SNAICC

National Voice for our Children

Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017

Submission to the Senate Community Affairs Legislation Committee

March 2017

SNAICC – National Voice for our Children (Aboriginal and Torres Strait Islander Corporation) is the national non-governmental peak body for Aboriginal and Torres Strait Islander children.

SNAICC works for the fulfilment of the rights of our children, in particular to ensure their safety, development and well-being.

The SNAICC vision is an Australian society in which the rights of Aboriginal and Torres Strait Islander children, young people and families are protected; our communities are empowered to determine their own futures; and our cultural identity is valued.

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Introduction

SNAICC – National Voice for our Children has developed a wealth of experience over the past few decades on understanding the issues of our children, families and communities, and gathering both literature and experience based evidence on the needs of children and the strategies that work to improve their outcomes. SNAICC has strong relationships at community, state and national levels. We are active in supporting and advocating on behalf of Aboriginal and Torres Strait Islander early childhood education and care (ECEC) services, and bring the experiences of services throughout the country to this submission.

The Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (Omnibus Bill) incorporates the existing Jobs for Families Child Care reform package that was proposed under the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016 and the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015.

This submission is focused primarily on the Jobs for Families Child Care package component of the Omnibus Bill. SNAICC notes that this is the third occasion the Jobs for Families Child Care package has been referred to Senate inquiry, and has attached the detailed and comprehensive submissions made by SNAICC to the two previous inquiries (Appendix 1 and Appendix 2). As the Jobs for Families Child Care amendments proposed in the Omnibus Bill are predominantly the same as those proposed under the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016, SNAICC's key concerns and recommendations remain the same.

SNAICC acknowledges the amendments that have been made to the operation of the Community Child Care Fund and the Additional Child Care Subsidy – most notably the establishment of a discretionary fund for Budget Based Funding services (BBFs) and the provision of longer term funding agreements. SNAICC also welcomes the advice of the Department of Education and Training that centres established under the Aboriginal and Torres Strait Islander Child and Family Centres (ACFCs) initiative will receive specific consideration of their funding needs under the Community Child Care Fund. SNAICC acknowledges that these are significant advances for services, but that there is still a long way to go to ensure that all Aboriginal and Torres Strait Islander children have access to ECEC services through adequate, secure and sustainable funding arrangements for BBFs and ACFCs.

The Jobs for Families Child Care package recognises that access to early childhood education and care is "one of the most effective early intervention strategies to break the cycle of poverty and intergenerational welfare dependence".[1] Yet as highlighted by SNAICC over the past year, the Jobs for Families Child Care package in it's current form will lead to a systemic failure of early childhood outcomes for a generation of Aboriginal and Torres Strait Islander children.

[1] House of Representatives, *Explanatory Memorandum, Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017*, Parliament of Australia, pp.214-215.

The Omnibus Bill ties child care reform with other welfare savings measures, which will have additional impact on Aboriginal and Torres Strait Islander families. As identified by ACOSS in their submission to this inquiry, the broad suite of reforms proposed in the Omnibus Bill would have a significant financial impact on many low income and vulnerable families. ACOSS highlights that more than $12 billion has been cut from the family payment system since 2009, and that the Omnibus Bill would take another $2.7 billion out of the system.

SNAICC recognises the early childhood sector is desperate for the reforms to be passed to ensure that families are receiving adequate supports for childcare. SNAICC wholly supports a better system being implemented. However, it is unnecessary to couple child care reforms with other measures and detracts from the critical importance and value of quality early childhood education and care services. From the outset the design of the Jobs for Families Child Care package included changes that would inadvertently reduce the access of Aboriginal and Torres Strait Islander children and families to quality early childhood education and care. For over a year SNAICC has repeatedly outlined a pathway for making minor amendments to the Jobs for Families Child Care package to ensure that the needs of Aboriginal and Torres Strait Islander children are captured in these essential reforms.

While we believe there has been movement on the government's side to consider those needs, SNAICC is still seeking greater clarity and a firm commitment from the government to address the concerns of our sector.

Our ongoing concerns: the Jobs for Families Child Care Package leaves Aboriginal and Torres Strait Islander children behind

The Jobs for Families Child Care Package will fail as a policy that supports the interests of all children unless adequate measures are included that reflect the understanding that Aboriginal and Torres Strait Islander early childhood education and care (ECEC) services are not just about childcare. They are about engaging with children and families experiencing high levels of vulnerability. They are an essential part of the Australian childcare system. These services play a critical role in the nation's commitment to Closing the Gap in all areas of vulnerability experienced by Aboriginal and Torres Strait Islander children by 2030.

Adequately understanding and accommodating for the ECEC service needs of Aboriginal and Torres Strait Islander children and families experiencing vulnerability can only occur when specific consideration is given to the increased costs services face when delivering culturally informed and integrated education and care.

Currently, Aboriginal and Torres Strait Islander Children are twice as likely to be developmentally vulnerable early in life,[2] and only half as likely to access early education as

[2] Productivity Commission. 2014). Child Care and Early Childhood Learning. Productivity Commission Inquiry Report Volume 2.No. 73. Australian Government, p. 526

non-Indigenous children.[3] The Productivity Commission has identified a 15,000 place gap in early learning places for Aboriginal and Torres Strait Islander children.[4]

The government has declared a commitment to increasing the participation of Aboriginal and Torres Strait Islander children's participation through the new child care system.[5] Yet, all modelling presented to the government has shown the new system will cause a decrease in participation for our children, particularly those experiencing vulnerability, and that the services set up to serve their unique needs may face closure.[6] The government has not provided any evidence or modelling to support their claims that the Omnibus Bill accommodates for the unique early childhood education and care service delivery needs of Aboriginal and Torres Strait Islander children.

A key finding in the landmark Taskforce 1000 investigation conducted in Victoria by the Commissioner for Aboriginal Children and Young People Andrew Jackomos identified that:

> *The present service system, particularly the Aboriginal community controlled sector, lacks sufficient resources for, and emphasis on, early years programs to support families and reduce the growing number of Aboriginal children entering the child protection and out-of-home care systems. Furthermore, there is concern that many mainstream services do not provide culturally responsive services to Aboriginal children.*[7]

Taskforce 1000 also raised concern that Commonwealth funding changes had resulted in effective ECEC services facing uncertainty about their future operations, and possible viability to continue providing services to Aboriginal and Torres Strait Islander children facing vulnerability.[8]

Given the extensive evidence on the importance of quality early learning for all children, and particularly for children experiencing vulnerability, the government has a clear responsibility to demonstrate that they are not widening the gap in disadvantage between Aboriginal and Torres Strait Islander children and non-Indigenous children by failing to providing adequate supports for Aboriginal and Torres Strait Islander children and the services that meet their unique needs.

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[3] Australian Government 2013). A Snapshot of Early Childhood Development in Australia 2012 – AEDI National Report. Re-issue November 2013. Australian Government, Canberra, p.13

[4] Productivity Commission. 2014). Child Care and Early Childhood Learning. Productivity Commission Inquiry Report Volume 2.No. 73. Australian Government, p. 644.

[5] Australian Government 2016). 'Minister Morrison: Better start for Indigenous children', media release, 19 August 2015, available: http://www.indigenous.gov.au/news-and-media/announcements/minister-morrison-better-start-indigenous-children.

[6] Deloitte Access Economics and Secretariat of National Aboriginal and Islander Child Care. (2016). Impact of aspects of the Jobs for Families Child Care Package on Indigenous Communities; and Phillips B (2016). Distributional Modelling of Proposed Childcare Reforms in Australia. ANU Centre for Social Research and Methods. Australian National University, Canberra.

[7] Commission for Children and Young People, 'Always was, always will be Koori children': Systemic inquiry into services provided to Aboriginal children and young people in out-of-home care in Victoria. Commission for Children and Young People, 2016, p.13.

[8] Commission for Children and Young People, 'Always was, always will be Koori children': Systemic inquiry into services provided to Aboriginal children and young people in out-of-home care in Victoria. Commission for Children and Young People, 2016, p.54.

The Jobs for Families Child Care package essentially fails to understand that Aboriginal and Torres Strait Islander ECEC services have a different purpose to other services. Their aim is to support the wellbeing of the most vulnerable children and families in our community by reducing the service access barriers that many Aboriginal and Torres Strait Islander families experience in the mainstream system.

The experience of our services that administer the mainstream funding model suggests that in reality the impacts for Aboriginal and Torres Strait Islander services and families may be worse. Administrative hurdles and prescriptive requirements to accessing subsidies are likely to further reduce service revenue and families' ability to access the Child Care Subsidy.

The Community Child Care Fund is the central component that seeks to redress the disconnect between a mainstream user pay model and Indigenous services, whose mission is to support the most vulnerable children in a community to thrive. It aims to reduce barriers to accessing child care and will provide competitive, time limited grants. Minister for Education and Training, Senator the Hon. Simon Birmingham has advised SNAICC that the Community Child Care Fund will be structured in such a way to have *capacity* for discretionary funding and 3-5 year funding agreements but this is not a guarantee that the Aboriginal and Torres Strait Islander sector will be adequately catered for.

SNAICC is deeply concerned that the Child Care Safety Net, and in particular the Community Child Care Fund, is not constructed in a way that will redress identified concerns with the package, and will lead to a range of additional unintended policy consequences.

Specifically:

a) **There is insufficient funding:** the total allocation for the Community Child Care Fund available to services is about $100 million is per annum, or under 1% of the $10.5 billion investment in the mainstream Child Care Subsidy. This will be grossly inadequate to meet the needs of the most vulnerable families. A further $100 million should be cashed out from the Child Care Subsidy and allocated to an Aboriginal and Torres Strait Islander specific program. A specific program model should also be provided for other children in rural and remote settings.

b) **Community services can't compete:** the Community Child Care Fund will provide competitive grants open to an estimated 4,000 services. While the Department of Education and Training has indicated that there will be a discretionary fund allocated specifically for Aboriginal and Torres Strait Islander services, there has been no further detail provided on what proportion of funding under the Community Child Care Fund will be directed towards this discretionary fund. Small community services set up to meet the needs of remote and vulnerable communities will struggle to secure adequate funds in competition with strongly resourced mainstream providers.

c) **Vulnerable children will receive less education:** Despite over $3 billion new funding in this package, the Child Care Safety Net halves minimum hours of subsidised access to early learning, while evidence shows that vulnerable children's development and school readiness benefits most from quality early childhood education and care.

d) **The Aboriginal and Torres Strait Islander community controlled service sector will be diminished**, contrary to evidence that Aboriginal and Torres Strait Islander service delivery increases Indigenous family engagement and provides the best results for vulnerable children. It also defeats policy objectives to empower and build capacity for Aboriginal and Torres Strait Islander communities.

e) The 15,000 place gap in ECEC participation for Aboriginal and Torres Strait Islander children identified by the Productivity Commission will increase.

f) **Traditional market failures ignored:** Aboriginal and Torres Strait Islander services have grown organically to respond to a gap in the market and a failure of mainstream services.

g) **Potential closure of a range of vital services that do not fit a mainstream ECEC model:** playgroups, mobile services and out of school hours care, for example, are not eligible for funding under the Jobs for Families Child Care package. Alternative funding arrangements have been proposed, such as funding allocations under the Department of the Prime Minister and Cabinet's Indigenous Advancement Strategy, however further confirmation has not been provided on the security of funding arrangements for these services.

Aboriginal and Torres Strait Islander ECEC services are driven by the dedication and commitment of community members who want a better future for their children. All the evidence supports Aboriginal and Torres Strait Islander ECEC services as the most successful organisations in engaging with Aboriginal and Torres Strait Islander children because:

- They actively access vulnerable children who are not accessing services – particularly due to the discrimination families experience in mainstream services.
- They engage with the most vulnerable and isolated families in our community and are a key entry point for vulnerable families to engage with a broad range of support services that can enhance the safety and wellbeing of children.
- They support parents who may be experiencing long-term or entrenched unemployment to access support in their transition into the workforce and provide an incentive to transition into the workforce. They often offer culturally safe options for training and a stepping stone into paid local work, some being among the larger employers in their communities.

SNAICC's recommendations for amending the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (Omnibus Bill)

By placing Aboriginal and Torres Strait Islander ECEC services in competition for funding with other mainstream providers under the Community Child Care Fund, the Commonwealth is generating a system that has the potential to marginalise small-scale community organisations and support larger, established organisations to secure more funding, thus eroding local community and cultural leadership in service delivery.

This was the experience of the implementation of the Indigenous Advancement Strategy by the Department of the Prime Minister and Cabinet (PM&C) which saw many small and under-resourced Aboriginal and Torres Strait Islander organisations struggling to compete for funding against large and well-established mainstream non-government organisations.[9] We have been encouraged by the recent advice to sector organisations provided by the Minister for Education and Training, Senator the Hon. Simon Birmingham, that a discretionary component of funding within the Community Child Care Fund will assist to ensure that Aboriginal and Torres Strait Islander services are not unfairly disadvantaged through the competitive funding process. However, we strongly believe that a sustainable approach that meets the government's responsibility to address the inequities in service access and outcomes for Aboriginal and Torres Strait Islander children requires a dedicated Aboriginal and Torres Strait Islander service stream.

SNAICC's proposals for amending the Omnibus Bill are:

1. **Split the Jobs for Families Child Care package reforms from the additional welfare reforms proposed in the Omnibus Bill.**

   It is unnecessary to couple the childcare reforms with other measures and detracts from the critical importance and value of quality early childhood education and care services. The childcare reforms do not require additional savings measures – the package pays for itself.

2. **An Aboriginal and Torres Strait Islander specific program within the Child Care Safety Net and an attuned funding model for other rural and remote services.**

   A dedicated discretionary and non-competitive funding allocation should be established for Aboriginal and Torres Strait Islander services to top up funding from Child Care Subsidy and fees to ensure viability of both services operating under the Budget Based Funding program and services established under the Aboriginal Child and Family Centre (ACFC) initiative. This funding stream also needs to accomodate for additional investment into existing or new services in locations where high numbers of Aboriginal and Torres Strait Islander children are not currently engaged in the ECEC system. This funding allocation could be within or alongside the Community Child Care Fund.

   The objective of the Aboriginal and Torres Strait Islander program and funding allocation would be to provide repeated three to five year grants to top-up the income to Aboriginal and Torres Strait Islander services to enable them to continue flexible service provision to the most disadvantaged children within their communities. Savings from the delayed roll-out of the Jobs for Families Childcare Package could be drawn upon to provide the estimated additional $100m p.a. required to implement this program on top of funds reallocated from the proposed Community Child Care Fund.

[9] Senate Finance and Public Administration References Committee (2016), *Commonwealth Indigenous Advancement Strategy tendering processes,* Australian Government, Canberra, p.16.

Funding agreements under this stream of funding would be provided on a long-term basis to ensure the sustainability of services and enable effective programming to support the needs of families in light of best-practice models for intervention surrounding family violence, drug and alcohol misuse and community violence.

3. **Provision of at least two full days (22.5 hours) of subsidised quality early learning to all children to support their development, regardless of their parents' activities.**

This is a compromised position from the full 24 hours provided now, offered in the spirit of compromise as a part of a package of recommendations. This requires an amendment to the Omnibus Bill to ensure that families on incomes less than $100,000 per annum receive 22.5 hours of subsidised care per week. This could taper down between the current proposed $65,700 and $100,000 p.a. This proposal would require, specifically, an amendment of Schedule 1, Clause 13 1) of the Omnibus Bill to state that "The low income result is 48" so that families on incomes less than the lower income threshold ($100,000) per annum receive two full days (up to 22.5 hours) of subsidised care per week or an amendment reflecting the tapering component. This removes unfair cuts in subsidy caused by the cliff at $65,710 which would mean children have to drop out of early learning or have a significant increase in their fees if their estimated income goes above $65,710. It also retains workforce incentives for families with incomes over $65,710 because subsidy for working families will be paid at a higher Child Care Subsidy (CCS) percentage as well as including additional CCS hours. It finally ensures families in the bottom two quintiles who do not meet the activity test are not worse off moving to CCS.

Given the budget ask for shifting the number of subsidized hours for all children to 22.5 hours is significant, a potential option would be to implement a special measure to enable a specific provision for 22.5 subsidised hours for all Aboriginal and Torres Strait Islander children in recognition of the need to close the gap in early childhood services access and outcomes for Aboriginal and Torres Strait Islander children.

4. **An amendment to the Omnibus Bill to secure a recognition and commitment to the rights of Aboriginal and Torres Strait Islander children.**

The Omnibus Bill currently references Australia's obligations under the United Nations Convention on the Rights of the Child (CRC), specifically articles 2, 3, 18 or 23 of the Convention.

SNAICC proposes adding particular reference to articles 29 and 30 of the CRC, as well as reference to Australia's obligations under the United Nations Declaration on the Rights of Indigenous Peoples (DRIP), particularly articles 2, 8, 14, 19, 21, 22, and 23.

SNAICC makes specific reference to Article 14:
Indigenous peoples have the right to establish and control their educational systems and institutions providing education in their own languages, in a manner appropriate to their cultural methods of teaching and learning.

This could possibly be inserted under Schedule 4, Division 7 – Miscellaneous of the current Omnibus Bill - 85GA 1) b) (ii-iii).

SNAICC also proposes that the following be included within the Minister's rules for implementation of the Omnibus Bill: *The Commonwealth recognises the need for unique, flexible and tailored funding agreements with Aboriginal and Torres Strait Islander community controlled early childhood education and care services to accommodate for the increased vulnerability and access gap to early childhood education and care that Aboriginal and Torres Strait Islander children experience in comparison to non-Indigenous children.*

5. **The Australian Government guarantee that playgroups, mobiles and other unique services supported within the BBF program, such as youth programs, continue to be funded either through the Community Child Care Fund or another program.**

   The BBF program currently funds a number of diverse and unique services operating to service the needs of Aboriginal and Torres Strait Islander children. While alternative funding arrangements have been proposed for these services, no firm guarantees have been made and as it stands they may cease to exist leading to an increased service gap for vulnerable Aboriginal and Torres Strait Islander children – particularly children in remote areas.

6. **A commitment to increase places for Aboriginal and Torres Strait Islander children by 5,000 over the first three years of the package to redress the current 15,000 place early learning gap.**

   The government has committed to improving the access gap for Aboriginal and Torres Strait Islander children with Minister Morrison stating in relation to the package that "the Government is committed to Indigenous children having the same opportunities as other children to access child care and early learning".[10]

   All evidence, however, points to the Omnibus Bill having a contrary impact on Aboriginal and Torres Strait Islander children. To ensure that the Omnibus Bill becomes a positive driver for change for Aboriginal and Torres Strait Islander children the government needs to commit to address the 15,000 place early learning gap, and establish a collaborative monitoring process on implementation of this commitment. SNAICC is committed to working collaboratively with the government to develop and implement effective strategies to achieve this target.

[10] Australian Government media release: 'Minister Morrison: Better start for Indigenous children', 19 August 2015, available: http://www.indigenous.gov.au/news-and-media/announcements/minister-morrison-better-start-indigenous-children

Identified savings measures required to implement recommended amendments

As outlined in the submission made by the early childhood education and care sector, the costs of Jobs for Families Child Care package have already been recouped by the government via:

- the savings the Government achieved in the Family Day Care compliance measures enacted in September 2015[11] and September 2016[12] (at least $1.5 billion over the forward estimates);
- the savings the Government has achieved in reduced forward estimates for child care assistance in the 2016 MYFEO statement ($7.6 billion over the forward estimates).
- the savings the Government has already achieved in cuts to Family Tax Benefit Part A supplements for families earning more than $80,000 passed by the Parliament in September 2016 ($1.6 billion over the forward estimates).[13]

Conclusion

SNAICC urges the Senate Community Affairs Legislation Committee to consider the needs of Aboriginal and Torres Strait Islander children and implement the minor changes required to ensure their safety and wellbeing is not compromised.

It is the responsibility of the Government to **not widen** the extreme gap in disadvantage Aboriginal and Torres Strait Islander children currently experience. How Aboriginal and Torres Strait Islander children fare will be a litmus test for the Jobs for Families Child Care Package. Now is the time to ensure we have the details right.

11 Ministerial media statement 8/9/2015 http://www.formerministers.dss.gov.au/15741/changes-to-end-child-swapping-in-family-day-care/ Costings provided in MYFEO December 2015
12 Ministerial media statement 11/9/2016 https://ministers.education.gov.au/birmingham/turnbull-government-boost-powers-child-care-compliance-cops
13 Budget Savings (Omnibus) Bill 2016

Appendix 1

SNAICC Submission

Inquiry into the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

February 2016

Appendix 2

SNAICC Submission

Inquiry into the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016

September 2016

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Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016

Submission to the Senate Education and Employment Legislation Committee

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SNAICC – National Voice for our Children has developed a wealth of experience over decades on understanding the issues of our children, families and communities, and gathering both literature and experience based evidence on the needs of children and the strategies that work to improve their outcomes. SNAICC has strong relationships at community, state and national levels. We are active in supporting and advocating on behalf of Aboriginal and Torres Strait Islander early childhood education and care (ECEC) services, and bring the experiences of services throughout the country to this submission.
No Australian child should have their future compromised by being denied access to quality education.

The Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016 recognises that access to early childhood education and care is "one of the most effective early intervention strategies to break the cycle of poverty and intergenerational welfare dependence". Yet in its current form the Bill will lead to a systemic failure of early childhood outcomes for a generation of Aboriginal and Torres Strait Islander children. There are approximately 300 Budget Based Funding Services, 38 Aboriginal Child and Family Centres and a number of other long day care centres that provide diverse, holistic, integrated community based early years services for Indigenous children and other children from remote and rural settings, in addition to a number of mainstream services. These are culturally strong centres that are developed and operated consistently with evidence on what works to support positive outcomes for Indigenous children experiencing vulnerability. We are deeply concerned about the unintended policy consequences of this Bill on their futures and the future of the children they support. Of great importance to us is also the 15,000 Aboriginal and Torres Strait Islander children who currently do not have access to an early learning service. This Bill must demonstrate how it will ensure service provision for these chidlren.

We recognise that broad scale reform of the sector is a major endeavour and that an enormous amount of work has been invested in the development of the Jobs for Families Child Care Package. We also acknowledge that in the scheme of the broader suite of reforms our concerns are focused on an extremely small component of the package. However these components have the capacity to either cause great harm to Aboriginal and Torres Strait Islander children - or be one of the crucial drivers to closing the gap in Indigenous disadvantage.

We believe the Jobs for Families Child Care Package was not formed with the intention of further marginalising Aboriginal and Torres Strait Islander children, and seek to support the government in ensuring that the Bill can serve all Australian children.

SNAICC would be happy to provide any further information that would be helpful to the Committee. We enclose as Appendix 1 the SNAICC Submission to the Inquiry into the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

from February 2016, which incorporates a report by Deloitte Access Economics on the impact of the Bill on Indigenous communities.

Our concerns: the Jobs for Families Child Care Package leaves Aboriginal and Torres Strait Islander children behind

Currently, Aboriginal and Torres Strait Islander Children are twice as likely to be developmentally vulnerable early in life,[1] and only half as likely to access early education as non-Indigenous children.[2] The Productivity Commission has identified a 15,000 place gap in early learning places for Aboriginal and Torres Strait Islander children.[3]

The government has declared a commitment to increasing the participation of Aboriginal and Torres Strait Islander children's participation through the new child care system.[4] Yet, all modelling presented to the government has shown the new system will cause a decrease in participation for our children, particularly those experiencing vulnerability, and that the services set up to serve their unique needs may face closure.[5] The government has not provided any evidence or modelling to support their claims that the Bill accommodates for the unique early childhood education and care service delivery needs of Aboriginal and Torres Strait Islander children.

Given the extensive evidence on the importance of quality early learning for all children, and particularly for children experiencing vulnerability, the government has a clear responsibility to demonstrate that they are not widening the gap in disadvantage between Aboriginal and Torres Strait Islander children and non-Indigenous children by failing to providing adequate supports for Aboriginal and Torres Strait Islander children and the services that meet their unique needs.

There are two key elements of the Jobs for Families Child Care Package of significant concern:

- The Budget Based Funding (*BBF)* Program - the specific program designed for areas where a user pays model is not viable – will be abolished. 80% of services in this program which support over 19,000 children are for Indigenous children.
- Access to subsidised early childhood education and care (ECEC) services will be halved for children whose families earn less than around $65,000 per annum (an estimated 78% of Indigenous children participating in the BBF program) and who don't meet the 'activity test'.

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[1] Productivity Commission. 2014). Child Care and Early Childhood Learning. Productivity Commission Inquiry Report Volume 2.No. 73. Australian Government, p. 526

[2] Australian Government 2013). A Snapshot of Early Childhood Development in Australia 2012 – AEDI National Report. Re-issue November 2013. Australian Government, Canberra, p.13

[3] Productivity Commission. 2014). Child Care and Early Childhood Learning. Productivity Commission Inquiry Report Volume 2.No. 73. Australian Government, p. 644.

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[5] Deloitte Access Economics and Secretariat of National Aboriginal and Islander Child Care. 2016). Impact of aspects of the Jobs for Families Child Care Package on Indigenous Communities; and Phillips B 2016). Distributional Modelling of Proposed Childcare Reforms in Australia. ANU Centre for Social Research and Methods. Australian National University, Canberra.

The Package essentially fails to understand that Aboriginal and Torres Strait Islander ECEC services have a different purpose to other services. Their aim is to support the wellbeing of the most vulnerable children and families in our community by reducing the service access barriers that many Aboriginal and Torres Strait Islander families experience in the mainstream system.

The analysis by Deloitte Access Economics, of a sample of 25% of all children participating in long day centres within the BBF program, found that before taking account of potential support through the Child Care Safety Net, the *Jobs for Families Child Care Package* may:

1. **Reduce access:** 40% of families accessing BBF services, including 46% of families in the lowest income bracket, would be eligible for an average of 13 hours less subsidised hours of child care per week. Enrolments would reduce by 9% and hours of service provision by 13%.
2. **Increase costs:** 54% of families accessing BBF services would face higher out-of-pocket costs, with an average increase of $4.42 per hour.
3. **Reduce service revenue:** 67% of BBF services would receive reduced Government revenue with an average reduction of 9%.
4. **Undermine regional and remote services:** 90% of regional and 83% of remote BBF services would have reduced government revenue. Remote services would experience an average 34% reduction in funding.[6]

The experience of our services that administer the mainstream funding model suggests that in reality the impacts for Aboriginal and Torres Strait Islander services and families may be worse. Administrative hurdles and prescriptive requirements to accessing subsidies are likely to further reduce service revenue and families' ability to access the Child Care Subsidy.

There are a number of mechanisms within the Child Care Safety Net of the Package designed to support access for vulnerable children. These include:

- the Additional Child Care Subsidy (ACCS) – approximately $90 million per year;
- provision of 24 hours access to subsidised care per fortnight for families earning less than $65,000 and not meeting the activity test (halved from 48 hours access now);
- the Community Child Care Fund (CCCF) of approximately $100 million per year; and
- the Inclusion Support Fund of about $135 million per year.

The CCCF is the central component that seeks to redress the disconnect between a mainstream user pay model and Indigenous services, whose mission is to support the most vulnerable children in a community to thrive. It aims to reduce barriers to accessing child care and will provide competitive, time limited grants of 1-3 years.

SNAICC is deeply concerned that the Child Care Safety Net, and in particular the Community Child Care Fund, is not constructed in a way that will redress identified concerns with the package, and will lead to a range of additional unintended policy consequences.

[6] Deloitte Access Economics and Secretariat of National Aboriginal and Islander Child Care. 2016). Impact of aspects of the Jobs for Families Child Care Package on Indigenous Communities; and Phillips B 2016). Distributional Modelling of Proposed Childcare Reforms in Australia. ANU Centre for Social Research and Methods. Australian National University, Canberra.

Specifically:

a) **There is insufficient funding:** the total allocation for the Community Child Care Fund available to services is about $100 million is per annum, or under 1% of the $10.5 billion investment in the mainstream Child Care Subsidy. This will be grossly inadequate to meet the needs of the most vulnerable families. A further $100 million should be cashed out from the Child Care Subsidy and allocated to an Aboriginal and Torres Strait Islander specific program. A specific program model should also be provided for other children in rural and remote settings.

b) **Community services can't compete:** the Community Child Care Fund will provide competitive grants open to an estimated 4,000 services. Small community services set up to meet the needs of remote and vulnerable communities will struggle to secure adequate funds in competition with strongly resourced mainstream providers.

c) **Sustainability can't be achieved:** Community Child Care Fund grants will be time limited and linked to a business plan requiring services to demonstrate long-term service sustainability, failing to recognise the entrenched poverty, long-term unemployment and disadvantage that make sustainability without additional government funding impossible in many communities. Long term, recurrent funding is essential for ongoing sustainability of these services.

d) **Vulnerable children will receive less education:** Despite over $3 billion new funding in this package, the Child Care Safety Net halves minimum hours of subsidised access to early learning, while evidence shows that vulnerable children's development and school readiness benefits most from quality early childhood education and care.

e) **The Aboriginal and Torres Strait Islander community controlled service sector will be diminished**, contrary to evidence that Aboriginal and Torres Strait Islander service delivery increases Indigenous family engagement and provides the best results for vulnerable children. It also defeats policy objectives to empower and build capacity for Aboriginal and Torres Strait Islander communities.

f) The 15,000 place gap in ECEC participation for Aboriginal and Torres Strait Islander children identified by the Productivity Commission will increase.

g) **Traditional market failures ignored:** Aboriginal and Torres Strait Islander services have grown organically to respond to a gap in the market and a failure of mainstream services.

h) **Closure of a range of vital services that do not fit a mainstream ECEC model:** playgroups, mobile services and out of school hours care, for example, will not be viable under this package. Currently, there are no program alternatives being offered for these services.

Access to quality early years education is proven to have the greatest impacts for vulnerable families, supporting a child's successful transition to school and life-long education and employment outcomes. Amended, this package provides us with enormous opportunity to Close the Gap.

Aboriginal and Torres Strait Islander ECEC services are driven by the dedication and commitment of community members who want a better future for their children A case study of one of these services, Yappera Children's Service, is provided in the box below. All the evidence supports Aboriginal and Torres Strait Islander ECEC services as the most successful organisations in engaging successfully with Aboriginal and Torres Strait Islander children because:

- They actively access vulnerable children who are not accessing services – particularly due to the discrimination families experience in mainstream services.
- They engage with the most vulnerable and isolated families in our community and are a key entry point for vulnerable families to engage with a broad range of support services that can enhance the safety and wellbeing of children.
- They support parents who may be experiencing long-term or entrenched unemployment to access support in their transition into the workforce and provide an incentive to transition into the workforce. They often offer culturally safe options for training and a stepping stone into paid local work, some being among the larger employers in their communities.

Case Study: Yappera Multifunctional Aboriginal Children's Service (MACS), Melbourne

In case study conducted in 2012, 74 children, all Aboriginal and/or Torres Strait Islander, were enrolled at Yappera. 12 staff were Aboriginal, with one quarter new to the workforce or returning to the workforce.

Yappera runs a range of childcare programs, including: long day care; early start (family grouping); early start and preschool kindergartens; and two school holiday programs. The kindergarten programs have a pick up and drop off service, and 11 new families joined the service through outreach. Nutrition, physical activity, drama, science, cultural, traditional dance, and parenting/carer programs and workshops are also offered at no additional cost.

In 2012:

- 58 children participated in health checks, including audiology, optometry, paediatric assessments, dental, immunisations, and general health checks.
- Specialist health services were sourced for children, namely speech therapy, occupational therapy and cognitive/developmental support.
- Several children with additional needs, including language/speech delays, cognitive delays, social/emotional delays and Autism spectrum disorder, received additional support.
- 12 children were identified as requiring further assessment;
- 9 referrals were made for families to services including specialist children's services, counselling, family violence support, maternal care and health,
- 13 children had child protection involvement and 7 were in an out of home care placement.

Aboriginal and Torres Strait Islander culture underpins all program planning, delivery and learning at Yappera, in recognition that children learn best with a strong connection to culture and robust support network of family and community. Family are considered to be the primary educators of children and with 50% of staff being local Aboriginal community

members, a sense of trust between families and the service underpins its strong outcomes.

Every year, Yappera experiences significant budget gaps between received grants and projected expenditure.

In modelling conducted by Deloitte Access Economics in 2016, the unamended Jobs for Families Child Care Package would result in a 40% reduction in existing revenue for Yappera, resulting in a 25% decrease in participation.

SNAICC's recommendations for amending the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016

SNAICC recommends the following legislative amendments and policy commitments to ensure that Aboriginal and Torres Strait Islander children are not pushed deeper into an entrenched cycle of inter-generational disadvantage:

1. **An amendment to the Bill to secure a recognition and commitment to the rights of Aboriginal and Torres Strait Islander children.**

   The Bill currently references Australia's obligations under the United Nations Convention on the Rights of the Child (CRC), specifically articles 2, 3, 18 or 23 of the Convention.

   SNAICC proposes adding particular reference to articles 29 and 30 of the CRC, as well as reference to Australia's obligations under the United Nations Declaration on the Rights of Indigenous Peoples (DRIP), particularly articles 2, 8, 14, 19, 21, 22, and 23.

   SNAICC makes specific reference to Article 14:
   Indigenous peoples have the right to establish and control their educational systems and institutions providing education in their own languages, in a manner appropriate to their cultural methods of teaching and learning.

   This could possibly be inserted under Schedule 1, Division 7 – Miscellaneous of the current Bill - 85GA 1) b) (ii-iii).

   SNAICC also proposes that the following be included within the Minister's rules for implementation of the Bill: *The Commonwealth recognises the need for unique, flexible and tailored funding agreements with Aboriginal and Torres Strait Islander community controlled early childhood education and care services to accommodate for the increased vulnerability and access gap to early childhood education and care that Aboriginal and Torres Strait Islander children experience in comparison to non-Indigenous children.*

2. **An Aboriginal and Torres Strait Islander specific program within the Child Care Safety Net and an attuned funding model for other rural and remote services.**

The objective of the Aboriginal and Torres Strait Islander program would be to provide repeated three year grants to top-up the income to Aboriginal and Torres Strait Islander services to enable them to continue flexible service provision to the most disadvantaged children within their communities. New funds are not needed, existing funds (estimated $100 million per year) could be cashed out from Child Care Subsidy funding – see further recommendations under 'Suggested savings measures' below.

3. **Provision of at least two full days (20 hours) of subsidised quality early learning to all children to support their development, regardless of their parents' activities.**

   This is a compromised position from the full 24 hours provided now, offered in the spirit of compromise as a part of a package of recommendations. This requires an amendment to the Bill to ensure that families on incomes less than $100,000 per annum receive two full days (20 hours) of subsidised care per week. This could taper down between the current proposed $65,700 and $100,000 p.a.

   This proposal would require specifically an amendment of Schedule 1, Clause 13 1) of the Bill to state that 'The low income result is 48' so that families on incomes less than the lower income threshold ($100,000) per annum receive two full days (up to 20 hours) of subsidised care per week or an amendment reflecting the tapering component.

   This removes unfair cuts in subsidy caused by the 'cliff' at $65,710 which would mean children have to drop out of early learning or have a significant increase in their fees if their estimated income goes above $65,710. It also retains workforce incentives for families with incomes over $65,710 because subsidy for working families will be paid at a higher Child Care Subsidy (CCS) percentage as well as including additional CCS hours. It finally ensures families in the bottom two quintiles who do not meet the activity test are not worse off moving to CCS.

4. **If recommendation 3 is unacceptable we propose that all Aboriginal and Torres Strait Islander children have access to a minimum of three days per week subsidised care, regardless of their parents or carers activities, reflecting the national Closing the Gap policy goals.**

   This base entitlement should be available to families eligible for Family Tax Benefit Part A.

5. **The Australian Government guarantee that playgroups, mobiles and other unique services supported within the BBF program, such as youth programs, continue to be funded either through the Community Child Care Fund or another program.**

   The BBF program currently funds a number of diverse and unique services operating to service the needs of Aboriginal and Torres Strait Islander children. No alternative funding arrangements have been proposed for these services, and as it stands they will cease to exist leading to an increased service gap for vulnerable Aboriginal and Torres Strait Islander children – particularly children in remote areas.

6. **A commitment to increase places for Aboriginal and Torres Strait Islander children by 5,000 over the first three years of the package to redress the current 15,000 place early learning gap.**

   The government has committed to improving the access gap for Aboriginal and Torres Strait Islander children with Minister Morrison stating in relation to the package that "the Government is committed to Indigenous children having the same opportunities as other children to access child care and early learning".[7]

   All evidence, however, points to the Bill having a contrary impact on Aboriginal and Torres Strait Islander children. To ensure that the Bill becomes a positive driver for change for Aboriginal and Torres Strait Islander children the government needs to commit to address the 15,000 place early learning gap, and establish a collaborative monitoring process on implementation of this commitment. SNAICC is committed to working collaboratively with the government to develop and implement effective strategies to achieve this target.

7. **The Senate Committee require the Australian Government Department of Education and Training disclose full information provided under the tenders detailed below.**

   The Government is currently undertaking a process to assess the capacity of each Budget Based Funding service to transfer to the Jobs for Families Child Care Package and the supports that they would require during the transition. This information is fundamental for Senators to have before them in consideration of whether or not to pass this Bill and what amendments may be required to ensure that the package serves the needs of our most vulnerable.

   Relevant tenders are:
   - Support for Child Care Grant Funding Recipients (CN3341068)
   - Intensive support for Child Care funding rec (CN3341067)
   - Support for BBF Mobile Children's Services (CN3341077; CN3341063; CN3341064; CN3341060; CN3341061; CN3341062; CN3341059)

Identified savings measures required to implement recommended amendments

There are a series of cost savings that could be made to redress any increased costs through these recommendations. The sector has been working on identifying some potential measures that range from reducing the income threshold for the cap from $185,000 to reallocating underspends from the Nanny Pilot and redirecting some of the $1.1 billion of budget savings the Government will achieve in 2017-18 from the delay in the commencement of the Child care Subsidy. The sector can provide further details of these should they be of interest.

[7] Australian Government media release: 'Minister Morrison: Better start for Indigenous children', 19 August 2015, available: http://www.indigenous.gov.au/news-and-media/announcements/minister-morrison-better-start-indigenous-children

Conclusion

SNAICC urges the Senate Education and Employment Committee to consider the needs of Aboriginal and Torres Strait Islander children and implement the minor changes required to ensure their safety and wellbeing is not compromised.

It is the responsibility of the Government to **not widen** the extreme gap in disadvantage Aboriginal and Torres Strait Islander children currently experience. How Aboriginal and Torres Strait Islander children fare will be a litmus test for the Jobs for Families Child Care Package. Now is the time to ensure we have the details right.

Appendix 1

SNAICC Submission

Inquiry into the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

February 2016

SNAICC
National Voice for our Children

Secretariat of National Aboriginal and Islander Child Care

SNAICC Submission

Inquiry into the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

February 2016

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1. Introduction

The Secretariat of National Aboriginal and Islander Child Care ***(SNAICC)*** is the national peak body for Aboriginal and Torres Strait Islander children. SNAICC provides research, policy development, resources and training support on early childhood development issues, and seeks to include the voice of members in relevant policy reform processes. SNAICC members include Aboriginal and Torres Strait Islander early childhood education and care ***(ECEC)*** services. In existence for nearly 35 years, SNAICC has a long and proud history of support to see change in the every day lives of our children around Australia. For more information on SNAICC, please see www.snaicc.org.au.

SNAICC appreciates the opportunity to provide information to the Senate Committee on the anticipated impact of *The Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* on Aboriginal and Torres Strait Islander children. This Bill is a critical opportunity to improve affordability and access to quality early learning for all of Australia's children, and particularly our most vulnerable. This is one of the most important legislative reforms to progress (or undermine) the Australian Government policy objectives to 'Close the Gap in Indigenous disadvantage'.

The Explanatory Memorandum to the Jobs for Families Child Care Package recognises access to early childhood education and care as *'one of the most effective early intervention strategies to break the cycle of poverty and intergenerational welfare dependence.'*[1] This package could play a critical role in redressing disadvantage and changing the life trajectories of Aboriginal and Torres Strait Islander children – if it is genuinely aligned with this statement. The balance of the Package at this stage however is weighted heavily towards supporting working families at the expense of supporting access for vulnerable children.

The Jobs for Families Child Care Package significantly changes how ECEC services are provided to Aboriginal and Torres Strait Islander children. In particular:

(a) The Budget Based Funding ***(BBF)*** Program – the specific program designed for areas where a user pays model is not viable – will be abolished. 80% of services in this program are for Indigenous children.[2] BBF services are expected to transition to the mainstream Child Care Subsidy ***(CCS***) by July 2017; and

(b) Access to subsidised early childhood education and care services will be halved (from 48 to 24 hours per fortnight) for children whose families earn less than around $65,000 per annum and who don't meet the 'activity test'. Subsidised access will also be significantly reduced for families in under-employment.

While positive changes are incorporated within the Jobs for Families Child Care Package, SNAICC is deeply concerned that the package will lead to significantly reduced participation in quality early learning of Aboriginal and Torres Strait Islander children experiencing vulnerability. It will also place the viability of many Aboriginal and Torres Strait Islander services supporting these children under threat, along with the diverse outcomes across child, family and community wellbeing and productivity that they contribute to.

