number of Indigenous communities experiencing disadvantage, as recommended by the Forrest Review of Indigenous Training and Employment, *Creating Parity*.

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QUESTION ON NOTICE: No 10

Senator Reynolds, Linda provided in writing

Viability of Budget Based Funding program services

Question

To provide clarification on the justification for ending the program and moving services to the Child Care Subsidy, can you please detail the Government's evidence of the viability of Budget Based Funding program services to meet the needs of their target populations under the Jobs For Families Child Care Package

Answer

Many reviews have highlighted a range of issues with the Budget Based Funded (BBF) Programme. The BBF Programme Review found that a formula-based approach to funding be adopted to provide a more coherent and equitable means of funding. The Productivity Commission Report into Childcare and Early Childhood Learning also recommended replacing the BBF Programme with new arrangements.

Under the *Jobs for Families Child Care Package*, BBF services providing child care and accessing the Child Care Subsidy (CCS) will be able to grow and support a larger number of children, particularly Indigenous children, as they will have access to the same funding streams that support mainstream child care services.

In addition, BBF services delivering child care will also have access to the Child Care Safety Net which will supplement the CCS and provide targeted assistance to disadvantaged communities to address barriers in accessing child care, while encouraging parents to enter and return to the workforce.

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QUESTION ON NOTICE: No 11

Senator Reynolds, Linda provided in writing

Number of services to access funding under the Community Child Care Fund

Question

How many services will be able to access funding under the Community Child Care Fund?
Will this program provide long term support to communities which have faced long term intergenerational poverty and trauma?

Answer

The Community Child Care Fund (CCCF) is a new competitive grants programme aimed at reducing barriers to accessing child care, particularly in disadvantaged, rural or remote communities, and in areas of demonstrated high demand but with low child care availability.

All approved child care services will be able to apply as long as they meet specific eligibility criteria. Funding will be targeted towards those services supporting disadvantaged or vulnerable families and communities.

The CCCF is an ongoing programme and grant funding will be tied to funding agreements between each successful service and the department. Services will be able to apply in subsequent rounds of the CCCF, and be considered on their merit, along with other applications.

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QUESTION ON NOTICE: No 12

Senator Reynolds, Linda provided in writing

Adequacy of funding for the Community Child Care Fund

Question

What is the assessment of need for support under this program that you anticipate? How are you satisfied that the funding allocated to this program is adequate to meet the need of most vulnerable families? (differing figures available - in the Final RIS it says \$300 million over 4 years).

Answer

The Community Child Care Fund (CCCF) is targeted at services supporting disadvantaged or vulnerable families and communities. For the purposes of the CCCF, it is proposed that a disadvantaged community will be one that experiences high levels of childhood developmental vulnerability, socio-economic disadvantage and other complex social issues. It is also proposed that disadvantaged communities will be identified using a range of data including Australian Early Development Census data, the ABS SEIFA Index of Relative Socio-Economic Disadvantage, pre-school population data, and remote area data.

CCCF grant funding is intended to supplement funding that child care services will receive through the new Child Care Subsidy and the Additional Child Care Subsidy.

\$271 million has been allocated for the CCCF over the forward estimates following changes announced at MYEFO.

Senate Committee: Education and Employment Legislation

Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

**Public Hearings
FRIDAY, 4 MARCH 2016**

QUESTION ON NOTICE: No 13

Senator Reynolds, Linda provided in writing

Modelling impact on BBF families of transition to new funding model

Question

Deloitte Access Economics recently released research indicating that under the Child Care Subsidy and Activity test provisions 40% of families accessing BBF services will be eligible for significantly less hours of subsidised care; that 54% of families would have higher out of pocket expenses, with an average increase of \$4.42 per hour; and 67% of BBF services will receive reduced government spending. What evidence do you have that the Child Care Safety Net will adequately redress these gaps? What is your modelling on service access and service costs of families under the Budget Based Funding program under the new package?

Answer

The Deloitte Access Economics Report is not reliable, as its analysis is based on a survey of 24 Budget Based Funded (BBF) services, representing about 8 per cent of the 298 BBF services.

This analysis was narrow in scope as it focussed on a limited number of child care service types, largely Multifunctional Aboriginal Children's Services and Outside School Hours Care services, located in Victoria, New South Wales, Northern Territory and Western Australia.

The Report did not take into account changes in parental behaviour to meet higher activity test thresholds.

The survey analysed the impact of the Child Care Subsidy (CCS), but did not consider the impact of additional funding services could receive through the Additional Child care Subsidy and the Community Child Care Fund.

Through the Child Care Safety Net, former BBF services, who become approved CCS providers, will be able to access the Additional Child Care Subsidy which will fully cover fees for some families and the Community Child Care Fund which will provide additional support to services.

In some cases, however, reduced funding will bring some services into parity with other services, so that similar services in similar circumstances, supporting similar numbers of children receive similar levels of funding.

Senate Committee: Education and Employment Legislation

Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

**Public Hearings
FRIDAY, 4 MARCH 2016**

QUESTION ON NOTICE: No 14

Senator Reynolds, Linda provided in writing

Impact on mobile services, playgroups, creches and Out of School Hours services

Question

Can the Government provide detailed information on:

- (a) how the Jobs for Families Package will operate for mobile services, playgroups, creches and Out of School Hours services?
- (b) how many services are not likely to (or cannot) transition to the new model?
- (c) what alternative programs (including new resource allocation) will be established to support the needs of these services?

Answer

As part of the Australian Government's reforms to child care, approved mobile children's services, crèches and Out of School Hours Care (OSHC) services will be eligible to administer the Child Care Subsidy (CCS) on behalf of families from July 2017. As mobile children's and OSHC services often support families in disadvantaged communities, many services will also be eligible to apply for additional funding through the Government's \$271 million Community Child Care Fund (CCCF). Services that do not deliver child care will not be eligible for the CCS or CCCF.

The Department is in the process of commissioning three consultancies to provide assistance to all BBF services to transition to the new child care system or to move to alternative funding arrangements.

BBF services, including playgroups, that do not deliver child care and choose not to deliver child care in future will not be able to be funded under the child care package and alternative funding arrangements will need to be found for these services. For other BBF services, provision will be made in the Minister's Rules to enable them to be approved to administer the CCS.