

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

## **Acknowledgements**

This report is the product of a collaboration between the Secretariat of National Aboriginal and Islander Child Care (SNAICC) 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.

## Contents

Executive Summary .....	i
1 Introduction .....	1
2 Policy context.....	1
2.1 Rationale for investment.....	1
2.2 Current funding arrangements.....	3
2.3 Jobs for Families Child Care Package .....	5
2.4 Potential impacts of child care changes.....	7
3 Methodology.....	8
4 Impact analysis.....	12
4.2 Affordability impacts for families .....	13
4.3 Impact on service provision.....	17
Conclusions .....	21
References .....	22
Appendix A : Survey questionnaire .....	24
Limitation of our work.....	29

## Charts

Chart 4.1 : Distribution of family income for children attending Indigenous early childhood services.....	13
Chart 4.2 : Distribution of parent/guardian activity level for children attending Indigenous early childhood services.....	13
Chart 4.3 : Influence of the activity test on out-of-pocket costs faced by families.....	17

## Tables

Table 2.1 : Child Care Subsidy eligibility criteria – income rate .....	6
Table 2.2 : Child Care Subsidy eligibility criteria – subsidy hours .....	7
Table 3.1 : Survey representativeness .....	9
Table 3.2 : Distribution of remoteness, by enrolment .....	9
Table 3.3 : Modelling assumptions used .....	10
Table 3.4 : Proportion of fee subsidised .....	11
Table 4.1 : Impact of CCS on out-of-pocket costs, by family income level .....	14
Table 4.2 : Impact of the activity test on eligible subsidy hours for families, by income level ...	15

Table 4.3 : Impact of transition to CCS and the application of the activity test on out-of-pocket costs, by family income level .....	16
Table 4.4 : Impact of aspects of the JFCCP on BBF services .....	18

## 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<sup>1</sup> – 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

---

<sup>1</sup> 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 (Watanabe 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;<sup>2</sup>
- 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;

---

<sup>2</sup> 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**

<b>Hours of activity (per fortnight)</b>	<b>Number of hours of subsidy (per fortnight)</b>
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 subsidised 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<sup>3</sup> 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.*

---

<sup>3</sup> 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<sup>4</sup>. 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
<i>Sector</i>								
Enrolments	852	1,104	687	1,669	115	248	433	5,108
Services	16	35	19	27	3	6	11	117
<i>Share captured in impact modelling exercise</i>								
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%

<sup>4</sup> 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**

<b>Data issue</b>	<b>Assumption</b>
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. <sup>5</sup>
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.

<sup>5</sup> 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**

<b>Reported family income</b>	<b>Midpoint</b>	<b>Subsidy (as a % of hourly fee)</b>
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.<sup>6</sup>

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.

---

<sup>6</sup> 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.

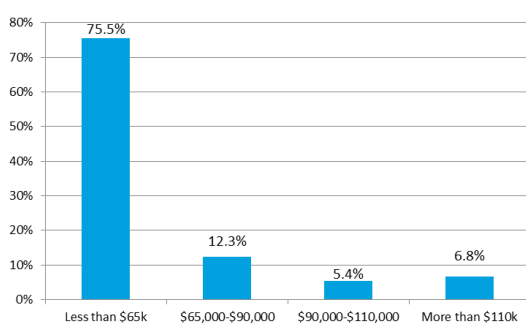
### Service characteristics

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.

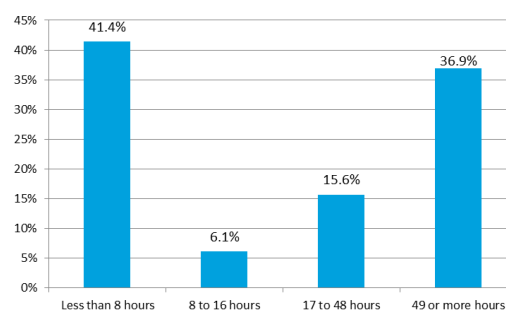
**Chart 4.1: Distribution of family income for children attending Indigenous early childhood services**



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
<b>Total</b>	<b>40%</b>	<b>-\$1.43</b>	<b>\$1.09</b>

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**

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

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
<b>Total</b>	<b>54%</b>	<b>\$1.26</b>	<b>\$4.42</b>

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.

