



SUBMISSION TO THE SENATE EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE ON THE FAMILY ASSISTANCE LEGISLATION AMENDMENT (BUILDING ON THE CHILD CARE PACKAGE) BILL 2019

Introduction

Goodstart Early Learning is Australia's largest provider of early learning and care, with 665 services caring for over 75,000 children from 63,000 families and employing around 16,700 staff.

We have been actively involved in the reform of child care subsidies starting with the Productivity Commission Inquiry (2014-15), which informed the development of the Jobs for Families child care reform package (2015-16) and the commencement of the new Child Care Subsidy on 1 July 2018.

Goodstart has supported the Child Care Subsidy reforms, which have achieved its primary goal of making access to child care and early learning more affordable for most working families. However, it is worth noting that the reforms were also expected to leave around 25% of families worse off, including 88,000 low income families.¹ We continue to advocate for improvements to the package to increase access to affordable early learning for children from low income families who the evidence shows stand to benefit the most.

The Government established an Implementation and Transition Reference Group (ITRG) chaired by a Deputy Secretary of the Department of Education and Training to engage with sector leaders, including Goodstart, on implementation issues regarding the new Child Care Package, as they arose. We have found that process highly productive, providing a forum to discuss and resolve issues impacting on the ability of families to smoothly access the new subsidy as well as providing opportunities to work collaboratively with Government to improve communication with families.

The Government should be commended on its commitment to this significant reform process and its recognition that engagement with the sector was crucial for the reform to achieve its full potential.

We recognise that many issues have been addressed promptly, but note that others identified early in the reform process are still awaiting resolution. We have raised issues in relation to the administration of the subsidy, particularly those developed by Department of Human Services in processing assessing applications that have had serious negative consequences for families and particularly for children at risk of abuse and neglect. Many of these administrative matters mean that the policy is not being implemented as intended by Government or in-line with public statements made by the then Minister and has the impact of eroding the stated policy objectives of the CCS reforms. We have also identified other more substantive policy issues that we believe should be addressed that would require changes to legislation and regulations. This Bill reflects the first tranche of such changes and we expect more to follow to ensure the reforms are meeting the desired objectives.

What the bill does:

The Bill makes several key changes to the *A New Tax System (Family Assistance) Act 1999* affecting child care subsidies:

1. Removes the 50 per cent limit on the issuing of Additional Child Care Subsidy (ACCS) (child wellbeing) certificates by providers, reducing a barrier to vulnerable children accessing early learning.
2. Allow the Minister for Education to prescribe circumstances in which a third party may contribute to meeting the cost of an individual's child care fees without affecting an individual's CCS, helping to ensure that cost is not a barrier to vulnerable and disadvantaged children accessing early learning.
3. Allow the Minister to make rules to prescribe circumstances in which CCS can be paid where a child is absent at the start or end of enrolment.
4. Increase the number of weeks at which enrolment automatically cease due to non-attendance from 8 to 14 weeks, reducing the regulatory burden on families and providers (e.g. on vacation care services).
5. Amendments to incorporate In Home Care more fully in to the Family Assistance Law specifying payment rates and eligibility criteria.
6. Changes to the process for making CCS claims
7. Technical amendments to the review provisions and other minor corrections.

Goodstart's views:

Goodstart supports the Bill, with one exception as outlined below as it addresses a number of issues that have been identified by the sector during implementation over the past year.

We note that several of the provisions will require further Ministerial Rules to be promulgated and would encourage the Government to consult with the sector on the making of these rules.

1. Third Party Co-payments

In particular, we would urge the Government to ensure that the rules that give effect to the third party contribution amendments are broad enough to pick up the scope of current third party payments designed to support access to early learning for the most disadvantaged children. The Ministerial Rules to give effect to this provision should be broad enough to include criteria for endorsing:

- State Government fee subsidies for access to preschool programs for 3 and 4 year olds. Such schemes already exist in Queenslandⁱⁱ, South Australiaⁱⁱⁱ and Victoria^{iv} and will commence in Tasmania^v in 2020;
- Charitable or philanthropic third party payments made for the purpose of reducing or eliminating out of pocket costs for vulnerable or disadvantaged children and families in accessing early learning. The party making the payment should be a charitable or not for profit organisation or fund.