These concerns have been confirmed by Deloitte Access Economics ***(DAE)*** who recently conducted significant research pro bono for SNAICC on the impact of aspects of the Jobs for Families Child Care Package on Aboriginal and Torres Strait Islander communities (see report attached as **Appendix 1**). Importantly, DAE conclude that: '…when the eligibility requirements for the CCS are taken into account,

including the activity test and the reduction in the minimum entitlement for low-income families, access to subsidised hours for many vulnerable families is significantly reduced and funding received by services is, on average, materially lower than current levels.'[3]

From detailed survey results from 36 services (of which 24 were included in the impact modelling covering 25% of children attending BBF services), Deloitte Access Economics found that in the absence of any additional government funding or behaviour change, 'The introduction of the CCS and the activity test in their current form would result in:

- 40% of families currently accessing BBF services, including 46% of families in the lowest income bracket, being eligible for less subsidised hours of child care than they are currently attending *[with an average reduction of 13 hours per week]*
- 54% of families currently accessing BBF services facing higher out-of-pocket costs, with an average increase in costs of $4.42 per hour for those negatively impacted.
- The average change in hourly fees is most extreme for families earning less than $65,000 per year due to the impact of the activity test. The average change in out-of-pocket costs for these families who are negatively impacted is $5.06 per hour.
- 67% of BBF services receiving reduced Government revenue, with government revenue decreasing by an average of 9.1% *[with small services experiencing a 23.5% decrease and remote services experiencing a 24% decrease in Government revenue, with corresponding reductions in enrolments and hours].*
- On average, BBF services will receive an overall reduction in both total enrolments (-9%) and hours of child care delivery (-13%).[4]

DAE concluded that:

> *Without additional funding from alternative government revenue streams, such as grants under the IAS, it could be expected that services will increase fees, reduce their size and/or reduce staff numbers in order to remain viable. In addition, wrap around services which are provided to encourage increased engagement in early childhood services, and provide other community services, may also be reduced. Each of these measures may adversely impact on the level, nature or quality of services provided to Aboriginal and Torres Strait Islander children and families.*[5]

These findings are deeply worrying and stand in direct contrast to the stated objectives of the Package and of Australian Government policy.

The Child Care Safety Net should redress these issues, but is not constructed in a way which will achieve this. Further, there are a range of factors not taken into account in the DAE report that will increase the cost of child care to vulnerable families and reduce participation levels. This includes in particular the administrative hurdles and prescriptive requirements of the package.

SNAICC recommends key changes to redress the imbalance of the package towards workforce participation objectives at the expense of meeting the needs of vulnerable children. In particular, amendments proposed focus on:

- Increasing access to subsidised care for families on incomes less than $65,000 per annum to two full days (up to 20-24 hours) per week;
- Extension of determinations under the Additional Child Care Subsidy for up to 12 months by the Secretary;
- Increasing the hourly fee cap by 15% for the Child Care Subsidy in remote communities to reflect the higher costs of ECEC delivery in those communities; and

- Inclusion of an adequate Aboriginal and Torres Strait Islander specific program within the Child Care Safety Net to provide top-up subsidies to Aboriginal and Torres Strait Islander services.

SNAICC understands that this is a significant reform process that has required enormous effort. We support the efforts to date but are concerned that without these amendments, unforeseen policy consequences will undermine the objectives of this Bill. Further information must be made public to enable Members of Parliament to properly debate this Bill, and further measures are required to support access to quality early learning and ultimately transition to school, education, workforce participation outcomes for vulnerable children. Aboriginal and Torres Strait Islander children, once again, stand to lose the most from these reforms.

We urge the Senate Committee to closely critique how the Jobs for Families Child Care Package will impact these children and consider the balanced recommendations of this submission. With reasonably minor amendments and some clear, prescribed parameters for the Child Care Safety Net policy, a brighter future for our most vulnerable Australian children can be secured.

2. Key recommendations

Recommendation 1:
SNAICC urges the Senate inquiry to request analysis from the Australian Government Department of Education and Training of the viability for BBF services to meet the needs of their target populations when the program ends, and a justification for ending the program in light of those viability impacts.

Recommendation 2:
SNAICC urges the Senate Committee to require the Australian Government Department of Education and Training to provide detailed information, based on their current understanding, on:

(a) how the Jobs for Families Package will operate for mobile services and OSHC services;
(b) how many services will not be transitioning to the new model; and
(c) what alternative programs (including new resource allocation) will be established to support the needs of these services.

Recommendation 3:
Playgroups, mobile services and other services involving parent/carer, as well as other unique services supported within the BBF program, such as youth programs, continue to be funded after the cessation of the BBF program, either through the Community Child Care Fund or another specific funded program.

Recommendation 4:
Adequate long-term funding for an Aboriginal and Torres Strait Islander specific program be allocated within the Child Care Safety Net to provide top-up subsidies to Aboriginal and Torres Strait Islander services. We do not feel confident with the lack of information currently available to propose a specific figure required for this component. We recommend a transparent process to confirm this amount in consultation with peak bodies, including SNAICC, and services.

Recommendation 5:
Families on incomes less than $65,000 per annum receive two full days (20-24 hours) of subsidised care per week. This requires specifically an amendment of Schedule 2, Clause 13(1) of the Bill to state that

'The low income result is 48' so that families on incomes less than the lower income threshold ($65,710) per annum receive two full days (up to 24 hours) of subsidised care per week.

Recommendation 6:
The Senate Committee conduct a Study Tour to ensure strong understanding of remote service provision, the needs of services that support particularly remote children and families and the inherent challenges within the Jobs for Families Child Care Package.

Recommendation 7:
Introduce an hourly fee cap 15% higher for the Child Care Subsidy in remote communities to reflect the higher costs of ECEC delivery in those communities. This requires amendment to Schedule 2, subclause 2(2) to add a further dot point, identified in bold below.

The **CCS hourly rate cap** depends on the type of service providing the session of care (see **subclause 2(3)**). The CCS hourly rate caps are:

- $11.55 for care provided by a centre-based day care service
- $10.70 for care provided by a family day care service
- $10.10 for care provided by an outside school hours care service
- **$13.30 for care provided by a remotely located centre-based day care service**
- **$11.60 for care provided by a remotely located outside school hours care service**
- The rate prescribed by the Minister's rules for care provided by a service type prescribed in the Minister's rules.

Recommendation 8:
A second set of hourly rate caps be included within Schedule 1, Clause 2(3) specifically for Aboriginal and Torres Strait Islander services, according to the following table:

Schedule 2, subclause 2(2) should read (new section in bold)
The **CCS hourly rate cap** depends on the type of service providing the session of care (see **subclause 2(3)**). The CCS hourly rate caps are:

- $11.55 for care provided by a centre-based day care service
- $10.70 for care provided by a family day care service
- $10.10 for care provided by an outside school hours care service
- **$13.30 for care provided by an Indigenous centre-based day care service**
- **$12.30 for care provided by an Indigenous family day care service**
- **$11.60 for care provided by Indigenous outside school hours care service**
- The rate prescribed by the Minister's rules for care provided by a service type prescribed in the Minister's rules.

Recommendation 9:
If Recommendation 8 is not adopted, Item 1 of the table detailed in Schedule 1, Clause 3(1) is amended so that where an individual's adjusted taxable income for the income year in which the CCS fortnight starts is equal to or below the lower income threshold, the applicable percentage for the individual is 100%.

Recommendation 10:
The Community Child Care Fund offer repeated funding grants of three-year periods based on demonstrated need. It should be clear that services are not precluded from funding based on past

funding provision and it is anticipated that a number of services will require ongoing operational support.

Recommendation 11:
Amend s204K of the Bill to require notice to an appropriate child protection related State/Territory body only as required under jurisdictional child protection legislation.

Recommendation 12:
Eligibility for ACCS (at risk component) – s85CA of the Bill be amended to replace the 'at risk of serious abuse or neglect' test with a 'vulnerability' test that encompasses service identification of a series of risk factors of vulnerability, within a vulnerability framework developed to include developmental or learning delays, behavioural issues, family crisis or vulnerability on the Australian Early Childhood Development Census etc.

Recommendation 13:
S85CE of the Bill, and any other relevant section, be amended such that The Secretary can make a determination under ACCS (at risk) for up to 12 months after the exposure to risk was identified. Policies on this provision are recommended to include a recommendation to services to conduct a further assessment eight weeks after the ACCS support expires to determine whether the risk has resurfaced.

Recommendation 14:
Remove all provisions requiring proof of immunisation to access ACCS (at risk), including '…or would be except that a session of care is provided on a day in an immunisation grace period for the child (see subsection (9))' from s67CD(3) of the Bill.

Recommendation 15:
Fund Aboriginal and Torres Strait Islander ECEC service providers under the Community Child Care Fund for the substantial administration costs associated with supporting families to administer entitlements.

Recommendation 16:
- Families and child care services receive automatic notification of any issues arising that may affect a family's receipt of the subsidy.
- Services can view the subsidised rate and number of hours each family is entitled to.
- Families be entitled to a three-month period within which to rectify any issues before their subsidy entitlements are cut.

Recommendation 17:
Amend s33(10(4)) of the Bill on 42 days absence allowance to include a provision (f) which reads: 'the child is attending an event reasonably required by his/her culture.'

Recommendation 18:
The Australian Government Department of Education and Training *(DET)* provide adequate information to the Senate Committee on:
(a) ECEC service coverage and service gaps for Aboriginal and Torres Strait Islander children across Australia; and
(b) The Australian Government plan for how the Jobs for Families Child Care Package will redress the 15,000 place gap, as committed by the Minister for this portfolio in August 2015.

Recommendation 19:
If DET is unable to provide information on service gaps, the Senate Committee recommend a transparent process of identifying areas of most need for new services and service expansion targeting Aboriginal and Torres Strait Islander children, in particular with peak bodies and services.

Recommendation 20:
Amend Schedule 1, Clause 1(2) to read 'The *annual cap* of $7,500 applies to an individual for an income year if the adjusted taxable income of the individual for the income year exceeds the amount that is the lower income threshold plus $120,000.'

3. Background context

The early years as a critical period in improving outcomes of vulnerable children

Every child deserves an equal start in life, but many Aboriginal and Torres Strait Islander children are born into circumstances of high vulnerability, exclusion and disadvantage. Indigenous children comprise just 2.9 per cent of children participating in early childhood education and care programs, despite making up 5.5 per cent of the population.[6] In 2013, 74 per cent of Aboriginal and Torres Strait Islander children were enrolled in preschool in the year before full-time schooling, with 70 per cent attending, compared to 91 per cent enrolment and 89 per cent attendance for non-Indigenous children.[7]

With nearly half of all Aboriginal and Torres Strait Islander children identified as vulnerable under the Australian Early Development Census, twice that of non-Indigenous children,[8] a focus on change in the early years is fundamental to Closing the Gap. Not enough is being done to ensure these children are accessing early years programs, despite evidence clearly showing that the formative years of a child's life are a critical predictor of their successful transition to school and life-long education and employment outcomes.[9]

Longitudinal, randomised controlled studies from the USA, for example, have demonstrated that 95% of children experiencing disadvantage who participate in quality early learning services from ages zero to three develop an IQ within the normal range compared with 45% of those children who don't.[10] We note that this outcome resulted from 50 hours per week ECEC participation. Other outcomes included: greater likelihood of full-time higher status employment; increased social competence; additional years of education; and reduced proportion of high-risk activities like smoking, drugs and teen pregnancy.[11] Importantly, the impacts of participation reduced after the age of three: suggesting that zero to three is a critical window for children experiencing significant vulnerability.

The argument for improved access for vulnerable children to ECEC services is also an economic one. The Abecedarian Program discussed above, for example, delivers a cost-benefit ratio of between 3-4 : 1 at 21 years post-program.[12] Research by the Australian Research Aliance for Children and Youth (ARACY) states that:

> *In addition to being crucial to children's developmental trajectories, it is clear that investments in the early years and in prevention and early intervention more broadly yield significant financial returns. The return on investment for prevention and early intervention is consistently greater than costly remedial responses;*

> *preventative investment reduces downstream expenditure on remedial education, school failure, poor health, mental illness, welfare recipiency, substance misuse and criminal justice.*[13]

A recent report by PricewaterhouseCoopers affirms this, finding that increasing participation of vulnerable children in early childhood education and care services would amount to a $13.3 billion benefit to Australia's GDP by 2050. It confirmed a public benefit-cost ratio of $2.69:1, although international estimates are much higher.[14]

Australia has a strong policy framework that reflects the importance of early childhood development in lifelong outcomes for Aboriginal and Torres Strait Islander children. The National Early Childhood Development Strategy, a broad initiative to address children's health, education and wellbeing, has the overall goal to ensure that 'by 2020 all children have the best start in life to create a better future for themselves and for the nation'.[15] Therefore, major reforms to Australia's early childhood education and care system must progress this policy objective. These reforms provide an opportunity to progress this policy objective and redress Australia's poor OECD performance in benchmark standards relating to early childhood education and care and in the proportion of three-to-five-year-olds in early learning or preschool.[16] Importantly it also provides an opportunity to bridge the chasm between our policy goals and the resources invested in realising them, with the average expenditure on early childhood education and care a mere 0.1% in comparison to the average in OECD countries of around 0.5% of overall GDP.[17]

What works to improve outcomes for Aboriginal and Torres Strait Islander children

The Australian Institute of Health and Welfare sets out the key factors that are known to be effective in overcoming Indigenous disadvantage in the early years. The Institute states that:

- Children at risk of poor developmental and educational outcomes benefit from attending high-quality education and care programs in the years before school.
- Early learning programs that are supported by the community, provided by educators who are qualified, well-attended, well-resourced, and evidence-based are a key contributor to good early childhood outcomes.
- Helping families and communities to be supportive and effective in their roles in children's lives is a key protective factor for the early years and a key component in the design and delivery of high-quality, effective early years programs.
- Uptake of early learning programs by Indigenous families is enhanced by community partnerships, culturally relevant practice that values local Indigenous knowledge, and appropriate teacher training and support.[18]

Enabling Aboriginal and Torres Strait Islander children to experience the benefits of ECEC requires efforts to improve their *access* to such services. Early childhood expert Professor Brennan states that,

> *Access to early childhood education means far more than simply increasing the number of preschool places available or the proportion of children enrolled (Baxter and Hand, 2013: xvii). Even if places are available, families may face barriers relating to cost, quality, hours of opening location and – crucially – responsiveness to the needs and concerns of both parents and children. Accessible services need to be genuinely responsive to, and welcoming and respectful of, the children and families they serve. As well, programs need to be 'delivered in such a way that the child is able to fully experience the potential benefits of [early childhood education]'. (Baxter and Hand, 2013: 55-64)*

> *'Whether services are targeted specifically at Aboriginal and Torres Strait Islander families, or at the community in general, participation by Aboriginal families is higher in services developed by and with these communities.' (Mann, 2012; Gooda, 2011)*

The importance of culture and community based services in increasing service participation was demonstrated with the recent set up of Aboriginal and Torres Strait Islander Child and Family Centres across the country. For example, 80% of the 650 children within one of the nine NSW Aboriginal Child and Family Centres in 2014 had not accessed any ECEC program previously.[19]

Currently, approximately 240 'Budget Based Funded Services' and 38 'Aboriginal and Torres Strait Islander Children and Family Centres' provide diverse, holistic, community based early years services for Indigenous children, in addition to a number of mainstream services. These are developed and operated consistently with evidence on what works to support positive outcomes for Indigenous children experiencing vulnerability. Recent research by Deloitte Access Economics noted that approximately 80% of families participating in BBF services fall within the lowest income bracket (see Appendix 1).

These services fall far short of Indigenous service needs, with the Productivity Commission estimating a gap of 15,000 places and a funding shortfall which is obstructing access for those most in need.[20] Most existing Aboriginal and Torres Strait Islander services have lengthy waiting lists and are under pressure weekly to accept additional children in need of support. Many have also been progressively starved in recent years with a funding cap placed on BBF funding. Budgets were also based on the original child care places of the services, which often changed dramatically over the years. This means that, for example, Lullas Children and Family Centre in Shepparton is provided with Government funding for 17 child care places, despite now offering 70 places.

Despite being under-funded to meet their aims, many of these services continue to develop programs based on community need, not on parental entitlements. Many provide a touchpoint for the entire family to access services and engage with the community, while giving children the best start in life. The centres provide:

- critical early learning supports,
- early identification of learning disabilities,
- basic health services,
- parenting and family support programs,
- cultural programs that build pride and identity,
- transition to school programs,
- family support and capacity building,
- information sharing and community events,
- employment opportunities for locals.

These functions are not add-ons, but fundamental resources for families and children who wouldn't otherwise access formal support services.

Evidence also confirms that engagement in early childhood education reduces risk of harm to a child, and subsequent involvement with statutory child protection authorities, as well as reductions in remedial services and criminal behaviour in the longer term.[21] Holistic community based Indigenous services are a central preventative measure to strengthen families and prevent child abuse and neglect. Increasing both service access and wider supports for children at risk would reduce the number of

children experiencing or at risk of experiencing harm, particularly given that children aged less than one year were most likely to be the subject of a substantiation (14.7 per 1,000 children), followed by children aged 1-4 years (8.4 per 1,000 children).[22] Such supports would also assist in lowering rates of child removal, with nearly half (44 per cent) of all children in out-of-home care being removed by age five.[23]

Improving workforce participation

SNAICC recognises the critical role that early childhood services play in improving workforce participation of parents and carers. Aboriginal and Torres Strait Islander early years services provide employment pathways for many parents and carers – generating employment opportunities, enabling communities to develop skills, knowledge and qualifications to get work ready in culturally appropriate, supported environments. These services build confidence and skill up family members – many who have never been in the workforce – providing a stepping-stone from voluntary or casual work into more permanent and skilled paid work.

Aboriginal and Torres Strait Islander ECEC services also support the work choices of families by providing flexible care that caters for parents and carers in temporary, contract and permanent employment positions.

4. The issues

SNAICC is deeply concerned that there will be grave unintended policy consequences from the implementation of The Australian Government Jobs for Families Child Care Package for Australia's children experiencing vulnerability. In particular, it will have a profound impact on Aboriginal and Torres Strait Islander children, reducing access to and participation in critical early learning services.

SNAICC recently engaged Deloitte Access Economics to analyse the impact of the introduction of the Jobs for Families Child Care Package on Aboriginal and Torres Strait Islander communities (see full report attached as **Appendix 1**). DAE concluded that the transition of services to the Child Care Subsidy and the introduction of the activity test *'…are expected to significantly influence the nature and composition of Indigenous services' revenue.'* From detailed survey results from 36 services covering 25% of children participating in the BBF program and a review of available research, Deloitte Access Economics concluded that:

> **In the absence of any additional government funding, and assuming that families choose to retain their current attendance levels and pay the full cost of unsubsidised hours (which some of course will not), the introduction of the JFCCP in its current form would result in:**
>
> - **40% of families currently accessing BBF services, including 46% of families in the lowest income bracket, being eligible for fewer subsidised hours of child care than they are currently attending.**
>
> - **On average, for those families eligible for fewer hours than they currently attend, 13 hours per week of current access would be unsubsidised under the JFCCP.**
>
> - **54% of families currently accessing BBF services facing higher out-of-pocket costs, with an average increase in costs of $4.42 per hour for those negatively impacted.**

- **The average change in hourly fees is most pronounced for families earning less than $65,000 per year due to the impact of the activity test and the reduction in minimum entitlement. The average change in out-of-pocket costs for families who are negatively impacted is $5.06 per hour, noting that this shortfall will at least in part be covered by additional funding available under the ACCS.**

- **67% of BBF services receiving reduced government revenue, with government revenue decreasing by an average 9.1%.**

  - **Small and regional services are most vulnerable to the impact of the JFCCP, with the largest projected percentage decrease in revenue.**

- **BBF services receiving, on average, an overall reduction in both total enrolments (-9%) and hours of child care delivery (-13%).**
  (Executive Summary: see full report attached as Appendix 1)

DAE conclude that:

'…when the eligibility requirements for the CCS are taken into account, including the activity test and the reduction in the minimum entitlement for low-income families, access to subsidised hours for many vulnerable families is significantly reduced and funding received by services is, on average, materially lower than current levels.'

They note the potential of additional funding mechanisms developed to support the implementation of the policy changes to mitigate these impacts, including the Community Child Care Fund and Additional Child Care Subsidy, and highlight that:

> It will be imperative the transitional and ongoing support mechanisms associated with the JFCCP (such as the ACCS in the case of families, and the CCF in the case of services) are effectively utilised to offset the direct adverse effects of the proposed policy changes. Without sufficient support via these measures, the analysis suggests the JFCCP will have a material negative impact on the affordability of, and participation in, Indigenous early childhood services. Any reduction in access stemming from these reforms would run directly counter to the national policy objective of encouraging equal rates of participation in early childhood services between Indigenous and non-Indigenous children – the achievement of which requires a considerable uplift in participation among Aboriginal and Torres Strait Islander children.[24]

We appreciate that sector reform is a major and complex endeavour. We understand and commend the breadth and extent of work that the Department of Education has invested in the development of this reform package to date. However we urge for greater investment in transparent development of the Child Care Safety Net before Parliament votes on this Bill. There is simply inadequate information before Parliament currently to be in a position to vote on this reform package. There remain too many questions about how Australia's early childhood education and care system will cater for and support our most vulnerable children.