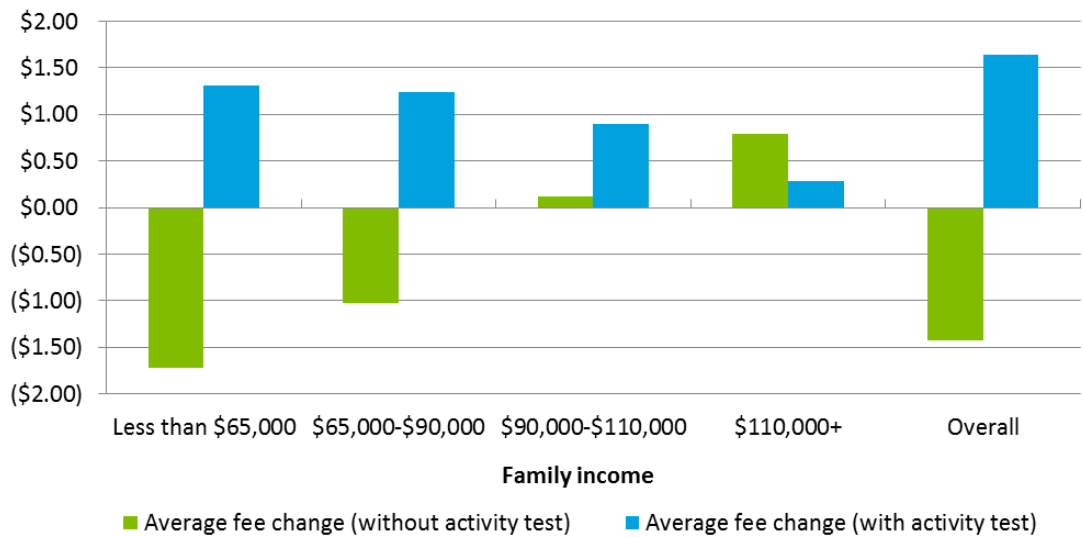
### 4.2.3 Summary of affordability impacts for families

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**

<b>Service type</b>	<b>Services with reduced government revenue</b>	<b>Average change in government revenue (% change in revenue)</b>	<b>Average decrease in enrolments</b>	<b>Average % decrease in hours</b>
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%
<b>Total</b>	<b>67%</b>	<b>-9.1%</b>	<b>-9%</b>	<b>-13%</b>

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 OOSH, 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.

## References

- Australian Government (2014), *Community support programme guidelines for Budget Based Funding Services*.
- Australian Government (2015a) “Minister Morrison: Better start for Indigenous children”, online, available at <http://www.indigenous.gov.au/news-and-media/announcements/minister-morrison-better-start-indigenous-children>
- Australian Government (2015b), *Closing the Gap: Prime Minister’s Report 2015*.
- Australian Government (2015c), “Childcare Assistance Package”, online, available at [https://www.dss.gov.au/sites/default/files/documents/05\\_2015/child\\_care\\_assistance\\_package\\_-\\_fact\\_sheet\\_0.docx](https://www.dss.gov.au/sites/default/files/documents/05_2015/child_care_assistance_package_-_fact_sheet_0.docx)
- Australian Government (2015d) “Budget Based Funded Programme”, online, available at <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/early-childhood-child-care/budget-based-funded-programme>
- Australian Government (2015e) “Jobs for Families Child Care Package”, online, available at [https://docs.education.gov.au/system/files/doc/other/overview\\_jobs\\_for\\_families\\_child\\_care\\_package\\_2.docx](https://docs.education.gov.au/system/files/doc/other/overview_jobs_for_families_child_care_package_2.docx)
- Australian Government (2015f) Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015, Explanatory Memorandum.
- Australian Government (2016a) “Budget Based Funded Programme”, online, available at <https://www.education.gov.au/budget-based-funded-programme>
- Australian Government (2016b) “Jobs for Families Child Care Package”, online, available at <http://www.education.gov.au/jobsforfamilies>
- COAG (2009) *National Partnership Agreement for Indigenous Early Childhood Development*.
- Dearing, E, McCartney, K and Taylor, B (2009) “Does higher quality early child care promote low-income children’s math and reading achievement in middle childhood?”, *Child Development* 80(5).
- Melhuish, E (2004) “A literature review of the impact of early years provision on young children, with emphasis given to children from disadvantaged backgrounds”, Institute for the Study of Children, Families & Social Issues, University of London.
- Productivity Commission (2014) *Child Care and Early Childhood Learning*, Productivity Commission Inquiry Report Volume 2. No. 73.
- Sammons, P (2010) “Does pre-school make a difference? Identifying the impact of pre-school on children’s cognitive and social behavioural development at different ages”,