We are aware of only a small number of funds that would qualify under such criteria, in addition to state and territory targeted preschool subsidies which have been identified in the Explanatory Memorandum accompanying the Bill. This approach has several benefits including, that it does not increase the cost to taxpayers as CCS entitlements remain the same, it can be monitored through a risk based compliance framework, it can be implemented without DHS/Centrelink system changes while also providing sufficient flexibility to support the vital work of Australian charities and philanthropists in ensuring children who need help can access it. We look forward to working through the implementation detail of this change with the Department and trust these provisions can be in place to benefit children from January in 2020.

2. Absences before and after physical attendance at a service

Goodstart is supportive of the amendments to allow CCS to be paid for legitimate, unplanned absences at the start or end of an enrolment is a positive change, as it will reduce the likelihood of families incurring debts for days where they are not CCS eligible. However, Goodstart seeks further information about what will constitute 'specific circumstances' in the subordinate legislation. In our view, the prescribed absences should largely align with the existing provisions around Additional Absences for CCS and ACCS but should also include public holidays and enrolment cancellation notice period (up to a maximum of two weeks).

3. Changes to the process for making a CCS claim

Goodstart does not support the proposed amendments on processing of CCS claims. We believe the proposed amendments will increase complexity and administrative burden for families and compound existing problems with the CCS application process by creating a new barrier to parents being assessed as CCS eligible which has a knock-on impact for their ability to access subsidies they are genuinely entitled to as Australian citizens. It represents a reduction in the administrative burden for DHS/Centrelink but an increase in burden and risk for families.

The application process in law for CCS is extremely technical, and this is compounded by the rigid administrative process for parents and carers. It is our experience as the largest provider that the process creates significant burden and serious negative outcomes (including debts with DHS and service providers) if parents (or carers) do not have all the necessary information at hand and complete the application and verification process in a very specific order. There is also an extremely narrow window (28 days) for parents to rectify mistakes and often, they do not realise they have made a mistake until they are outside this window. For many families with young children, accessing the CCS is their first interaction with DHS/Centrelink and the process is confusing and difficult to navigate. We have several examples of where genuinely eligible parents have incurred debts with DHS/Centrelink as well as with ourselves because they have made genuine mistakes, received unclear advice from DHS/Centrelink about their CCS application process, or experienced delays in sourcing the required information.

In particular, we do not support this proposed change because it is likely to have a disproportionately negative impact on families experiencing vulnerability or disadvantage, particularly women and children escaping domestic and family violence who may not have ready access to their TFN, or who may need time to collect the necessary personal information to open new bank accounts. At Goodstart, we have encountered several women who have been in these circumstances whom would have incurred significant debts in a period of crisis under this proposal.

We recommend that, in order to avoid confusion for families or families incurring debts, the provision of a TFN and bank account details should be separated so they are *not required* for a CCS claim to be effective and their late or non-provision *does not* impact a person's CCS eligibility. Further, individuals should be given 3 months to provide this additional administrative information, with the option for administrative appeal, if this timeframe is not able to be met.