With this in mind, SNAICC makes the following key recommendations to amend *The Family Assistance Legislation Amendment Bill 2015* or the policies supporting it.

Issue 1: Closure of the Budget Based Funding program without adequate programmatic alternatives

The BBF program comprises a number of differing service types to support a very diverse range of early childhood program needs across urban, rural, remote and very remote Australia. This includes: playgroups; out-of-school-hours services; long day care services; Multi-functional Aboriginal Children's Services (MACS); jet crèches; and mobile services, as well as a number of other programs like breakfast programs and toy libraries. SNAICC supports the need for redevelopment of a coherent policy and program to support children with diverse needs. However, while this has been promised over a number of years now, beginning with the Budget Based Funding Program review in 2012,[25] an alternative, effective approach has not yet been articulated.

Services are supported under the BBF program because they are located in areas where a user pays system has been assessed as not viable. We have not seen any information to suggest that the assessment of service viability of services with the BBF program has changed.

Recommendation 1:
SNAICC urges the Senate inquiry to request analysis from the Australian Government Department of Education and Training of the viability for BBF services to meet the needs of their target populations when the program ends, and a justification for ending the program in light of those viability impacts.

The Federal Department of Education and Training has informed all BBF services that they will be transferring to the new system in July 2017. While they have been informed that if they do not wish to move to this system, there will be alternative programs for them to apply to, there has been no information provided on what these programs are or whether there will be new funding to support them. Further, it is evident that a number of service types will not be supported under the Jobs for Families Child Care Package – playgroups, for example, will not fit within the model. It is also very unclear whether many of the out of school hour's care (OSHC) or mobile services will fit within the model. A case study on an out-of-school-hours care service for youth currently supported under the BBF program is detailed in the table below. It highlights the diversity of programs supported under this program that meet important policy objectives but that will not fit within the proposed system. There are a number of other services which are deciding to shut down child care services already rather than attempt a transfer to this model, which they see as entirely unrealistic for their community.

Recommendation 2:
SNAICC urges the Senate Committee to require the Australian Government Department of Education and Training to provide detailed information, based on their current understanding, on:

(d) how the Jobs for Families Package will operate for mobile services and OSHC services;
(e) how many services will not be transitioning to the new model; and
(f) what alternative programs (including new resource allocation) will be established to support the needs of these services.

Recommendation 3:
Playgroups, mobile services and other services involving parent/carer, as well as other unique services supported within the BBF program, such as youth programs, continue to be funded after the cessation of the BBF program, either through the Community Child Care Fund or another specific funded program.

Anmatjere Outside School Hours Care Service – Ti Tree NT:
A case study of a remote NT Youth Program that is funded through BBF

Basketball at Ti Tree Outside School Hours Care Service

Provider: Central Desert Regional Council
Area covered by the service: approximately 1500 km² including the communities of: Ti Tree, Nturia, Pmara Jutunta and Wilora
Service hours: Tuesday-Saturday 3.30pm-8.00pm
Uptake of the service: The service was used on 3214 occasions in the last 12 months
Number of Aboriginal staff: 3 (75% of the staff)

Outcomes for participants:

- Improved engagement and outcomes at school,
- A chance to participate in fun developmental activities in a safe place,
- Access to organised sports,
- Better health, self-esteem and wellbeing,
- Access to trusted staff who can provide help and referral support where needed,
- Organised school holiday programs,
- Access to visiting services (such as mental health, child welfare and substance misuse prevention, programs). These visiting services use the program as a 'shop-front' and coordination point.

Outcomes for the wider community:

- Reduced crime and substance misuse,
- Access to childcare services (this is the only permanent childcare option in Ti Tree),
- Some of the programs that are supported by this service are also used/ attended by adults who attend with children who are in their care e.g. discos, movie nights,
- Increased employment opportunities for local people,
- Youth programs such as this have played a crucial role along with Low Aromatic Fuel roll out in reducing petrol sniffing. Sniffing has dropped by 94% in this region.

Potential Impact of the BBF Transition Changes:

The Anmatjere Outside School Hours Care program has been in operation for over 10 years, providing OSHC and Vacation Care programs. It is highly uncertain whether this program will be able to qualify as an approved childcare provider and continue to operate under the new system.

The main users of the program live in poverty and cannot reasonably be expected to pay fees to access the program.

It is uncertain whether the Safety Net provisions will cover programs like this as they appear to be targeted more to OSHC services that are provided out of child care centres. There is no child care centre in Ti Tree.

BBF funded youth programs in the region:
Historically services like the Ti Tree youth program have been an uncomfortable fit for Outside School Hours Care funding as they operate more like youth programs than child care services. The Commonwealth was well aware of this when it first established the services using cashed out child-care program funds between 2001-05. This approach was used because there were very few child care centres in the region and because remote communities clearly needed more generalist youth activities. There are four other programs that operate this way in the southern part of the Northern Territory. They are located in Ampilatwatja, Utopia, Yuelamu and Yuendumu. At this point it appears there is a real risk that all of these programs will be forgotten and lost in the BBF transition.[26]

Issue 2: The risk of losing or diminishing the Aboriginal and Torres Strait Islander service sector

SNAICC strongly believes that the model presented within the Jobs For Families Child Care Package is at odds with the principles of service provision of Aboriginal and Torres Strait Islander services. Aboriginal and Torres Strait Islander ECEC services do not operate to support families' work choices or even just to provide children with early childhood development opportunities; they are about holistically supporting the wellbeing of all children and families in the community. These services prioritise access and engagement for Aboriginal and Torres Strait Islander children not accessing, or not likely to access, mainstream services, and through their unique features they overcome many of the identified barriers Aboriginal and Torres Strait Islander families experience in accessing early childhood services.[27]

SNAICC is deeply concerned that this disconnect will lead to a significant loss of Indigenous service provision in the early years sector. There is a great risk of an unforeseen policy consequence of the closure of many Indigenous services through the transition of BBF services to the Child Care Subsidy. Viability findings of the DAE report, in particular for small and remote services, highlight this risk (Appendix 1). This threat may in practice be significantly greater in light of the challenges of the administrative burden of the Jobs for Families Child Care Package on services.

These services have not been supported, like all other services, to transition to the National Quality Framework. They do not currently operate under the Child Care Benefit system and are not accustomed to such administrative demands. Many mobile and other services operate under very trying circumstances with minimal, if any, infrastructure, in very remote locations.

Conversely, with minor amendment the package provides an opportunity to recognise the unique value and role of the Aboriginal and Torres Strait Islander service sector for our most vulnerable children, and to provide a system that supports them and the outcomes they can achieve for children. The role of these services is outlined briefly in the background context section above and the DAE Report in Appendix 1. The value of Indigenous specific services is also reflected on in the box below, drawn from a

recent SNAICC research report. Only with a system that recognises and enables strong Aboriginal and Torres Strait Islander community ownership of services are we setting ourselves up to be in a very different position in terms of equality of our First Peoples in the next decade. If communities lose their community owned and driven ECEC services, they lose a lot more than child care.

Participation contributes to better outcomes for children and families[28]

International and Australian evidence has strongly supported the importance of Indigenous participation for positive outcomes in service delivery for Indigenous children and families. In the United States, studies indicate that the best outcomes in community well-being and development for Indigenous peoples are achieved where those peoples have control over their own lives and are empowered to respond to and address the problems facing their own communities.[29] Canadian research has shown a direct correlation between increased Indigenous community-control of services and improved health outcomes for Indigenous peoples.[30] Canadian research has also found a direct connection between Indigenous self-government and reduced rates of youth-suicide.[31] Denato and Segal (2013) provide a comprehensive review of Australian evidence indicating the crucial importance of Aboriginal and Torres Strait Islander community control to outcomes in health service delivery.[32] They cite several studies of the Office for Aboriginal and Torres Strait Islander Health to conclude: A common theme emerging from these extensive reviews regarding **'**what works**'** was the crucial importance of community engagement, ownership and control over particular programs and interventions.[33]

Numerous reports and inquiries in Australia consistently confirm a lack of robust community governance and meaningful Indigenous community participation as major contributors to past failures of Government policy.[34] They highlight the need to build capacity for Aboriginal and Torres Strait Islander community-controlled children and family services.[35] A recent report of the Australian National Audit Office finds that building the role and capacity of Aboriginal and Torres Strait Islander organisations is not only important for effective service delivery, but an important policy objective in its own right in so far as it promotes local governance, leadership and economic participation, building social capital for Aboriginal and Torres Strait Islander peoples.[36] Indeed, the *Bringing them Home* report concludes that community development approaches to addressing child protection needs are required rather than traditional models of child welfare that '*pathologise and individualise Indigenous child protection needs.'*[37]

Participation supports service access and engagement for Aboriginal and Torres Strait Islander families.

New ways of working with Aboriginal and Torres Strait Islander families that are community led and managed can have multiple benefits in ensuring that services are culturally appropriate for and acceptable to Aboriginal and Torres Strait Islander families, addressing the myriad of barriers that contribute to their under-utilisation of mainstream services.[38] It is well accepted that service access of Aboriginal and Torres Strait Islander families is supported by service systems and providers that develop cultural competence and service delivery that is culturally appropriate.[39] Collaboration between Aboriginal and Torres Strait Islander communities, mainstream agencies and government can contribute to build competency and offer ways of Indigenising families' experiences of chid protection services.[40]

Evaluation of child and family service delivery through the federally funded Communities for Children program identifies that *'Indigenous specific services offer Indigenous families a safe, comfortable, culturally appropriate environment that is easier to access and engage with.'*[41] The importance of Indigenous-led services to family engagement in child protection is also clearly identified in the *Bringing them Home* report: Evidence to the Inquiry confirms that Indigenous families perceive any contact with welfare departments as threatening the removal of their child. Families are reluctant to approach welfare departments when they need assistance. Where Indigenous services are available they are much more likely to be used.[42]

Aboriginal and Torres Strait Islander services also provide a unique quality of service to children. They are framed by clear principles, drawing on traditional values and child-rearing practices, which are often

significantly different from dominant cultural child-rearing practices in Australia. While practices vary within different local cultures, they commonly emphasise whole of community caring, and include important roles for extended family and kin in meeting the day-to-day care needs of children.[43] Aboriginal and Torres Strait Islander services provide an important role in validating and nurturing cultural identity of children, now known to be central in supporting healthy, confident and productive growth. SNAICC explored this issue in more detail in its submission to the BBF review in 2012, **[44]** excerpts highlighting some key features of these services are included below:

Values and incorporates identity and culture

A wealth of literature highlights the importance for Aboriginal and Torres Strait Islander children of early childhood service models that 'acknowledge and affirm Indigenous culture and build positive cultural identity.'[45] Aboriginal and Torres Strait Islander families have identified that a critical factor in their engagement with a child care service is the ability of the service 'to recognise and incorporate cultural practice into the way the child and family is dealt with.'[46] The NIRA affirms this, setting out that 'Connection to culture is critical for emotional, physical and spiritual well being. Culture pervades the lives of Indigenous people and is a key factor in their wellbeing – culture must be recognised in actions intended to overcome Indigenous disadvantage…efforts to Close the Gap in Indigenous Disadvantage must recognise and build on the strength of Indigenous cultures and identities.'[47]

Aboriginal and Torres Strait Islander ECEC services incorporate culture on an every day, incidental basis by focusing on developing children's identity, sense of belonging and pride within their community, family and culture.[48] Whilst many mainstream early childhood services do aim to be inclusive of Aboriginal and Torres Strait Islander culture, there are important distinctions. Aboriginal and Torres Strait Islander ECEC services, for example, naturally embrace culture as central to every aspect of service delivery: it is not something external, but inherent in what they are. This creates a sense of cultural safety for families.[49]

Community not Centre focused

Aboriginal and Torres Strait Islander ECEC services are also about meeting the needs of *all* children in the community.[50] Services focus not on just the children attending the centre but seek to reach all children who may be in need in the community. This is achieved, for example, through outreach, mobile services, and provision of care to children visiting the community. This *'community approach to child care is consistent with a "traditional" Indigenous approach.'*[51] This principle is supported within the National Early Childhood Development Strategy, which states that a key element of a responsive ECEC services is *'active service outreach into the community'.*[52]

Holistic and responsive to need

Another feature of these services is their holistic nature and responsiveness to cater for a child's comprehensive developmental needs, including language development, speech and hearing support. These need to be part of an integrated approach and not considered as add-ons to a program. Holistic early childhood services also need to provide a range of services beyond child care and development programs,[53] including health, family support and capacity building, nutrition and early intervention. These additional programs have been identified by families and services alike as critical to increasing families' access and engagement with an early childhood service.[54] The provision of such additional programs in an integrated approach is also critical to meeting broader family needs[55] and overcoming disadvantage in early childhood. This requires 'a holistic approach that addresses children and families in the context of their communities and cultures, taking into account children's physical and mental health, emotional wellbeing and development.'[56]

Strengths based approach

A strengths based approach to ECEC service provision builds on existing family and community strengths and expertise to develop children's and families' capacity, confidence and pride. It utilises Aboriginal and Torres Strait Islander culture and languages, recognising – as stated in the House of Representatives recent report on Aboriginal and Torres Strait Islander traditional language development – the multitude of evidence that 'early childhood Aboriginal language and cultural programs lead to increased self-esteem, improved academic performance, improved school attendance, reduced drop-out rates and better proficiency in reading skills in both the Indigenous language and English.'[57]

It requires active community participation*, 'encouraging and facilitating communities "doing it for themselves" rather than "being done to".'*[58] The National Early Childhood Development Strategy describes this as *'engaging and empowering parents and communities in early childhood development and services',* highlighting this as an essential component of a responsive early childhood service.[59] A strengths based approach is particularly important for Aboriginal and Torres Strait Islander families and communities, for whom past policies, structures and histories have eroded self-esteem and social cohesion. In overcoming this, therefore, a critical element of an empowering, strengths based approach is recognising each family and community's unique context and qualities. As Sims describes*, 'It is essential to remember that each family/community/culture has different strengths, not all of which are recognised as strengths in a white, middle-class world.'*[60]

BBF service leaders and academics have raised concerns that a user-pays model is incompatible with these principles of Aboriginal and Torres Strait Islander services. A user-pays model like the CCS inherently risks termination of a child's participation in a service due to unpaid fees and/or families not adhering to administrative requirements. BBF services have raised the following specific concerns regarding this:

- Whilst many BBF services can and do collect fees (albeit in most cases, low fees) from their families, not all families – particularly those with unstable incomes – are able to consistently pay. With a fee-driven model such as the CCS, when families cannot pay fees, children will be forced to drop out of the service. As well as the detrimental effects this will have on families and children, it will also lead to gaps in service budgets and cause services to operate at a loss until fees can be recovered or enrolment rates raised;
- Reliance on fees as a service's major income source would be inadequate to cover the range of costs a service incurs, without escalating fees to prohibitive levels; and
- Collection of fees can be highly challenging in contexts of inter-generational poverty and disadvantage, and can have a negative impact on the relationship between staff and families, and on families' engagement with the service.[61]

The experience of Bubup Wilam Early Learning, included in DAE report, Appendix 1, pp.21-22, illustrates that struggles of marrying Aboriginal service principles with the mainstream user-pays CCB system. Under a block-funded program, services can set their fees according to what is realistic for their communities. This means that a child's attendance at the service is not compromised by how much their family is able to pay.

Abolishing the Budget Based Funding program calls for a new model designed to support culturally grounded Indigenous services for populations experiencing vulnerability. SNAICC understands the objectives of moving these services to the Child Care Subsidy model. However, evidence presented by

Deloitte Access Economics (Appendix 1) suggests that service viability requires an alternate funding stream, which would top up operational funding for Aboriginal and Torres Strait Islander services located in areas of high need where a market-based model will not be feasible.

Recommendation 4:
Adequate long-term funding for an Aboriginal and Torres Strait Islander specific program be allocated within the Child Care Safety Net to provide top-up subsidies to Aboriginal and Torres Strait Islander services. We do not feel confident with the lack of information currently available to propose a specific figure required for this component. We recommend a transparent process to confirm this amount in consultation with peak bodies, including SNAICC, and services.

Issue 3: The introduction of the activity test will reduce access to subsidised child care for vulnerable children

The proposed activity test also requires amendment to ensure that vulnerable children do not lose access to early childhood education and care opportunities due to their parents' employment status.

The Jobs for Families Child Care Package halves access to subsidised early learning and care to 24 hours per fortnight for children whose families have incomes of less than around $65,000 per annum and who don't meet the activity test, significantly reducing access for families in under-employment. It also embeds a complex three-tiered system in which:

- 4-8 hours activity gives 18 hours of subsidy per week.
- More than 8 to 24 hours activity gives 36 hours of subsidy.
- More than 24 hours activity provides 50 hours subsidy/ week.
- The parent with the lowest entitlement determines access hours.

This will have an enormous effect on Indigenous children experiencing vulnerability. Deloitte Access Economics research found that 46% of families attending BBF services earning less than $65,000 per year would be eligible for less hours than they are currently attending, with the average reduction of hours per week being 12 hours (see report in Appendix 1, at 16). A further 24% of families earning between $65,000 and $90,000 would be eligible for less hours of care than they are currently using. The average reduction in hours per week in this case is 19 hours less of care.

Whilst it was stated in the second reading of the Bill that 24 hours per fortnight equates to two weekly six-hour sessions,[62] this is dependent on the particular child care service offering shorter sessions than the regular full-day session – which most services do not. In fact, offering shorter sessions is often not an option for services, as shorter hours of service do not necessarily mean cumulatively lower operational costs. If a centre does not offer shorter sessions, the allocation of 24 hours of care per fortnight will equate to one session per week.

The proposal for services to break their programs down into 3 or 6-hour periods would have unintended policy consequences:

- Families who can pay for full days will get priority over children accessing the services through this provision,

- Services will need to increase their hourly rate significantly. This will exceed the subsidy maximum and pass directly to families, making child care unaffordable for families needing it most,
- Casualising the workforce: this will have a detrimental impact on child care staff, who are currently paid at low rates despite the requirement for increased qualifications under the National Quality Framework (NQF). Further casualising the sector will result in a decrease in skilled staff as qualified staff seek better wages, and will mean that numerous child care educators will be hired on a part-time or casual basis, and will therefore not receive a livable wage,
- Staff-child ratios required under the NQF will mean that if some children have shorter periods of access, staff costs may remain the same. For example, the same number of staff is required for three or five children depending on child-staff ratios.

SNAICC supports the concerns of Professor Brennan and Dr Adamson (Social Policy Research Centre, UNSW) in their submission to this Inquiry that,

> Based on recent research by Skattebol et al, the new three-tier activity test *'is likely to confuse and intimidate parents rather than support their workforce participation';* that *'[f]aced with insecure work and the need to navigate a means-test and an activity test, some families may simply choose not to put their children in child care';* and whilst 56% of families work shift work and/or on weekends, the package unduly favours families with predictable, standard work hours, and thus does not address the need to respond to less traditional work contexts.

Evidence suggests longer time periods at quality early learning services are required for children experiencing vulnerability. While strong and consistent evidence on optimal length and intensity of service access is not currently available, US research clearly indicates a difference in outcomes based on family income and a need for higher intensity of participation for children from lower income families to achieve substantive outcomes. Researchers examined the effects of different child care arrangements on children's cognitive and social proficiencies at the start of school. They found that specifically, for the low-income group, only children who attended a centre for more than 30 hours per week experienced significant gains in pre-reading skills. Alternatively, children from higher income families did not show any significant gains from attending centres for more than 30 hours per week. In contrast to the low-income children, they also displayed increasingly negative behaviour the longer they attended a centre program each week. The evaluators conclude that full-day programs better serve children from lower-income families, allowing them to gain pre-reading and maths skills without detriment to social behaviour.[63] 12 hours per week subsidised care is also inconsistent 'with what the evidence tells us children need in terms of developing secure relationships with consistent caregivers in the early years'.[64]

Recommendation 5:
Families on incomes less than $65,000 per annum receive two full days (20-24 hours) of subsidised care per week. This requires specifically an amendment of Schedule 2, Clause 13(1) of the Bill to state that 'The low income result is 48' so that families on incomes less than the lower income threshold ($65,710) per annum receive two full days (up to 24 hours) of subsidised care per week.

We note that this is a compromised provision based on what is currently provided. Evidence suggests three days of access for particularly vulnerable children and service experience confirms that ability to access five days of care per week is preferred for improving a child's learning and development, as well as relationships with educators.

Issue 4: The increased cost of service delivery in remote areas

SNAICC supports the position of World Vision and the National Association for Mobile Services on this issue. The Bill will have distinct, negative impacts on remote Aboriginal and Torres Strait Islander services, who generally operate in communities with low employment, high proportion of single parent families, high levels of disadvantage, and within contexts where the market would otherwise fail to deliver fee-for-service child care programs.