in Sylva, K, Melhuish, E, Sammons, P, Siraj-Blatchford, I and Taggart, B (eds) *Early Childhood Matters: Evidence from the Effective Pre-school and Primary Education Project*, Routledge.

SNAICC (2015) Survey data provided to Deloitte Access Economics.

Sylva, K, Melhuish, E, Sammons, P, Siraj-Blatchford, I and Taggart, B (2004) *The Effective Provision of Pre-School Education (EPPE) Project: Final Report*, Institute of Education, University of London.

Urbis (2014) *Evaluation of the National Partnership Agreement on Indigenous Early Childhood Development: Final Report*.

Watanabe, S, Phillips, D, Morrissey, T, McCartney, K and Bub, K (2011) "Double jeopardy: poorer social-emotional outcomes for children in the NICHD SECCYD experiencing home and child-care environments that confer risk", *Child Development* 82(1).

# 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<sup>7</sup> 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*)<sup>8</sup>: \_\_\_\_\_

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<sup>9</sup> (for example, the local council or local Aboriginal cooperative may be the auspicing body of your service)? If so, under which body?

\_\_\_\_\_

<sup>7</sup> Child Care Benefit/Child Care Rebate

<sup>8</sup> 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.

<sup>9</sup> 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<sup>10</sup> \_\_\_\_\_ Ave wage \_\_\_\_\_

C2. How many staff within your service work in a face-to-face role<sup>11</sup> 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<sup>12</sup>?

\_\_\_\_\_

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:<sup>13</sup> 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: \_\_\_\_\_

<sup>10</sup> 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.)

<sup>11</sup> This includes childhood teachers, educator or educator assistants

<sup>12</sup> This includes long day care, family day care, outside school hours care and occasional care.

<sup>13</sup> 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.**

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

<sup>14</sup> 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.

<sup>15</sup> Including diagnosed or undiagnosed disability (such as learning or developmental issues).

<sup>16</sup> Including if a native Indigenous language is spoken rather than English in the home

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

This report is prepared solely for the internal use of the Secretariat of National Aboriginal and Islander Child Care (SNIACC). This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose of analysing the impact of aspects of the proposed Jobs for Families Child Care Package on Indigenous communities in Australia. You should not refer to or use our name or the advice for any other purpose.

## Contact us

Deloitte Access Economics  
ACN: 149 633 116

550 Bourke Street  
Melbourne VIC 3000  
GPO Box 78  
Melbourne VIC 3001

Tel: +61 3 9671 7000  
Fax: +61 3 9671 7700  
[www.deloitte.com.au](http://www.deloitte.com.au)

[www.deloitteaccesseconomics.com.au](http://www.deloitteaccesseconomics.com.au)

**Deloitte Access Economics** is Australia's pre-eminent economics advisory practice and a member of Deloitte's global economics group. For more information, please visit our website [www.deloitteaccesseconomics.com.au](http://www.deloitteaccesseconomics.com.au)

### About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 200,000 professionals are committed to becoming the standard of excellence.

### About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at [www.deloitte.com.au](http://www.deloitte.com.au).

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2016 Deloitte Access Economics Pty Ltd