Next Steps:

While Goodstart welcomes the amendments made in this legislation, there remain a number of issues in the implementation of the child care subsidy reforms requiring further policy improvement. These include:

- **Additional Child Care Subsidy:** While we note that the number of children supported by ACCS Child Wellbeing continues to improve, we have found that the approval processes are too cumbersome

for many vulnerable families and continue to generate large debts for families and/or providers. The Government has committed to working through these issues with the sector. We believe some urgent changes are needed to support children at risk of abuse and neglect and have been discussing these administrative options with the Department of Education. However, we are of the view that over time, further changes to the ACCS approval processes and policy are needed to ensure that ACCS is operating as an effective safety net for children at risk by:

- a) Extending the initial ACCS Child Wellbeing Certificate period from 6 weeks to 13 weeks.
 - b) Increasing the period for CCS and ACCS back-payments to families from 28 days to 3 months. NB. This should be for all families receiving CCS but particularly for vulnerable families who are eligible for ACCS, at least in the first instance.
 - c) All CCS and ACCS back-payments to be made to the provider in the first instance, for families who have applied for/are eligible for ACCS.
 - d) Grant the Minister discretion to pronounce that all services in a declared disaster area can grant ACCS Temporary Financial Hardship for a set period following a natural disaster or weather event.
- **Base entitlement for low income earners:** The CCS 24 hour per fortnight base entitlement for low income earners who do not meet the activity test is too low to support two days of affordable early learning and needs to be increased to achieve the policy objectives of the CCS Safety net.
 - **Backdating of payments:** Many families and providers continue to accumulate debts due to the limit of 28 days on backdating CCS claims. Providers that have provided care for children while claims are being processed are then often disadvantaged by DHS/Centrelink's policy of paying backdated funds to the family rather than the provider, which was the original policy intent.
 - **Inadequate indexation:** While the CCS cut out of pocket costs by 11.8% in the first quarter in 2018-19^{vi}, those gains are being rapidly eroded due to inadequate indexing of income thresholds and fee caps. Affordability gains made with the CCS reforms will reduce over time as a result.
 - **Natural disasters:** Where a service is closed due to natural disaster, the Minister should have a discretion to grant the service the ability to either waive gap fees for families, or make bulk approvals for ACCS-TFH.
 - **Applying for CRNs and CCS:** The multi-step process for CCS application and enrolment confirmation is unnecessarily complex with significant negative impacts for families if they make honest mistakes. This process should be simplified.
 - **Activity test exemption for preschool programs in the year before school:** Should be converted to an entitlement to reduce compliance issues and extend it to the two years before school.

Goodstart will continue to raise these and other implementation issues through the stakeholder engagement group chaired by the Department of Education. We have also engaged with the ANAO's performance audit of the design and governance of the Child Care Subsidy, which is due to report in next week,^{vii} and with the evaluation of the Child Care Subsidy by the consortium led by the Australian Institute of Family Studies.^{viii}

Department of Education data since the implementation of the Child Care Subsidy shows increases in both children enrolled in centre based care and average weekly hours, and with year on year fee increases below the long term average.^{ix} Goodstart and other large providers have experienced increases in attendances (both numbers of children and days in care) since the introduction of the Child Care Subsidy.

We would encourage the Senate to continue to review the implementation of the Child Care Subsidy as it impacts on 1.3 million Australian families at a cost of over \$8 billion to the Australian budget.

ENDNOTES

- ⁱ <https://www.senatorbirmingham.com.au/families-to-benefit-from-child-care-reforms/>
- ⁱⁱ <https://www.business.qld.gov.au/industries/service-industries-professionals/service-industries/child-care/funding-scheme/subsidies>
- ⁱⁱⁱ <https://www.education.sa.gov.au/child-care/non-government-preschool-providers-funding>
- ^{iv} <https://www.education.vic.gov.au/Documents/childhood/providers/comms/kinderfeesub.pdf>
- ^v <https://www.education.tas.gov.au/about-us/projects/working-together-3-year-olds/>
- ^{vi} <https://ministers.education.gov.au/tehan/government-driving-down-cost-child-care>
- ^{vii} <https://www.anao.gov.au/work/performance-audit/design-and-governance-the-child-care-package>
- ^{viii} <https://aifs.gov.au/projects/child-care-package-evaluation>
- ^{ix} <https://www.education.gov.au/child-care-australia>