Recent research by Deloitte Access Economics on the impact of the Jobs for Families Child Care Package found that 90% of regional BBF services and 83% of remote services would have reduced government revenue under the package. It was further identified that the average change in levels of funding reached 33.9% for remote services (See Appendix 1). This raises clear alarms for remote areas, which under difficult conditions are already struggling to establish and maintain services.

We have already raised particular concerns above regarding the inclusion of mobile services within the proposed model. The Bill will also be particularly detrimental with regard to the affordability of mobile children's services. SNAICC shares the concerns of the National Association for Mobile Services and the Child Care on Wheels Service **(CCOWS)** that the introduction of the CCS will result in parents paying a higher fee. Mobile services experience particularly high costs per child due to their unique operational context – with factors such as travel time, freight of resources, high vehicle and fuel costs, and rental of premises all needing to be taken into account. The concern is therefore that the subsidy amount proposed under the CCS will not be adequate to cover the higher operational costs per child, and consequently parent's co-contributions will have to increase.

Remote centre-based early childhood services and mobile services are particularly critical programs in the lives of isolated children and families. Evidence from the 2012 Australian Early Childhood Development Census indicates that,

> Children who reside in very remote Australia are more likely to be developmentally vulnerable. Close to half (44.5 per cent) of children in very remote communities are developmentally vulnerable, compared to around one-fifth (21.1 per cent) of children from major cities.[65]

These services may be the only source of child and family support, providing critical early learning and development opportunities for children, advice to families about child development and school readiness, and invaluable sources of peer support for both children and adults.

PWC present a strong argument for government funding to better match costs of service provision:

> For ECEC services, costs are likely to differ for children of different ages, for delivery in regional locations, and delivery to children with high needs. In the Australian child care context, observers have noted significant undersupply of high cost places – that is, places in regional or concentrated urban areas, places for younger children and places for children with special needs. Providing funding that is linked to the costs of delivering these places will help to reduce these disparities.[66]

On this basis SNAICC refers to recommendations in relation to the Child Care Safety Net, and specifically the Community Child Care Fund, and makes the following recommendations.

Recommendation 6:
The Senate Committee conduct a Study Tour to ensure strong understanding of remote service provision, the needs of services that support particularly remote children and families and the inherent challenges within the Jobs for Families Child Care Package.

Recommendation 7:
Introduce an hourly fee cap 15% higher for the Child Care Subsidy in remote communities to reflect the higher costs of ECEC delivery in those communities. This requires amendment to Schedule 2, subclause 2(2) to add a further dot point, identified in bold below.

The **CCS hourly rate cap** depends on the type of service providing the session of care (see **subclause 2(3)**). The CCS hourly rate caps are:

- $11.55 for care provided by a centre-based day care service
- $10.70 for care provided by a family day care service
- $10.10 for care provided by an outside school hours care service
- **$13.30 for care provided by a remotely located centre-based day care service**
- **$11.60 for care provided by a remotely located outside school hours care service**
- The rate prescribed by the Minister's rules for care provided by a service type prescribed in the Minister's rules.

Issue 5: The increased cost of service delivery for Indigenous communities

The cost of service provision in many Indigenous communities is significantly higher and will mean prohibitive fees to keep services sustainable. The Bill includes an hourly cap of $11.55 for centre-based day care services, $10.70 for family day care services, and $10.10 for OSCH services, with a maximum 85% subsidy provided under the Child Care Subsidy. Bubup Wilam Early Learning Aboriginal Child and Family Centre estimates that parents accessing the Child Care Subsidy would be out of pocket about $17 per day, which is twice their estimated capacity, with all but nine children in families of income under $50,000. They also estimate that 25% of their families that would not meet the activity test and therefore would be required to pay the full fees.

Deloitte Access Economics provide a case study of this service. This states *'…a high number of vulnerable families are serviced by the centre at any one time. Approximately 30% of their children are under DHHS notifications and 45% are recorded as having disabilities. Additionally, the service frequently works with complex community issues such as domestic violence, and drug and alcohol abuse.' (See Appendix 1, pp.21-22)*

Bubup Wilam has struggled under the Child Care Benefit model with a deficit of $500,000 annually, at least half of which is for ECEC services. Centre Director, Lisa Thorpe commented: '*The system needs to be set up to give people power to make decisions about their lives. Currently it does the opposite. Significant changes are required to support sustainable, culturally strong, quality service provision to our most vulnerable children. From what I see of the proposed package, it is much worse. I cannot see how many of the MACS can survive.'*

There is inadequate information on how the *Inclusion Support Programme* will operate to determine how much it will assist Aboriginal and Torres Strait Islander services in absorbing higher operational costs. Given that the Inclusion Support Programme has a wide mandate and will be open to any child

care service requiring support for children with additional needs, it is unlikely that the programme will be able to provide significant and/or ongoing funding to any one service.

Due to their higher operating costs – based on the issues discussed here and throughout this submission – a number of Aboriginal and Torres Strait Islander services will be required to charge higher fees than those set in the hourly fee cap rate. These costs will be borne by families, who will only receive a subsidy of the capped fee rate. In this way the Bill directly disadvantages Aboriginal and Torres Strait Islander families who constitute some of Australia's most disadvantaged, and yet access services that, by their very nature, incur higher operating costs than mainstream services. SNAICC therefore proposes an additional 15% be added on to the hourly rate caps for Aboriginal and Torres Strait Islander services.

Recommendation 8:
A second set of hourly rate caps be included within Schedule 1, Clause 2(3) specifically for Aboriginal and Torres Strait Islander services, according to the following table:

Schedule 2, subclause 2(2) should read (new section in bold)
The **CCS hourly rate cap** depends on the type of service providing the session of care (see **subclause 2(3)**). The CCS hourly rate caps are:

- $11.55 for care provided by a centre-based day care service
- $10.70 for care provided by a family day care service
- $10.10 for care provided by an outside school hours care service
- **$13.30 for care provided by an Indigenous centre-based day care service**
- **$12.30 for care provided by an Indigenous family day care service**
- **$11.60 for care provided by Indigenous outside school hours care service**
- The rate prescribed by the Minister's rules for care provided by a service type prescribed in the Minister's rules.

If the above Recommendation is not taken up, and the hourly rate cap not increased, SNAICC recommends that the subsidy rate be increased for low-income families. The example of Bubup Wilam demonstrates that for low income – or no-income – families the increase in fees under the new model will create a barrier for attendance. A 100% subsidy for families earning less than the lower income threshold of $65,710 will therefore ensure attendance for Australia's most disadvantaged children.

Recommendation 9:
If Recommendation 8 is not adopted, Item 1 of the table detailed in Schedule 1, Clause 3(1) is amended so that where an individual's adjusted taxable income for the income year in which the CCS fortnight starts is equal to or below the lower income threshold, the applicable percentage for the individual is 100%.

Issue 6: It is not yet clear how the Community Child Care Fund will adequately support Aboriginal and Torres Strait services

The Regulation Impact Statement released with the Bill outlines a 'Child Care Safety Net', which seeks to provide additional support to vulnerable children. It aims to *'provide targeted additional support to genuinely disadvantaged families through a number of specific measures that facilitate access to quality early learning for children who need it most. The Child Care Safety Net has three components:*

- *Additional Child Care Subsidy – which will provide targeted additional fee assistance to children and families who are genuinely disadvantaged*
- *Community Child Care Fund – a competitive grants programme designed to assist services to reduce barriers to accessing child care*
- *Inclusion Support Programme – to assist services to be more inclusive and improve access for children with additional needs.'*[67]

From the information that is available, there are deep concerns about the capacity of the Child Care Safety Net to redress the gaps left by the operation of the Child Care Subsidy and activity test. These concerns are addressed in turn.

Community Child Care Fund (CCCF)

Time-limited and competitive principles governing the CCCF are ill designed for its targeted group – children in most need. The CCCF will be open to an estimated 4000 services – creating an inherently competitive grants process.[68] The requirement that applications must be linked to a business plan to demonstrate how funding would improve long-term sustainability of the service also fails to recognise the entrenched poverty, long-term unemployment and disadvantage faced by many Aboriginal and Torres Strait Islander services – resulting in family inability to pay fees and therefore service viability issues. One-off funding will not be adequate to support the needs of our most vulnerable children. The CCCF must recognise the long-term nature of entrenched poverty and provide the capacity for long-term support where it is necessary to support access to early learning services for children experiencing vulnerability. Punishing children for their parental situation is unfair and will incur significant long-term government costs, as children who need it most will not be equipped for commencing school and succeeding at future learning.

Recommendation 10:
The Community Child Care Fund offer repeated funding grants of three-year periods based on demonstrated need. It should be clear that services are not precluded from funding based on past funding provision and it is anticipated that a number of services will require ongoing operational support.

This will only partially address the issue however. More broadly SNAICC proposes a targeted program for Indigenous community based services to address a number of concerns regarding the applicability of the CCCF to Aboriginal and Torres Strait Islander services. Specifically, it will address concerns that:

- Access to the CCCF (through the community support and sustainability support components) appears to be short term and inadequately targeted. It does not recognise realities in communities and will lead to service closure, cut back of essential services and exclusion of Aboriginal and Torres Strait Islander children in most need as services target paying families.
- Competitive grants will often see the wrong services funded – Indigenous early years services will struggle to compete against large mainstream providers with greater resources, as

highlighted by the Indigenous Advancement Strategy, despite supporting the strongest access and outcomes for our most vulnerable.

- Competitive tendering processes are also resource-intensive for small services, requiring them to regularly dedicate large amounts of time to writing funding proposals.
- Indigenous services have been established with a different purpose to mainstream ECEC services that requires different consideration. This should be reviewed in ten years to assess the change and ongoing need for a distinct program.

Recommendation 4 (repeated):
Adequate long-term funding for an Aboriginal and Torres Strait Islander specific program be allocated within the Child Care Safety Net to provide top-up subsidies to Aboriginal and Torres Strait Islander services. We do not feel confident with the lack of information currently available to propose a specific figure required for this component. We recommend a transparent process to confirm this amount in consultation with peak bodies, including SNAICC, and services.

This program would have an integrated funding formula that provides services with the flexibility to respond to child and family needs where a user-pays model is insufficient. This would provide top-up funding for operational costs to redress services' income gap from the mainstream subsidy and fees based on 3-year applications, with anticipation for repeat subsidy support given the entrenched poverty in many of these communities. Staff could therefore focus on children and family needs, rather than complex and uncertain funding systems that depend on parental capacity to manage Centrelink record keeping.

Having a specific program would assist accountability to program goals, ensuring that common objectives are agreed between services and the Government. It would ensure that the structures are in place for adequate staffing, resources and training to achieve service goals. Where services were funded properly, this worked well within the BBF program. This protects services and the Government, as well as increasing accountability for collective goals for children. An alternative Indigenous program protects the Government and families in areas where professional and community service capacity is still developing.

Issue 7: The Additional Child Care Subsidy may not work as intended in the unique context of Aboriginal and Torres Strait communities

The Additional Child Care Subsidy (ACCS) is another component of the Child Care Safety Net. The ACCS will provide support for children at risk of abuse or neglect, families experiencing temporary financial hardship, grandparent carers on income support and parents seeking to return to work. We are concerned primarily with the provision for support to children at risk of serious abuse or neglect here. The exemption to the activity test is another section of the ACCS considered elsewhere.

To access the provision, which can entitle families to unlimited access at 120% of the CCS hourly rate cap (Schedule 2, clause 5 of the Bill), services can apply for the subsidy for a family for one six-week period over 12 months (s85CB(3)of the Bill). The case then goes to the Secretary for a determination for up to 13 weeks only (s85CE of the Bill). Accessing funding under the ACCS requires a service to define a child as 'at risk of serious abuse or neglect' (s85CA(3) of the Bill).

While SNAICC strongly supports the objectives of this provision, some amendment is required to ensure it meets its objectives and genuinely supports the safety and wellbeing of children.

SNAICC is concerned that this applies a deficit approach. It requires children to be identified as at risk in order to access critical early learning supports. Further, in order to access supports, families are required to put their family at the notice of the child protection departments within six weeks of approval by the Secretary (s204K(1) of the Bill). The context of the Stolen Generations is central to consideration of this issue, and the ongoing shocking realities of child removal impacting Aboriginal and Torres Strait Islander families. Aboriginal and Torres Strait Islander children make up nearly 35% of all children in out-of-home care in Australia, despite representing only 5.5% of the population and are over 9 times more likely to be in out-of-home care than their non-Indigenous peers.[69] The causes of overrepresentation are recognised as complex, including the legacy of past policies of forced removal, intergenerational effects of separations from family and culture, poor socio-economic status and perceptions arising from cultural differences in child-rearing practices.[70] Fear of intervention of child protection departments is very real and very debilitating for many families.

Child protection is a state and territory issue. There are clear provisions in all jurisdictions on child protection matters. Services are clear on when they are required to notify statutory authorities about risk of child abuse and neglect. This is not necessary to prescribe within this legislation.

Recommendation 11:
Amend s204K of the Bill to require notice to an appropriate child protection related State/Territory body only as required under jurisdictional child protection legislation.

At a time when children are vulnerable and the family is in crisis, strengths based supports are critical to ensure child safety and family functioning. The current threshold of a child needing to be 'at risk' of serious abuse or neglect means that children and families who most need support will not receive this until the family is in a position of extreme vulnerability and stress, and where the trajectory of removal of the child by child protection services is in motion. Requiring families to reach a stage of crisis before they are able to access support essentially sets families up to fail. It is also significantly detrimental to children – withholding support until they are on a downward spiral to removal from their families and placement within the out-of-home care system.

Given the important comparative outcomes demonstrated through accessing quality early learning for children experiencing vulnerability, services should be able to apply for fully subsidised access for a child to unlimited ECEC services when they identify a series of vulnerability factors facing the child. This may be developmental delays, specific behavioural problems or awareness of a crisis within the family that is seriously impacting the child (death of a family member, loss of housing, family violence etc.). Providing the child with increased access to ECEC services enables quality care, support and nurturing for the child to improve developmental and social capacity, while working with the family to resolve any issues.

Enabling families to access support *before* they reach a state of crisis provides a response much more likely to enable family strengthening and reduce the risk that a child will be removed by child protection. This has tremendous benefits for the child, the family and society, on economic and social dimensions. Recognising the role of early years services as strong preventative services takes steps to progress towards a primary health model adopted in the National Framework for Protecting Australia's Children 2009-2020.

Evidence from Aboriginal and Torres Strait Islander services indicates that a number of children do not meet the threshold of being 'at risk', but do still experience family vulnerabilities that impact on the child's development and wellbeing that should be captured by the spirit of this provision and the objectives of the Bill. The families that Bubup Wilam early learning support illustrate this (please refer to case study provided in the DAE Report, Appendix 1 at 21-22). DAE note that: '*Bubup Wilam's ideal outcome would be to allow vulnerable families up to 50 hours of subsidised child care per week – maximising their opportunity to engage and improve outcomes for these families – and to access a permanent core funding stream to support their current level of service provision to each of these families.'* If long-term funding under the Community Child Care Fund for such support is not adopted, then given that the ACCS is designed to provide additional support for families and children in need, this may be the appropriate place for support.

SNAICC suggests that a 'vulnerability' test replace the 'at risk of serious abuse or neglect' test. We support adoption of the approach developed by the Victorian Government in the Vulnerable Youth Framework Discussion Paper,[71] which identifies vulnerability when a young person has begun to exhibit some identified risk factors, including low level truancy, contact with police, emerging mental health issues, experimental alcohol or other drug use, family conflict, unstable peer group or is an isolated pregnant /teenage parent. As the Victorian Government states: *'The earlier these risks are identified and acted on, the more likely it is that they can be effectively addressed and the less likely they will escalate and become entrenched.'*[72] A comparable framework is recommended for early childhood development.

Recommendation 12:
Eligibility for ACCS (at risk component) – s85CA of the Bill be amended to replace the 'at risk of serious abuse or neglect' test with a 'vulnerability' test that encompasses service identification of a series of risk factors of vulnerability, within a vulnerability framework developed to include developmental or learning delays, behavioural issues, family crisis or vulnerability on the Australian Early Childhood Development Census etc.

Vulnerability is rarely a short-term or one-off issue in the context of intergenerational trauma, the impacts of colonisation, or entrenched poverty and disadvantaged experienced disproportionately by Aboriginal and Torres Strait Islander peoples. Establishing a system where by services can apply for one six week period for a child annually and the Secretary can confirm ACCS for a maximum 13-week period is an unnecessary and significant burden on services already under intense time pressure.

Recommendation 13:
S85CE of the Bill, and any other relevant section, be amended such that The Secretary can make a determination under ACCS (at risk) for up to 12 months after the exposure to risk was identified. Policies on this provision are recommended to include a recommendation to services to conduct a further assessment eight weeks after the ACCS support expires to determine whether the risk has resurfaced.

Finally, requiring the child to the child to meet immunisation requirements at the time the session of care is provided under this provision is counter-productive. The child is being provided with access on the basis that there are family issues that require resolution and it is in the best interests of the child and in the interests of their health, safety and wellbeing that they attend the service. To include a requirement that the child meets immunisation requirements directly counters this objective. Provision of ACCS provides the service to work with the family more closely, including on ensuring immunisations are up to date.

Recommendation 14:
Remove all provisions requiring proof of immunisation to access ACCS (at risk), including '…or would be except that a session of care is provided on a day in an immunisation grace period for the child (see subsection (9))' from s67CD(3) of the Bill.

Issue 8: The administrative requirements associated with the reforms pose significant hurdles for BBF services

The Jobs for Families Child Care Package proposes a series of bureaucratic barriers that evidence says must be removed to support service access for the most vulnerable. The stigma of applying for various disadvantage-based subsidies will also discourage many families from acknowledging Aboriginality and/or their child development needs to ensure they are eligible to apply for subsidies. The allowable absences and administrative requirements required by the package also do not reflect the realities in many communities and will cause vulnerable families to lose subsidies and quickly incur significant debt, excluding children who most need early learning access and supports.

For example, families will lose access to the Child Care Subsidy when they reach 42-day absences in any year. This particularly discriminates against Aboriginal and Torres Strait Islander children who may require more absences due to cultural events, and the significant and recurring health issues (such as ear or respiratory problems) that Aboriginal and Torres Strait Islander children disproportionately experience.

Furthermore, inaccurate Centrelink details will frequently result in families having payments terminated and rapid debt incurred, due to:

- Children changing residence;
- Not informing Centrelink of changed financial position;
- Inconsistencies between a child and carer's Centrelink details and service's records (often caused by misspelt or incorrect names and/or incorrect birthdates);
- Missing documentation such as immunisation records, birth certificates and/or employment details; and
- Lapsed immunization.

Deloitte Access Economics, while not incorporating these aspects within the modelling of their recent report, did consider this issue, noting: *'survey responses indicate that these eligibility requirements will pose a significant hurdle to the transition process. According to the child level data for BBF providers incorporated into this analysis:*

- *10% of children did not have proof of immunisation;*
- *10% were not recorded as having proof of identity; and*
- *14% of total child enrolments were reported as being likely to accumulate 42 or more absences each year.'* (See report in Appendix 1, p.20)

Recommendation 15:
Fund Aboriginal and Torres Strait Islander ECEC service providers under the Community Child Care Fund for the substantial administration costs associated with supporting families to administer entitlements.

Recommendation 16:

- Families and child care services receive automatic notification of any issues arising that may affect a families' receipt of the subsidy.
- Services can view the subsidised rate and number of hours each family is entitled to.
- Families be entitled to a three-month period within which to rectify any issues before their subsidy entitlements are cut.

Recommendation 17:

Amend s33(10(4)) of the Bill on 42 days absence allowance to include a provision (f) which reads: 'the child is attending an event reasonably required by his/her culture.'

Issue 9: The acknowledged need to increase participation in early childhood services for Aboriginal and Torres Strait Islander children

Minister Morrison in a media release on 18 August 2015 committed to redressing in the Jobs For Families Child Care Package the identified 15,000 place gap in early childhood service provision to bring participation of Indigenous children up to that of the mainstream population. He also confirmed that: *'We [The Government] are creating opportunities for more services to be established in remote communities and utilising early childhood education to break the cycle of welfare dependence and disadvantage.'*[73]

It is difficult to see how this package could redress, rather than exacerbate the 15,000 early learning placement shortage for Aboriginal and Torres Strait Islander children. A combination of halved access through the activity test, short term supports available under the Community Child Care Fund with pressure to be sustainable, competitive nature of applications and prescriptive requirements will see a *reduction* of early years service participation for Indigenous children. In remote and disadvantaged areas, where there are high levels of unemployment and high numbers of single parent families, weak or non-existent labour markets—this model may also see the closure of many centres. This ironically will reduce local employment opportunities, thereby undermining the dual goals of the package.

It is critical for Members of Parliament to be satisfied of how the Jobs for Families Child Care Package will redress this 15,000 place gap before voting on the Bill.

Recommendation 18:

The Australian Government Department of Education and Training *(DET)* provide adequate information to the Senate Committee on:

(c) ECEC service coverage and service gaps for Aboriginal and Torres Strait Islander children across Australia; and
(d) The Australian Government plan for how the Jobs for Families Child Care Package will redress the 15,000 place gap, as committed by the Minister for this portfolio in August 2015.

Recommendation 19:

If DET is unable to provide information on service gaps, the Senate Committee recommend a transparent process of identifying areas of most need for new services and service expansion targeting Aboriginal and Torres Strait Islander children, in particular with peak bodies and services.

Issue 10: Redistribution to ensure the package enables access for children experiencing disadvantage

The proposed package unduly discriminates against families on lower incomes, privileging families in higher socio-economic brackets. For example, a family on $40,000 per year with one child in care would be the equivalent of $2,558 worse off under the package. At the same time, wealthy families with families on incomes of $185,000 will receive as much as $2,500 more per year.[74] This is highly inequitable, particularly given that, as discussed throughout this submission, children growing up in situations of disadvantage stand to gain the most from participation in high quality early childhood education and care programs.

SNAICC therefore proposes that the maximum annual subsidy for families earning over $185,000 (the lower income threshold plus $120,000) or more be maintained at the current rate of $7500, not increased to $10,000.

Recommendation 20:
Amend Schedule 1, Clause 1(2) to read 'The *annual cap* of $7,500 applies to an individual for an income year if the adjusted taxable income of the individual for the income year exceeds the amount that is the lower income threshold plus $120,000.

5. Conclusion

SNAICC supports the Australian Government's endeavour to reform and enhance Australia's early childhood education and care system. There are however minor amendments required that would have major impact on the lives of our most vulnerable children.

Key changes that SNAICC recommends redress the imbalance of the package towards workforce participation objectives at the expense of meeting the needs of vulnerable children. In particular, amendments proposed focus on:

- Increasing access to subsidised care for families on incomes less than $65,000 per annum to two full days (up to 20-24 hours) per week;
- Extension of determinations under the Additional Child Care Subsidy for up to 12 months by the Secretary;
- Increasing the hourly fee cap by 15% for the Child Care Subsidy in remote communities to reflect the higher costs of ECEC delivery in those communities; and
- Inclusion of an adequate Aboriginal and Torres Strait Islander specific program within the Child Care Safety Net to provide top up subsidies to Aboriginal and Torres Strait Islander services.

Without these changes, based on the information available SNAICC strongly believes that the Jobs For Families Child Care Package is at risk of undermining Australian Government objectives to improve early childhood outcomes for Australia's vulnerable children. Given the over-representation of Aboriginal and Torres Strait Islander children in this cohort and their unique, culturally strong requirements of service supports, we anticipate that they will be most impacted.

By excluding Aboriginal and Torres Strait Islander children from adequate access to services, the Government will diminish their potential to make a smooth transition to school, compounding the

likelihood of intergenerational disempowerment and unemployment. Children will fall behind before they have even started school and suffer greater risks of removal into out-of-home care.

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Secretariat of National Aboriginal and Islander Child Care

**SNAICC Submission to the
Inquiry into the provisions of the
Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015, February 2016**

APPENDIX 1

**Report by
Deloitte Access Economics**

Impact of the Child Care Assistance Package on Indigenous Communities

5 February 2016

SNAICC thanks Deloitte Access Economics for their very generous pro bono support in undertaking this research.

Deloitte Access Economics

Impact of aspects of the Jobs for Families Child Care Package on Indigenous Communities

Secretariat of National Aboriginal and Islander Child Care

18 February 2016

Deloitte.

Acknowledgements

This report is the product of a collaboration between the Secretariat of National Aboriginal and Islander Child Care (SNIACC) and Deloitte Access Economics. Deloitte Access Economics conducted the assessment of the impact of aspects of the Jobs for Families Child Care Package on Indigenous communities, while SNAICC managed the primary data collection process. Participating Indigenous early childhood services generously contributed their time to completing the survey used in this study.

SNAICC would like to acknowledge the significant pro bono contribution of Deloitte Access Economics in undertaking this work.

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Acronym list

ASC	After School Care
BBF	Budget Based Funding
BFC	Before School Care
CALD	Culturally and linguistically diverse
CCB	Child Care Benefit
CCR	Child Care Rebate
CCS	Child Care Subsidy
COAG	Council of Australian Governments
DHHS	Department of Health and Human Services
ECEC	Early Childhood Education and Care
IAS	Indigenous Advancement Strategy
JFCCP	Jobs for Families Child Care Package
MACS	Multifunctional Aboriginal Children's Services
NPA IECD	National Partnership Agreement for Indigenous Early Childhood Development
NQF	National Quality Framework
OOHC	Out of Home Care
OSHC	Outside School Hours Care
SNAICC	Secretariat of National Aboriginal and Islander Child Care

Executive Summary

Deloitte Access Economics, on behalf the Secretariat of National Aboriginal and Islander Child Care (SNAICC), has undertaken an analysis of the impact of the introduction of the Jobs for Families Child Care Package (JFCCP) and changes to the Budget Based Funding (BBF) programme on Indigenous communities.

The stated intent of these changes is to increase child care access for Australian families through increased flexibility and affordability. However, like all policy change, there is potential for them to have adverse impacts if not judiciously implemented. Accordingly, this analysis considers two specific components of the proposed changes and their impacts on Indigenous families and the early childhood services that support them:

1. The transition of BBF services from block funding to child-based funding under the Child Care Subsidy (CCS)).
2. Changes to family eligibility for subsidised hours – including the introduction of the activity test and a reduction in the minimum entitlement of subsidised hours for families in the lowest income bracket (from 24 to 12 hours per week).

The purpose of this analysis is to explore the potential implications of the reform for Indigenous families and services and, ultimately, to identify areas where its direct impacts run counter to social policy objectives. Recognising that broader funding mechanisms have been established to support the implementation of these changes among vulnerable and disadvantaged communities – namely the $271 million Community Child Care Fund (CCCF) and the $178 million Additional Child Care Subsidy (ACCS) – the analysis also aims to demonstrate the level of additional support that will be required to prevent adverse impacts among Indigenous families and communities. That is, the support required to ensure that access to and participation in Indigenous early childhood services is not unduly compromised by the introduction of the JFCCP.

Overview of the modelling exercise

Indigenous children are among those in society who stand to benefit most from participation in quality early childhood programs. However, they are currently underrepresented among those attending formal early childhood education and care (ECEC). At the same time, these children typically come from low income families – indeed 77% of families captured by the survey hold an annual household income of less than $65,000[1] – and families who participate in education and employment at below average rates. Accordingly, changes to funding eligibility based on these factors present particular risks for Indigenous families.

In order to understand the nature and magnitude of these risks, this analysis draws on survey data collected from a sample of Indigenous early childhood services (most predominantly BBF child care services) and, utilising the data collected, simulates the likely impact of the proposed changes described above. While a robust response rate was

[1] This means these families sit within the lowest family income bracket and will therefore qualify for up to 12 hours per week if they do not meet the activity test.

achieved, capturing 25% of enrolments in BBF child care services, caution must nevertheless be exercised in generalising the results of the modelling to the broader sector.

The modelling exercise is limited by the fact that the response by families and providers to these changes cannot be simulated with certainty. For example, how a given family decides to adjust their ECEC utilisation or their participation in education, employment, volunteering cannot be reliably speculated on. However, what can be modelled with a reasonable level of certainty is the first round impacts of the changes – that is, their impacts without accounting for behavioural change, additional government funding or related policy change. By capturing the direct impacts of the aspects of the JFCCP that have been modelled – and with the behavioural change limitations noted – the analysis demonstrates the level of support that will be required via vehicles such as CCCF and ACCS, and shows where the need for this support will be greatest.

Findings of the analysis

As is typical with reforms of this nature, the analysis finds that the move away from the BBF model would result in some services and families being better off and some being worse off – potentially increasing the alignment between childcare provision and service funding (compared with historical block funding arrangements). Indeed, if subsidised hours were uncapped, the modelling suggests that Indigenous services stand to benefit slightly from the shift from BBF to the CCS in regards to overall government revenue received. However, when the eligibility requirements for the CCS are taken into account, including the activity test and the reduction in the minimum entitlement for low-income families, access to subsidised hours for many vulnerable families is significantly reduced and funding received by services is, on average, materially lower than current levels.

Indeed, the analysis of survey data finds that, in the absence of any additional government funding, and assuming that families choose to retain their current attendance levels and pay the full cost of unsubsidised hours (which some of course will not), the introduction of the CCS and the activity test in their current form would result in:

- 40% of families currently accessing BBF services, including 46% of families in the lowest income bracket, being eligible for fewer subsidised hours of child care than they are currently attending.
    - On average, for those families eligible for fewer hours than they currently attend, 13 hours per week of current access would be unsubsidised under the JFCCP.
- 54% of families currently accessing BBF services facing higher out-of-pocket costs, with an average increase in costs of $4.42 per hour for those negatively impacted.
    - The average change in hourly fees is most pronounced for families earning less than $65,000 per year due to the impact of the activity test and the reduction in minimum entitlement. The average change in out-of-pocket costs for families who are negatively impacted is $5.06 per hour, noting that this shortfall will at least in part be covered by additional funding available under the ACCS.
- 67% of BBF services receiving reduced government revenue, with government revenue decreasing by an average 9.1%.

    - Small and regional services are most vulnerable to the impact of the JFCCP, with the largest projected percentage decrease in revenue.
- BBF services receiving, on average, an overall reduction in both total enrolments (-9%) and hours of child care delivery (-13%).

These findings indicate that it will be imperative the transitional and ongoing support mechanisms associated with the JFCCP (such as the ACCS in the case of families, and the CCCF in the case of services) are effectively utilised to offset the direct adverse effects of the proposed policy changes. Without sufficient support via these measures, the analysis suggests the JFCCP will have a material negative impact on the affordability of, and participation in, Indigenous early childhood services.

Any reduction in access stemming from these reforms would run directly counter to the national policy objective of encouraging equal rates of participation in early childhood services between Indigenous and non-Indigenous children – the achievement of which requires a considerable uplift in participation among Aboriginal and Torres Strait Islander children.

Deloitte Access Economics

1 Introduction

The Jobs for Families Child Care Package (JFCCP) is a suite of reforms seeking to streamline the manner in which child care in Australia is funded. The reforms were announced in the 2015-16 Federal Budget and their intent is to increase child care access for Australian families through increased flexibility and affordability.

The Secretariat of National Aboriginal and Islander Child Care (SNAICC) is the national non-government peak body for Aboriginal and Torres Strait Islander children and families in Australia. SNAICC sought assistance from Deloitte Access Economics to undertake an analysis of the potential impact of aspects of the JFCCP on Aboriginal and Torres Strait Islander children's participation in early childhood programs. Most particularly, this report considers:

- the anticipated impact of the 'activity test' and the reduction in the Child Care Subsidy (CCS) from 24 hours to 12 hours per week if both parents or guardians do not meet work, training or study requirements; and
- how the removal of the Budget Based Funding (BBF) programme, and the transition from block funding to mainstream funding, will impact the accessibility of child care for Aboriginal and Torres Strait Islander children and families, and in turn, the impact this may have on service operations.

The purpose of this analysis is to explore the potential implications of the reform for both Indigenous families and services and, ultimately, to inform the policy development process. It is anticipated that through the use of primary data collected in the course of this study – including detailed child and BBF service level data previously unavailable – the report findings will provide additional insight into the current operating landscapes of Indigenous early childhood services and the families they serve. This, in turn, is intended to help ensure that as the policy is refined, it and the broader measures that support it are deployed in manner that effectively supports the achievement of social and policy objectives among Indigenous communities.

2 Policy context

This section provides an overview of the policy backdrop supporting investment in Aboriginal and Torres Strait Islander children's participation in early childhood programs. An analysis of the benefits associated with participation is provided, alongside a discussion of the legacy programmes for Indigenous child care funding, the proposed changes to the child care funding system and the potential impact of these changes on fees and participation rates among Aboriginal and Torres Strait Islander families.

2.1 Rationale for investment

The benefits of investing in high-quality early childhood programs have been consistently demonstrated by a growing evidence base. Research indicates that the early years of life

are crucial to brain development, resulting in higher cognitive and social/behavioural outcomes for participating children (Melhuish 2004; Sammons 2010; Sylva et al. 2004).

The benefits associated with participation in early childhood services are most evident for children at greater risk of poorer outcomes due to low family income (Dearing et al. 2009), low parental education levels (Watamura et al. 2011) and/or special education needs (Sammons 2010). Engagement with early childhood services also provides an important touch-point for government in which interactions with families can lead to early identification of additional service needs and provide an opportunity to positively influence outcomes for children and families.

Currently only 2.9% of children that identify as Aboriginal or Torres Strait Islander participate in early childhood education – despite this cohort comprising 5% of the Australian population (Productivity Commission 2014). Estimates by the Productivity Commission suggest that there is a 15,000 place gap in early childhood education and care (ECEC) for Aboriginal and Torres Strait Islander children. That is to say, a further 15,000 ECEC places would be needed if Aboriginal and Torres Strait Islander children participated in ECEC at a rate similar to the non-Indigenous population.

In recognition of these benefits and in light of the participation gap that exists, facilitating increased engagement in early childhood programs for Aboriginal and Torres Strait Islander children has been, and will remain, a critical focus of government investment and policy. In the context of the JFCCP reforms, the Commonwealth Government has reiterated its commitment to ensuring equitable access to early childhood programmes. This is seen in the excerpt below which was made in reference to the policy changes (Australian Government 2015a).

> *"The Government is committed to Indigenous children having the same opportunities as other children to access child care and early learning… We are creating opportunities for more services to be established in remote communities and utilising early childhood education to break the cycle of welfare dependence and disadvantage."*
>
> - The Hon Scott Morrison (Minister for Social Services at time of statement), August 2015

This commitment is in line with broader policy direction – most importantly *Closing the Gap*, an ambitious, long-term framework set up in 2008 to reduce Aboriginal and Torres Strait Islander disadvantage. All Australian governments have ratified this commitment, agreeing to seven *Closing the Gap* targets:

- Close the gap in life expectancy by 2031;
- Halve the gap in mortality rates for Indigenous children under five by 2018;
- Ensure access to early childhood education for all Indigenous four year olds in remote communities by 2013;[2]
- Halve the gap in reading, writing and numeracy achievements for children by 2018;
- Halve the gap for Indigenous students in Year 12 (or equivalent) attainment rates by 2020;

[2] Currently reported as 'not met'. In 2013, 85% of Indigenous four-year-olds were enrolled compared to the target of 95% (Australian Government 2015b).

- Halve the gap in employment outcomes between Indigenous and other Australians by 2018; and,
- Close the gap between Indigenous and non-Indigenous school attendance by 2018.

It is noted that increased access to and participation in early childhood services for Aboriginal and Torres Strait Islander children and families would be expected to have a positive influence on the achievement of each of these goals.

2.2 Current funding arrangements

Remote services, and centres operating in Indigenous communities, are currently primarily funded through the Budget Based Funding (BBF) programme. Historically, the BBF programme has provided operational funding for services in regional, remote and Indigenous communities, where the market does not adequately support viable operation of a child care service (Australian Government 2014). There are currently an estimated 300 BBF services in Australia (Australian Government 2016a), 80% of which are Indigenous (PC, 2014). The programme currently distributes $58.6 million annually in competitive grants, of which approximately three quarters is allocated to Indigenous services.

The costs of delivering an early childhood programme in Indigenous communities can exceed the average cost of service delivery for a variety of reasons. Firstly, the cost of service delivery in remote regions is high – and is compounded by the fact that smaller populations result in high per child costs. Additionally, many services operating in Indigenous communities undertake activities beyond traditional child care, in order to encourage participation and provide other important community supports. This ranges from providing transport to and from the services, to operating as a community hub for child and family activities. The box below provides an overview of the types of services often administered through Indigenous child care services.

Service delivery in Indigenous communities

In Aboriginal and Torres Strait Island communities, early learning centres can provide a touchpoint for the entire family to access services and engage with the community, offering services outside the scope of mainstream child care providers such as:

- Critical early learning supports;
- Early identification of learning disabilities;
- Basic health services;
- Parenting and family support programs
- Cultural programs that build pride and identity
- Transition to school programs
- Family support and capacity building
- Information sharing and community events
- Employment opportunities for locals.

While outside the scope of mainstream childcare funding, in many communities these functions are fundamental resources for families and children who would not otherwise access formal support services. As such, additional services offered by Indigenous child care providers are understood as pivotal in the role they play towards encouraging and retaining participation in early childhood programs, as well as supporting the achievement of broader Close the Gap targets through facilitation of family and community interactions.

The programme guidelines for BBF providers are flexible to allow centres to tailor their service delivery programme to best meet the needs of their community and maximise the potential for engagement. As the BBF programme is intended to support service provision where mainstream child care services are not viable, BBF providers are in general not accredited for receiving funding under the CCB and CCR schemes.

BBF is currently received by a range of different childcare service providers, including After School Care (ASC), Before School Care (BFC), Outside School Hours Care (OSHC), crèches, flexible services/innovative services, vacation care, Multifunctional Aboriginal Children's Services (MACS), and mobile services. Additionally a portion of BBF is provided to non-child care specific services, including services such as playgroups.

In cases where Aboriginal and Torres Strait Islander children are attending accredited child care services, rather than BBF services, these families are supported through broader mainstream funding supports, including the Child Care Benefit (CCB), the Child Care Rebate (CCR), and Jobs, Education and Training Child Care Fee Assistance. Current subsidies for low income families, which are accessed by many Aboriginal and Torres Strait Islander families, allow children to access up to 24 hours of subsidised care per week.

2.2.1 Aboriginal Child and Family Centres

Aboriginal Child and Family Centres (ACFCs) were established in 2008 under the National Partnership Agreement for Indigenous Early Childhood (NPA IECD) as a COAG Closing the Gap initiative. The centres were designed to provide integrated early childhood, health and family support services to Indigenous children and their families, and are located in a mix of remote, regional and urban areas with demonstrated high needs (COAG 2009).

ACFCs were funded directly through the Agreement, with $293 million in funding distributed to states and territories to establish and fund 38 centres from 2008-09 to 2013-14 (Urbis 2014). Given this funding source, ACFCs do not receive BBF and instead utilise mainstream funding services such as CCB and CCR. The NPA IECD expired on 30 June 2014, and since then, funding for ACFCs has been uncertain, with services having no long-term funding guarantees outside the mainstream service offerings.

While ACFCs do not receive BBF, they are a significant provider of services to Aboriginal and Torres Strait Islander children and families, and the effect of the reforms on their operations is considered as part of this analysis. The experience of Bubup Wilam is discussed in Section 4.3 to explore in detail the potential impacts of the JFCCP on ACFCs.

A note on terminology

This study analyses the impact of the JFCCP on both BBF services and ACFCs, and collected primary data from both service types. Throughout the study, if the term 'Indigenous early childhood service' is used, this refers to both BBF services and ACFCs. If a section is referencing analysis relevant only to BBF services, this will be explicitly stated.

2.3 Jobs for Families Child Care Package

The proposed JFCCP introduces a new Child Care Subsidy (CCS), which is intended to replace a suite of existing subsidies (i.e. the CCB and the CCR) in the interests of simplifying the child care funding system. It is intended that the CCS will better target families in need and provide a higher level of assistance to low and middle income families (Australian Government 2015c).

There are two components of the proposed JFCCP which have the potential to significantly influence the operations of Indigenous early childhood services: the removal of the BBF programme and the introduction of the activity test.

2.3.1 Removal of Budget Based Funding Programme

From July 2017, the BBF programme will cease operation and will be replaced by the JFCCP. The current BBF levels are not formulaically determined or informed by specific eligibility criteria. Rather, BBF grants are a reflection of historical funding levels and applications for service specific grants, and vary considerably across providers. One of the potential benefits of transitioning BBF services to the CCS system is that by linking funding levels to children attending the services, funding will be equalised across like services and reflective of current child care service provision.

While the Commonwealth anticipates that most families currently attending BBF services will be eligible for the highest level subsidy (Australian Government 2015d), there are still several challenges facing BBF services in transitioning to the new system. Central to this, the BBF programme currently supports providers who are generally not approved for administering CCB funded child care. As such, to become eligible for the CCS by 2017 many BBF services may be required to significantly modify their operations in order to meet standards under the National Quality Framework (NQF).

The new Child Care Safety Net will also be introduced to provide targeted support for children from disadvantaged backgrounds (Australian Government 2016b). The Child Care Safety Net consists of three components: the Additional Child Care Subsidy ($178 million), the Inclusion Support Programme ($409 million) and the Community Child Care Fund (CCCF) ($271 million). The Inclusion Support Programme and the CCCF incorporate a mandate to target funding towards (among other vulnerable groups) remote and culturally and linguistically diverse (CALD) families, and the Additional Child Care Subsidy acts as a top up payment to provide extra support to disadvantaged and at-risk families. Publicly available policy documentation suggests that the Additional Child Care Subsidy will be funded over two years, the Inclusion Support Programme over three years, and the CCCF over two years (Australian Government 2015c).

As part of the CCCF, $10 million will be made available each year to provide for the integration of child care, maternal and child health and family support services in Indigenous communities experiencing disadvantage.

2.3.2 Introduction of activity test

The JFCCP also introduces an activity test for families to be eligible for subsidised child care hours. As such the subsidy received by families will depend upon a combination of both (1) family income; and (2) family activity level. The policy intention underpinning this eligibility criterion is to more closely align the hours of subsidised care with the activity levels of families (Australian Government 2015e).

The maximum subsidy to be distributed under the CCS is 85% of the actual fee charged (up to a cap) for families earning up to $65,710 prior to indexation. This tapers down to 50% when family income reaches $170,710, and remains at 50% for family income between $170,710 and $250,000. For family income more than $250,000, the subsidy is further tapered to a minimum of 20% for income of more than $340,000. Where tapering occurs, the subsidy reduces by 1% for each $3,000 of income.

Table 2.1: Child Care Subsidy eligibility criteria – income rate

Combined family income	Subsidy % of fee (up to hourly fee cap)
Up to $65,710	85%
More than $65,710 to $170,710	Reducing to 50%
More than $170,710 to $250,000	50%
More than $250,000 to $340,000	Reduction to 20%
More than $340,000	20%

Source: Australian Government (2015f) Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015, Explanatory Memorandum.

The number of hours of care a child is eligible for is determined by the family's 'hours of recognised activity' – that is, the number of hours spent in work, training, study or other recognised activities. A schedule of subsidised hours is provided below.

Table 2.2: Child Care Subsidy eligibility criteria – subsidy hours

Hours of activity (per fortnight)	Number of hours of subsidy (per fortnight)
Fewer than 8 hours*	Up to 12 hours
8 to 16 hours	Up to 36 hours
17 to 48 hours	Up to 72 hours
49 or more hours	Up to 100 hours

Source: Australian Government (2015c). *For low income families. For families earning above $65,000 per year, the number of subsidised hours will be zero.

For those families that do not meet this activity test, and with a family income of less than $65,710, 12 hours of subsidy per week will be provided. It is noted that this is half of the existing entitlement for low-income families (24 hours per week).

2.4 Potential impacts of child care changes

The transition to the CCS and the introduction of the activity test are expected to significantly influence the nature and composition of Indigenous services' revenue. In-depth analysis of potential impacts is provided in detail in Section 4 of this report, but logically the effects stem from the fact that:

- BBF currently supports the provision of services beyond the realm of traditional child care services. As such, a movement towards child care based funding is expected to be associated with a decrease in government revenue as non-child care activities will need to be funded through alternative mechanisms.
- The introduction of an activity test to a system in which no constraint on hours of attendance previously existed will reduce the number of eligible child care hours for some families. As such, these families will receive a lower amount of government funding per hour of attendance and can choose to either pay the increased out-of-pocket costs or reduce the number of hours of participation – both options which result in reduced government revenue for services.
- Similarly, the reduction in the minimum child care entitlement for low income families from 24 to 12 hours of subsided care per week will result in either higher out-of-pocket costs or reduced attendance for families who are in the lowest income bracket and do not meet the activity test. Given the high proportion of low-income and vulnerable families serviced by Indigenous child care centres, this is expected to have a significant impact on service revenue.

The JFCCP is a complex suite of reforms, and it is expected that services and families will respond to the changes in a variety of ways – including seeking cost efficiencies in service provision and changing behaviour to meet the activity test. Additionally, it is expected that a variety of supports will be available for BBF services and Indigenous families to aid in the transition to the new system. For instance, while non-child care services will not be funded under the JFCCP, centres will be able to apply for additional funding under the Indigenous Advancement Strategy to continue the delivery of services outside traditional child-care.

The analysis presented in this report demonstrates the potential impacts of aspects of the JFCCP in the absence of any changes to behaviour by providers and in the absence of additional government support or further policy change. In this sense, it does not present a

comprehensive picture of the impact of the reforms once all resulting changes have been taken into account (noting that in most cases these changes cannot be speculated on at this point).

Nevertheless, the findings provide an indication of the level of additional support likely to be required in order to ensure that access to, and participation in, Indigenous early childhood services is not unduly compromised by the introduction of the JFCCP. In doing so, it also highlights the characteristics of families and services that will be particularly vulnerable to the proposed changes.

3 Methodology

As established, the objective of this study is to analyse the impact of aspects of the JFCCP on Aboriginal and Torres Strait Islander children's participation in early childhood programs. In particular, two main areas of reform were considered:

1. The transition of BBF services from block funding to child-based funding under the Child Care Subsidy (CCS)).
2. Changes to family eligibility for subsidised hours – including the introduction of the activity test and a reduction in the minimum entitlement of subsidised hours for families in the lowest income bracket (from 24 to 12 hours per week).

In order to gather sufficient evidence to support this analysis, a survey of services providing early childhood programs to Aboriginal and Torres Strait Islander children and families was undertaken.

The data gathered through this survey was validated through a comparison with administrative data provided by the Department of Education data and other publically available data to (1) validate the survey findings and (2) determine representativeness.

Development and distribution of the survey

The *Analysis of the Impact of the CCAP*[3] *on Aboriginal and Torres Strait Islander Communities Survey* (the survey) was designed to collect detailed financial and operational information from services which may be impacted by the JFCCP. As such, the survey collected information on:

- The costs and revenue of services;
- Affordability for families;
- Participation impacts; and
- Service viability.

The survey questionnaire is provided in Appendix A.

[3] At the time of surveying, the package was titled the 'Child Care Assistance Package'. This was changed to the Jobs for Families Child Care Package at a later date.

The survey was distributed to all current BBF services which offer child care related services. To maximise participation, services were provided support by SNAICC to complete the survey, both over the phone and where possible, in person. This support consisted of clarifying or providing further context to survey questions. Support for completing the survey was also offered and provided in some instances by Indigenous Professional Support Units.

Survey representativeness

In total 36 surveys responses were received, which encompassed 2,125 children[4]. Of the 36 survey responses received, twelve were excluded from the impact modelling due to insufficient data or because they were not currently receiving BBF. These surveys were still used to inform the broader impact analysis where possible, including analysis of the qualitative components in survey responses.

As seen in Table 3.1 below, New South Wales, Victoria and Tasmania had the strongest representation in terms of services covered by the modelling.

Table 3.1: Survey representativeness

	NSW	NT	QLD	SA	Tas	Vic	WA	Total
				Sector				
Enrolments	852	1,104	687	1,669	115	248	433	5,108
Services	16	35	19	27	3	6	11	117
				Share captured in impact modelling exercise				
Enrolments	73%	9%	0%	11%	35%	89%	12%	25%
Services	63%	6%	0%	15%	33%	83%	9%	21%

Source: Deloitte Access Economics, drawing on survey data (SNAICC, 2015) and Departmental data. Note, sector numbers were developed using BBF long day care services to determine representativeness. One mobile service is not included in the above representativeness analysis, but was included in the modelling.

Generally, the survey captured major cities and inner regional services well, in addition to covering almost all Western Australia remote and very remote services. The following table provides an overview of the geographical representativeness of survey responses which were used to inform the modelling.

Table 3.2: Distribution of remoteness, by enrolment

Remoteness	Sector enrolments	Share captured
Metropolitan	1,678	28%
Regional	1,235	54%
Remote	2,195	6%

[4] Note: Given only BBF sector wide data was available, and the survey captured responses from all Indigenous early childhood services (including non-BBF services), a sector wide participation rate was not available. The BBF LDC participation rate is presented in Table 3.1.

Survey analysis

The analysis of survey data was undertaken in several discrete stages, as detailed below.

Stage one: Cleaning of survey data

Once received, all survey data was checked for internal consistency. Any information which was deemed inconsistent with other data points was clarified with services. In some instances, assumptions were made to fill data gaps which could not be provided by services.

The following table provides an overview of the assumptions used to supplement survey data where necessary. In most instances where the child entries were missing activity data, family income data could be used to assume the missing hours of activity. Similarly, in most instances where child entries were missing family income data, the existing activity data could be used.

Table 3.3: Modelling assumptions used

Data issue	Assumption
Number of sufficiently complete child data entries reported by provider is less than total enrolments	The sufficiently complete child data is averaged and scaled up proportionally to the number of total enrolments in order to calculate provider-level estimates such as total estimated subsidy.
Provider is missing activity data for each child	Missing hours of activity was assumed to be fewer than 8 hours if family income is reported as less than $65,000. Otherwise, 49 or more hours is assumed.
Provider is missing family income data for each child	Missing family income was assumed to be less than $65,000.[5]
Provider is missing fees paid per week (including subsidy) for each child	The average fee per day for the provider was divided by hours of operation, and multiplied by hours per week for each child to derive the fees paid per week.
Provider does not have sufficiently complete child level data at all	Providers with insufficient child level data were excluded from the analysis.
Provider has not reported total enrolment data	Total enrolment data was assumed using other qualitative information which was provided.

Stage 2: Determining the level of government funding per child

The analysis drew on the reported activity hours of each child's parent/guardian, as found in the survey, to derive the expected hours of activity (per fortnight). In instances where there were two guardians, the hours of activity from the guardian with the fewest hours was used, as dictated by the JFCCP guidelines. Family activity levels were then used to derive the maximum number of subsidised hours per week that each child was entitled to.

[5] The distribution of income levels by hours of activity was used to inform the assumptions applied to missing activity and family income data. Analysis showed that the majority of families in each of the hours of activity brackets had a reported income of less than $65,000. Likewise, the majority of families in each family income bracket had reported hours of activity level of 49 hours or more, except for those with less than $65,000, where the majority reported less than 8 hours of activity.

Using the family income level for each child, an appropriate subsidy rate (as a % of the hourly fee) was apportioned to each child. The methodology used to determine each subsidy rate is outlined in the box below.

Determining the subsidy rate

For reported family income brackets, the midpoint is taken of each income range and the subsidy (as a % of total fees) is appropriated using that income level (see Table 3.4). For family incomes of less than $65,000, the income is taken as $65,000; and for family income of greater than $170,000, the income is taken as $170,000.

According to current policy publications (Australian Government 2015e), as of December 2015 the starting subsidy value is 85% for families for families earning up to $65,710 and tapers down to 50% when a family income reaches $170,710. This remains at 50% for family income between more than $170,710 and $250,000, and tapers down to a minimum of 20% for income of more than $340,000. Where it occurs, the subsidy tapers down by 1% for each $3,000 of income. This linear pathway is used to calculate the subsidy rate for each midpoint in Table 3.4.

One limitation to note is that the upper bound of the survey only captures income as 'Greater than $170,000' as this was the upper bound under the JFCCP when the survey was distributed, with the taper undergoing an extension in subsequent policy developments. As such, the tapering between family income levels of $170,710 to $340,000 is not captured by this analysis.

Table 3.4: Proportion of fee subsidised

Reported family income	Midpoint	Subsidy (as a % of hourly fee)
Less than $65,000	$65,000	85%
$65,000-$90,000	$77,500	81%
$90,000-$110,000	$100,000	73%
$110,000-$130,000	$120,000	67%
$130,000-$150,000	$140,000	60%
$150,000-$170,000	$160,000	53%
Greater than $170,000	$170,000	50%

It is noted that the above analysis assumes no change in family behaviour in that the activity levels and income levels of families remain constant in the face of the introduction of the JFCCP.

Stage 3: Determining the level of government funding per service

The analysis has assumed that any shortfall faced by services between the level of government revenue received through the BBF scheme and that of the CCS system will be recouped by raising fees, and spread across the current total hours of care being provided. As such, the gap in revenue indicated by the analysis undertaken in Stage Two (child level) has been calculated at the service level and used to determine the new fee level.

Service responses to a decreased in government revenue

As established, there are a variety of ways in which services may respond to a decrease in government child care funding.

The survey tested this concept with services and found that when faced with a decrease in net revenue:

- 55% stated that their first response in order to maintain service viability would be to raise fees;
- 16% indicated that their first response would be to reduce the amount of available places;
- 13% stated that their first response would be to reduce staff numbers.

Drawing on the above, for the purpose of this analysis it has been assumed that services will choose to raise fees to cover any potential shortfall in net revenue caused by the transition to the JFCCP. It is noted in practice, services may be able to access additional funding to support service delivery under the Indigenous Advancement Strategy and other transitional support mechanisms rather than raising the entire amount through fees.

Drawing on the new fee levels set at the service level, a revised fee per hour, subsidy per hour and anticipated out-of-pocket costs per child were calculated. It was assumed that each child attended the same amount of hours as currently attending, with unsubsidised hours fully paid for by families.

It was assumed that in response to increased fees, a proportion of families would stop accessing child care services altogether, and a further proportion would reduce their hours of attendance. Established elasticities were used to estimate the total change in hours attended for each child, and the total reduction in enrolments for each service. [6]

We incorporate behavioural modelling to estimate the total change in hours and attendance for each family, based on the increase in fees they experience at their child care provider.

4 Impact analysis

This chapter presents the analysis of the potential impact of aspects of the JFCCP at two levels:

1. The impact on affordability and access for families currently attending Indigenous services.
2. The impact on service level viability, operations and quality of service delivery.

The analysis presented in this chapter is drawn exclusively from the information gathered from the survey responses. While all efforts were made to ensure survey data received was an accurate reflection of current service operations, and despite a high level of confidence in the survey process and outputs, the accuracy of these estimates is naturally a function of the quality of information received. As such, this should be factored into consideration in any interpretation of results.

[6] In this analysis, the elasticity of hours used is -0.099 and the elasticity of participation is -0.063. That is to say, for an overall 10% increase in net fees there is a potential fall in hours of 0.99% and a fall in participation of 0.63%.

Additionally, as the nature of operations and funding varies significantly across each Indigenous early childhood service, the analysis presented below is reflective of information received only from survey participants and has not been extrapolated to the broader sector.

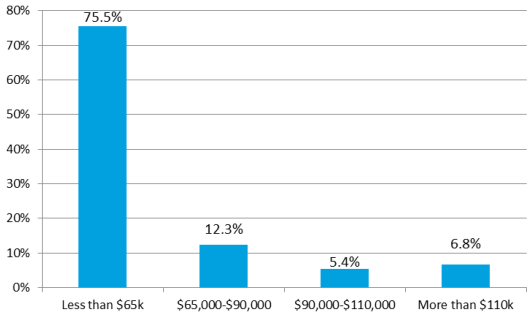
Service characteristics

To provide additional context to the operational nature of Indigenous early childhood services, the following tables and charts provide an overview of the characteristics of services which responded to the survey.

On analysis of the aggregate survey responses it was found that:

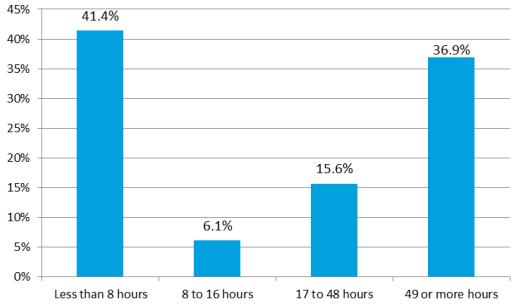
- The majority of children attending Indigenous early childhood services were from low income families, with 75% of children with reported family income eligible for the highest subsidy bracket.
- The majority of families currently attending Indigenous early childhood services sit within the lowest activity level bracket.
- The average number of staff per centre was 12, with seven full-time equivalent staff.
- The average wage per staff member was $920 per week.
- The average service size was 47 enrolments.
- 83% of children attending these services identified as Indigenous, with six services catering for 100% Indigenous enrolments.

Chart 4.1: Distribution of family income for children attending Indigenous early childhood services



Source: Survey data (SNAICC 2015); analysis by Deloitte Access Economics.
Note: Families with unreported income data are excluded from this chart.

Chart 4.2: Distribution of parent/guardian activity level for children attending Indigenous early childhood services



Source: Survey data (SNAICC 2015); analysis by Deloitte Access Economics.
Note: Families with unreported activity data are excluded from this chart.

4.2 Affordability impacts for families

Under the JFCCP, affordability and access for families attending Indigenous early childhood services will be impacted in two key ways: (1) through services transitioning from BBF to CCS; and (2) through the application of the activity test.

4.2.1 Transitioning from BBF to CCS

As outlined in Chapter 3, it has been assumed that services will choose to raise (or lower) their fees to the level required to recoup revenue lost (or gained) through the removal of BBF, given the total level of eligible hours currently attended.

As such, analysis of the survey results suggests that if all BBF services moved to the CCS system at this point in time, 40% of families would face increased out-of-pocket costs. This analysis assumes no cap on subsidised hours, exclusively assessing the impact of a change from block funding to child level funding. The impact of the eligibility requirements associated with the JFCCP is assessed in Section 4.2.2 below.

On average, the government revenue received under the CCS (assuming all hours of current attendance are subsidised) is slightly higher for surveyed providers than revenue received under the BBF system (with 13 services receiving a higher level of government revenue and 11 services receiving lower). Under the assumptions modelled here, fees would reduce by an average of $1.43 per provider. However, 40% of families would see a decline in the amount of government funding received for their child (per hour attended), including 36% of families earning in the lowest income bracket. For families facing increased out-of-pocket costs, fees would increase by an average of $1.09 per hour.

Table 4.1: Impact of CCS on out-of-pocket costs, by family income level

Income level	% of families facing higher out-of-pocket costs	Average change to hourly fee	Average change to hourly fees for families with higher out-of-pocket costs
Less than $65K	36%	-$1.72	$1.11
$65K-$90K	43%	-$1.02	$0.67
$90K-$110K	55%	$0.12	$1.12
More than $110K	72%	$0.79	$1.36
Total	**40%**	**-$1.43**	**$1.09**

Source: Survey data (SNAICC 2015); analysis by Deloitte Access Economics. Note: these figures reflect the impacts for BBF services only.

4.2.2 The introduction of the activity test

The above analysis assumes that all families are subsidised for unlimited hours of child care every week. However, as outlined, the JFCCP also includes the additional eligibility criteria of the activity test. The table below shows the proportion of families who are currently attending more hours of child care than they would be eligible to receive at a subsidised rate if the activity test was applied.

Table 4.2: Impact of the activity test on eligible subsidy hours for families, by income level

Family income level	% families eligible for fewer hours than currently attending	Average reduction in hours per week for families eligible for fewer hours than currently attending
Less than $65K	46%	-12 hours
$65K-$90K	24%	-19 hours
$90K-$110K	12%	-15 hours
More than $110K	2%	-10 hours
Total	**40%**	**-13 hours**

Source: Survey data (SNAICC 2015); analysis by Deloitte Access Economics. Note: these figures reflect the impacts for BBF services only.

As seen in Table 4.2 above, the survey responses suggest that if the activity test is applied in its current form, 40% of families will be eligible for fewer hours than they are currently attending. These families will have the option of either (1) reducing the hours their child attends the service each fortnight; or (2) paying the full fee for the difference in hours between what their child is currently attending and what they are eligible for.

Among those families for whom the activity test would reduce the number of eligible hours the impact is significant, at an average of 13 fewer hours of subsidised participation each week. This is concentrated in the middle income families, where a minimum level of eligible hours is not provided to those families not meeting the activity test. However, the halving of the existing minimum subsidised hours for low income families is also expected to influence service operations, as demonstrated in the case study below.

Case study: Wynbring Jida Inc.

Wynbring Jida is a community operated child care service in South Australia which has been a recipient of BBF (or predecessor variants) for 29 years. The site currently provides child care to 72 regular attendees, with an average of 28 children attending the service daily. Currently 50% of these children are Aboriginal or Torres Strait Islander. There is waiting list of 20 children, for which Aboriginal or Torres Strait Islander children and children at risk are prioritised.

The service delivers an Indigenous focussed model of care, employing 50% Aboriginal or Torres Strait Islander staff and incorporating Indigenous culture in all elements of service delivery. As such, Wynbring Jida receives referrals from Families SA to provide care for Aboriginal or Torres Strait Islander children in OOHC who have not been placed with Indigenous families, in an effort to maintain cultural exposure. The service is also a meeting point for families in crisis, where the high numbers of Indigenous staff and strong connections within the local community provide a natural point for vulnerable families to connect with broader services.

Wynbring has been working to meet the requirements of the NQF over the past several years, in preparation for the transition towards the mainstream system. However, the service is concerned that the addition of the activity test to the eligibility criteria will result in a large portion of their current families facing a cap on eligible subsidy hours lower than their current attendance rate.

The primary concern stemming from this would be a reduction in access to child care for families that are already experiencing vulnerability. This is contrary to the child-centric approach undertaken within the centre and may lead to adverse impacts for children, and for the broader community. Additionally, this reduced access would also result in decreased revenue for the service. In the past,

Wynbring has reduced the provision of supplementary services (such as a bus to transport children to the centre) in order to remain viable. If their revenue continues to fall as a result of the JFCCP reforms, the service is considering reducing the number of children their centre offers care to in order to lower staff numbers and further reduce costs.

Assuming that all families choose to retain attendance at current levels, the affordability impacts for families will be increased beyond those established in Table 4.1. Table 4.3 below shows the expected impact on out-of-pocket costs for families under the JFCCP through both the transition to the CCS system and the introduction of the activity test. As seen, 54% of families will face increased out-of-pocket costs, including 51% of families in the lowest income bracket.

On average, the out-of-pocket costs for these families will increase by $4.42, with the largest increases being faced by those families currently earning less than $65,000 a year. This is due to the high correlation between low income levels and low activity levels.

Table 4.3: Impact of transition to CCS and the application of the activity test on out-of-pocket costs, by family income level

Income level	% of families facing higher out-of-pocket costs	Average change to hourly fee	Average change to hourly fees for families with higher out-of-pocket costs
Less than $65K	51%	$1.31	$5.06
$65K-$90K	58%	$1.24	$3.39
$90K-$110K	59%	$0.90	$2.24
More than $110K	74%	$0.82	$1.38
Total	**54%**	**$1.26**	**$4.42**

Source: Survey data (SNAICC 2015); analysis by Deloitte Access Economics.

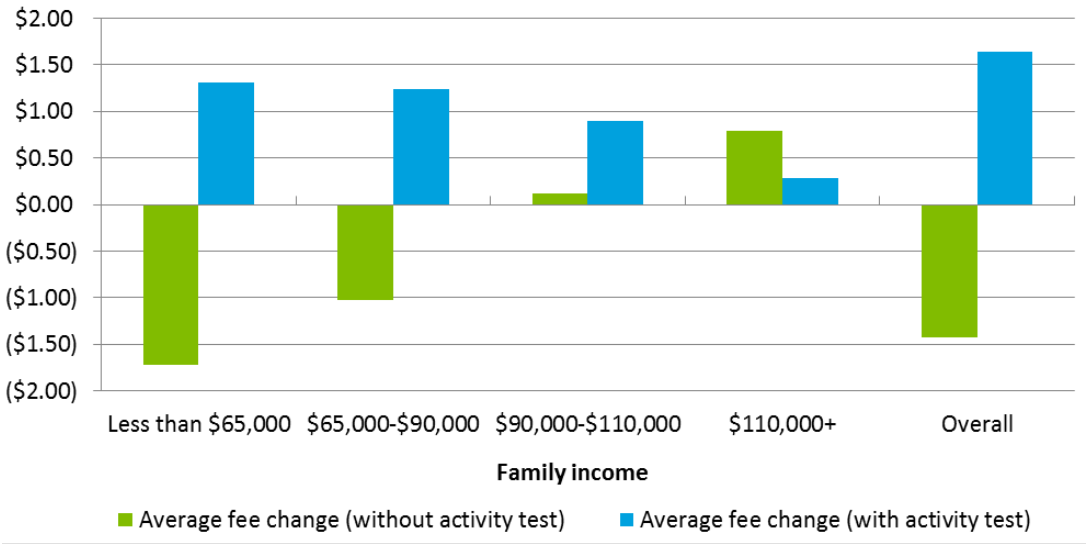
Again, it is noted that this analysis assumes no change in family behaviour as a result of the changes to policy. If instead, parents or guardians have the opportunity to increase their work, volunteering or study commitments to the level required to meet the activity test, then the impacts on affordability for families will be similar to those presented in Table 4.1.

4.2.3 Summary of affordability impacts for families

In summary, the introduction of the JFCCP will impact on the affordability of families currently accessing Indigenous BBF services in two ways. Firstly, the transition from BBF to CCS funding will result in a potential increase in out-of-pocket costs for 40% of families, including 36% of families currently earning below $65,000 per year (Table 4.1).

Secondly, under this analysis, the application of the activity test will result in 40% of families being eligible for a lower amount of subsidised hours relative to their current attendance levels (Table 4.2). Assuming these families do not increase their activity level, they will either reduce the number of hours their child attends the service for or will face increased out-of-pocket costs. If attendance remains the same at current levels, the chart below shows the difference in the average out-of-pocket costs for families as a result of moving to the CCS system, both with and without the application of the activity test.

Chart 4.3: Influence of the activity test on out-of-pocket costs faced by families



Source: Survey data (SNAICC 2015); analysis by Deloitte Access Economics.

4.3 Impact on service provision

While Section 4.2 above highlights the impacts of the reforms at the child and family level, the introduction of the JFCCP will also influence revenue at the service level and as such, potentially impact the nature of services provided and overall service viability.

4.3.1 Impact of aspects of the JFCCP on service revenue

Drawing on the analysis presented in Section 4.2, 67% of BBF services which responded to the survey would face reduced government revenue under the JFCCP than that received through BBF (assuming that additional grants are not accessed). In addition to this, a proportion of families are expected to both (1) stop engaging in early childhood services and (2) reduce the number of hours they attend early childhood services for in response to their increased out-of-pocket costs.

The following table provides an overview of the average service characteristics and expected impacts on revenue, enrolments and hours attended under the JFCCP, assuming no changes in behaviour or additional funding for services.

Table 4.4: Impact of aspects of the JFCCP on BBF services

Service type	Services with reduced government revenue	Average change in government revenue (% change in revenue)	Average decrease in enrolments	Average % decrease in hours
Large*	62%	1.6%	-4%	-7%
Small*	73%	-21.8%	-15%	-21%
Metropolitan	25%	14.8%	-2%	-2%
Regional	90%	-13.4%	-8%	-13%
Remote	83%	-33.9%	-24%	-32%
Total	**67%**	**-9.1%**	**-9%**	**-13%**

Source: Survey data (SNAICC 2015); analysis by Deloitte Access Economics.
*A 'large' service has been classified as a service with 50 or more enrolments and a 'small' service has been classified as a service with fewer than 50 enrolments.

In terms of the average shortfall, the above analysis shows that small providers are most vulnerable, with an average decrease in revenue of 21.8%. Interestingly, the modelling suggests that providers which have over 50 enrolments will on average experience an increase in revenue (an increase of 1.6%).

The analysis also suggests that revenue decreases are a higher threat for providers in regional and remote areas than in cities. Notably, 90% of regional providers are expected to experience reduced revenue, and the average shortfall for remote services is 33.9%. In contrast, services in metropolitan areas will, on average, increase their revenue by approximately 14.8%.

Regardless of size or location, on average all providers are expected to experience a decrease in enrolments and hours in response to increased out-of-pocket costs for families. However, it should be noted that this impact is most keenly felt in small and remote services. In addition, services with lower numbers of enrolments will naturally face an increased threat to service viability than larger services, which hold access to a broader revenue base.

4.3.2 JFCCP eligibility conditions

It is important to note that JFCCP eligibility for families is also dependent on a number of administrative tests. For example, in order for a child to be eligible under the current CCB or CCR, they need to meet immunisation requirements (or be exempt from them). Proof of identity is also required. Likewise, families are not eligible to receive CCB or CCR if their child uses more than 42 absence days per financial year (and does not meet the conditions for additional absences).

For the purpose of the analysis, it has been assumed that all children will be supported to meet these criteria. However, it is worth noting that the survey responses indicate these eligibility requirements will pose a significant hurdle to the transition process.

According to the child level data for BBF providers incorporated into this analysis:

- 10% of children did not have proof of immunisation,
- 10% were not recorded as having proof of identity; and
- 14% of total child enrolments were reported as being likely to accumulate 42 or more absences each year.

4.3.3 Impact of aspects of the JFCCP on non-child care services and additional child care services

BBF services and ACFCs are, by design, operating in areas where a market system for child care service provision is unlikely to be viable. Given this, Indigenous early childhood services support a higher proportion of vulnerable children and families, and children with additional needs. On average, the cohort serviced by respondents to the survey displayed the following characteristics:

- 77% of children were from families with less than $65,000 income per year;
- 10% were reported as having a disability (including diagnosed or undiagnosed disability, such as learning or developmental issues);
- 22% were reported as culturally and linguistically diverse (including if an Indigenous language is spoken rather than English in the home);
- 12% were currently on child protection orders; and,
- 20% had interactions with child protection services within the past 2 years.

Supporting vulnerable families, particularly those at risk of child protection issues, is a key feature of many Indigenous services. For instance, the study found that it is common for services to have established relationships with the relevant child protection unit and receive referrals to (1) assist families whose children are at risk of Out of Home Care (OOHC) or who wish to reunite with their children; or (2) provide a space in which children currently in OOCH with non-Indigenous guardians to retain their link with culture. However, these services do not receive any form of additional funding to service the higher needs of these children.

To support this high-needs cohort, services noted that higher staff to child ratios are required, with increasingly qualified staff, to provide effective services. As such, one concern associated with the transition towards the JFCCP system is that the mainstream funding system would not provide the funding needed to adequately support such a high-needs cohort. This concept is explored further in the case study below.

Case study: Bubup Wilam for Early Learning Inc.

Bubup Wilam (meaning 'Children's Place' in Woi Wurrung language) is an Aboriginal Child and Family Centre located in the suburb of Thomastown in Melbourne. The service operates exclusively for Aboriginal and Torres Strait Islander children and families, and provides a culturally appropriate, integrated and enhanced model of care centred on Aboriginal concepts of identity, community and belonging.

Services provided include long day care, a health and wellbeing program, kindergarten, and a transition to primary school program. The centre also provides supported referrals for families that need access to specialist services (such as housing or welfare) and access to support services for

children with special needs (providing access to disability support workers, maternal and child health nurses and speech pathologists).

Further, Bubup Wilam has developed an accredited training program delivered on-site for Aboriginal and Torres Strait Islander people seeking to gain a Certificate III or Diploma in Children's Services, and an in-house professional development program for their own staff.

The close relationships established between Bubup Wilam and the local community, which are a function of the service's proven ability to engage with families in a culturally sensitive manner to achieve positive outcomes for families, enable the engagement of families who often do not engage with early childhood services. As such, a high number of vulnerable families are serviced by the centre at any one time. Approximately 30% of their children are under DHHS notifications and 45% are recorded as having disabilities. Additionally, the service frequently works with complex community issues such as domestic violence, and drug and alcohol abuse.

To achieve positive outcomes for this cohort, Bubup Wilam operates under a specific operating model which it has consciously developed over the years, with a focus on effective measures to increase continued engagement of local families. This operating model is centred on:

- a higher staff to child ratio than similar providers in Victoria to support the high-needs cohort;
- a culturally appropriate, strength-based learning model that is underpinned by the National Quality Framework and encourages self-determination and confidence;
- a service which is led by Aboriginal staff for Aboriginal children;
- a policy of welcoming any family seeking assistance, at any point in time; and
- a policy of Bubup Wilam carrying the debt for highly vulnerable families, in order not to dissuade engagement. Noting that all families are asked to contribute towards the cost of their child care.

However, Bubup Wilam faces significant hurdles in ensuring it can continue its effective service provision. Bubup Wilam was established over five years ago under a National Partnership agreement which has since expired. The service does not receive BBF and instead operates as a mainstream service, funded purely on CCB, CCR, Early Start, Kindergarten funding and parent contributions. As such, Bubup Wilam does not receive any additional support funding for its services beyond traditional child care delivery (such as family and community engagement, support for children in OOCH, fostering of Aboriginal identity and pride, and community cultural activities). Given this lack of additional funding, the service is currently operating at a significant loss each year. At this point of time, the short-fall is covered by remnant National Partnership funds, but these are almost exhausted.

Bubup Wilam believes that the introduction of the activity test and the reduction in the minimum entitlement from 24 to 12 hours will decrease their service revenue to an unsustainable level. They acknowledge that a key factor to their success is centred on the service welcoming families of any characteristics at any time of day. The service provides an important daily routine, and point of engagement, for vulnerable families. It is understood that families only attending the service for one day a week, rather than the current minimum entitlement of two days, would jeopardise the service's ability to establish such relationships.

Bubup Wilam's ideal outcome would be to allow Aboriginal families up to 50 hours of subsidised child care per week – maximising their opportunity to engage and improve outcomes for these families – and to access a permanent core funding stream to support their current level of service provision to each of these families.

Summary of impact on services

Overall, the analysis suggests that, in the absence of additional measures, 67% of all BBF providers would experience reduced government revenue as a result of transitioning to the JFCCP. This results in BBF providers on average experiencing a reduction in total enrolments and hours of child care delivery at the centre. Small services and services operating in remote areas will be most vulnerable to reductions in revenue.

Without additional funding from alternative government revenue streams, such as grants under the IAS, it could be expected that services will increase fees, reduce their size and/or reduce staff numbers in order to remain viable. In addition, wrap around services which are provided to encourage increased engagement in early childhood services, and provide other community services, may also be reduced. Each of these measures may adversely impact on the level, nature or quality of services provided to Aboriginal and Torres Strait Islander children and families.

Conclusions

Increased alignment between child care provision and service funding, which could be achieved through the transition from the BBF system to the JFCCP, has the potential reduce the impact of historical funding discrepancies and hence be a positive change for the sector.

However, the eligibility requirements for CCS funding, as established under the activity test, and a range of administrative hurdles (such as immunisation, absences and proof of identity) significantly restrict the number of subsidised hours available for low-income families who do not meet the criteria. While reducing early childhood service access for vulnerable families is an adverse outcome in itself, Indigenous services are particularly impacted given the high proportion of vulnerable children and families they serve.

The analysis presented in this report draws on survey data which, while relatively representative, does not provide a comprehensive picture of the impacts on the sector. It demonstrates the potential impacts of the JFCCP on the basis of no changes to behaviour and in the absence of additional government support or further policy change. In this sense, it does not present a comprehensive picture of the impact of the reforms once all resulting changes have been taken into account.

Nevertheless, the analysis demonstrates that the introduction of the JFCCP in its current form would result in increased out-of-pocket costs for a large proportion of children and families currently accessing these services, including many low-income and vulnerable families. Additionally, service viability would likely be adversely impacted, most particularly for small or remote services, if appropriate support is not provided.

Given the national policy objectives of increasing engagement in early childhood services among Aboriginal and Torres Strait Islander children and families, it will be imperative that the mechanisms which have been established to support the broader introduction of the JFCCP – namely the ACCS and the CCCF – are effectively utilised to ensure achievement of Government's policy objectives in this vitally important area.

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Appendix A: Survey questionnaire

Analysis of the impact of the Child Care Assistance Package on Aboriginal and Torres Strait Islander communities

As you are aware, SNAICC and Deloitte Access Economics are conducting an analysis of the impact of the Child Care Assistance Package on Aboriginal and Torres Strait Islander communities. The study will look at how the proposed child care reforms, in particular the introduction of the activity test and the removal of budget based funding, will impact the funding services receive and the ability of the community to access child care.

To conduct this analysis, we need some information from you. The following survey has been developed in order to gather data which will help us to understand the current operations and users of your service.

All information provided to SNAICC and Deloitte Access Economics will be treated with strict confidentiality and no personal information will be reported. *The information collected through this survey will be presented, in a de-identified manner, in the form of a final report which will be accessible to all services.*

If you have any questions about the survey, please contact John Burton (john.burton@snaicc.org.au).

Note: This survey only needs to be filled out once per service.

PART A: Service information

A1. Contact name and role(s): _____

A2. Service/organisation name: _____

A3. Location of service: _____

A4. What are the core programs provided by your service? *(ie Long day care, kindergarten, family day care, out of school hours care, playgroups, mobile services, transition to school, family support and capacity building, maternal child health, counselling services (i.e. drug and alcohol, family violence, relationship), cultural programs, information sharing and community events, transport):*

_____

_____

A5. Days/hours of operation: _____

A6. Licensed places: _____

A7. Total enrolments:_____

A8. Average daily attendance:_____

A9. How many children currently attending your service do you feel would have 42 or more absences each year?

Part B: Service costs and revenue

Note: services can either provide their latest financial statement or fill out Part B. If filling out Part B, please provide figures for a one year period.

B1. Year costs and revenue are reported for:_____

B2. Total wage costs (including on costs):_____

B3. Total costs (including wage costs):_____

B4. Total fee revenue:_____

B5. Total BBF:_____

B6. Total CCB/CCR[7] funding:_____

B7. Total other income (*if receiving income for the delivery of particular programs, such as Indigenous advancements strategy funding, please detail this)*:

_____

_____

B8. On-cost rate (%) *(including superannuation, workers compensation etc)*[8]:_____

B9. Average fee per day:_____

B10. Average fee per hour:_____

B11. If service revenue was to decrease, what would be the first response in order to maintain service viability? *(ie: raise fees, remove additional programs, reduce available places, reduce staff numbers, reduce qualification levels of staff)*:

_____

B12. Is your service currently under an auspice agreement[9] (for example, the local council or local Aboriginal cooperative may be the auspicing body of your service)? If so, under which body?

_____

[7] Child Care Benefit/Child Care Rebate
[8] The on cost rate is a percentage of a staff members wage and includes superannuation, workers compensation etc. It does not include costs unrelated to wages, such as infrastructure, building insurance etc.
[9] An auspice agreement is an agreement where one organisation agrees to enter into an agreement on behalf of a second organisation

Part C: Staffing details

C1. How many staff (in total) do you have working at your service?

Number of staff_____ FTE[10]_____ Ave wage_____

C2. How many staff within your service work in a face-to-face role[11] with the children attending child care?

Number of staff_____ FTE_____ Ave wage_____

C3. What proportion of total staff time is spent on early childhood care[12]?

_____

C4. Please provide a high level overview of the primary roles within the service (i.e. early years educator, administrative staff etc.) and the approximate number of staff per role:

Educator - Bachelor qualified: Full time:_____ Part time:_____ Casual:_____

Educator – Diploma qualified: Full time:_____ Part time:_____ Casual:_____

Educator – Certificate III or IV: Full time:_____ Part time:_____ Casual:_____

Educator – no qualifications: Full time:_____ Part time:_____ Casual:_____

Site manager: Full time:_____ Part time:_____ Casual:_____

Administration:[13] Full time:_____ Part time:_____ Casual:_____

Role:_____ Full time:_____ Part time:_____ Casual:_____

Role:_____ Full time:_____ Part time:_____ Casual:_____

Role:_____ Full time:_____ Part time:_____ Casual:_____

Role:_____ Full time:_____ Part time:_____ Casual:_____

[10] The number of full-time equivalent employees is the total number of hours worked by staff in a week, divided by 37.5. For example, if you have 5 staff members each work 30 hours per week, this should be reported as 4 full time employees. (The staff work a combined 150 hours, and 150 divided by 37.5 equals 4 full-time employees.)

[11] This includes childhood teachers, educator or educator assistants

[12] This includes long day care, family day care, outside school hours care and occasional care.

[13] Administrator - this includes staff involved in managing the ongoing process of the business, but not related to early childhood educations, such as accountants

Part D: Child level data – *Please complete for as many children attending your service as possible.*

	Hours of activity per week Fewer than 4 hours, 4-8 hours, 8-24 hours, more than 24 hours		**Family income OR CCB rate** Family income: Less than $65K, $65K-$90K, $90K-$110K, $110K-$130K, $130K-$150K, $150K-$170K , More than $170K	**Age** *(as of June 30)*	**Average attendance**[14]		**Fees paid per week** *(including subsidy)*	**Student characteristic (Yes/No)**							
	Parent/ guardian 1	*Parent/ guardian 2*			*Hours per week*	*Weeks per year*		*Aboriginal or Torres Strait Islander*	*Proof of identity*	*Student with disability*[15]	*Culturally and linguistically diverse*[16]	*JET Payments*	*Currently on child protection orders*	*Any interaction with child protection services in the past two years*	*Proof of immunisation*
Child 1															
Child 2															
Child 3															
Child 4															
Child 5															
Child 6															
Child 7															
Child 8															
Child 9															
Child 10															

[14] An average estimate here is fine – or if you would like to provide de-identified attendance data and match this with the other information on each child, that would be fine.
[15] Including diagnosed or undiagnosed disability (such as learning or developmental issues).
[16] Including if a native Indigenous language is spoken rather than English in the home

	Hours of activity per week Fewer than 4 hours, 4-8 hours, 8-24 hours, more than 24 hours		**Family income OR CCB rate** Family income: Less than $65K, $65K-$90K, $90K-$110K, $110K-$130K, $130K-$150K, $150K-$170K , More than $170K	**Age** *(as of June 30)*	**Average attendance**		**Fees paid per week** *(including subsidy)*	**Student characteristic (Yes/No)**							
	Parent/ guardian 1	*Parent/ guardian 2*			*Hours per week*	*Weeks per year*		*Aboriginal or Torres Strait Islander*	*Proof of identity*	*Student with disability*	*Culturally and linguisticall y diverse*	*JET Payments*	*Currently on child protection orders*	*Any interactio n with child protection services in the past two years*	*Proof of immunisat ion*
Child 11															
Child 12															
Child 13															
Child 14															
Child 15															
Child 16															
Child 17															
Child 18															
Child 19															
Child 20															
Child 21															
Child 22															

Limitation of our work

General use restriction

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