

Telephone enquiries

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Child Care Inquiry  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2600  
[childcare@pc.gov.au](mailto:childcare@pc.gov.au)

Dear Commissioners

### **Productivity Commission's Review Inquiry**

Please find attached a submission from Port Stephens Council to the Productivity Commission's Inquiry on Child Care and Early Childhood Learning Draft Report.

Council thanks you for the opportunity to comment. Please note that we have chosen to respond only to the recommendations that will have the greatest impact on our Children's Services programs. Council's silence on other recommendations should not be taken to suggest our support or otherwise for these recommendations.

Please contact Tracey Sweetman, Family Day Coordinator if you have any further queries in relation to this matter.

Yours sincerely

**Wayne Wallis**  
**GENERAL MANAGER**

5 September 2014



## Port Stephens Council

### About us

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**Vision:** A great lifestyle in a treasured environment.

**Purpose:** To deliver services valued by our community in the best possible way.

**Values:**

*Respect*

We will respect the individual, the environment and our culturally diverse community.

We will treat everyone fairly with equity of opportunity and access for all.

*Integrity*

We will be honest in all we do.

*Teamwork*

We will work within a network of people for the betterment of the community.

*Excellence*

We will strive to excel at everything we do. We will aim for the highest standard of quality to achieve best value for our community and customers.

*Safety*

We will strive for a safer community. We do not put ourselves, or others, at risk of injury, and we will report hazards and make them safe.

### Port Stephens Local Government Area

Port Stephens is the land of the Worimi nation. Port Stephens Council is a local government area (LGA) in the Hunter Region of New South Wales. The area is 168km north northeast of Sydney and 25.8km north of Newcastle.

Port Stephens is a thriving community with great diversity. Although often perceived as a wealthy tourist and retirement destination, the area has a broad range of residents from different socio-economic backgrounds. Residents and tourists alike are attracted to Port Stephens because of its natural beauty, magnificent waterways and rural character.



Port Stephens Council provides the following Children's Services as part of its Community Services Package.

- Family Day Care
- Before and After School Hours Care
- Vacation care
- Mobile Pre School

The Children's Services Team is staffed with qualified professionals, with the Family Day Care Coordination Unit and Children's Service's Administration Office located in Raymond Terrace.

### Family Day Care

Our Service was one of the first Family Day Care Services to be assessed and rated under the new National Quality Framework in July 2012 and achieved an overall rating of Exceeding National Quality Standards.

The Coordination Unit plays an extremely important role to 88 educators and 714 families registered with our Service. Coordination Unit Staff recruit, monitor and support educators and process the Child Care Benefit payments on behalf of the families, ensuring compliance with all regulatory requirements to guarantee the health, safety, education and well-being of the 807 children enrolled with our service.

Our Service has registered educators based in the following five Local Government Areas: Port Stephens, Newcastle, Dungog, Maitland and Great Lakes Gloucester.



### Before and After School Hours Care

The two Before and After School Hours Care services, operate in Raymond Terrace and Medowie. This service provides education and care to a total of 220 families and 219 children.

**Vacation Care**

Vacation Care operates during school holidays and provides education and care to a total of 251 families and 373 children.

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**Mobile Pre School**

The mobile preschool provides education and care to 42 families and 44 children three days each school term week in Anna Bay, Raymond Terrace and Medowie.



### Information Request 12.6

#### There is a strong case for ongoing operational support for Family Day Care services in all areas.

The Commission has requested information regarding the case for ongoing operational support for mainstream Early Childhood and Education Care services in rural, regional and remote areas.

The impacts of the changes to Community Support Programme funding announced in the 2014-2015 federal budget will have a real and lasting effect in our local community.

In June 2014, The Early Childhood Branch, Home Based Care and CCB Compliance Team within the Australian Government Department of Education undertook a review of Newcastle/Port Stephens Family Day Care. The Department of Education determined the ARIA+ remoteness classification by examining the addresses of all our registered educators and changing our existing classification from Inner Regional to Major City. This is partially due to our Service transitioning 30 registered educators from Newcastle Family Day Care to our Service in 2013, after Newcastle City Council made the decision to exit Family Day Care.

The impacts of this re classification are:

- A loss of operational support funding to the estimated amount of \$260,000. This operational support funding significantly contributes to our service's budget and to the regulatory requirements in order for the service to deliver continual high quality education and care services to the **807 children** who use care with our Service.
- Increased fees. Family Day Care will ultimately have to increase fees and charges to assist in recouping lost income. These fee increases will be passed on to the **714 families** currently using care, many who are already under significant financial pressure.
- Reduction in service quality. Operational support funding primarily supports the educator's to deliver high quality services. The loss of operational support funding, means a reduction in the level of monitoring, support and professional development which in turn could lead to a decline in the quality of education and care provided to the children.
- The decrease in the quality of monitoring and support to educators increases the risk to the Approved Provider (Port Stephens Council). Many Providers may determine that the provision of Family Day Care could pose an unacceptable risk for the organisation.
- The possible withdrawal of the Service's Sponsor, Port Stephens Council, which will mean the closure of the Service, leading to a drop in the availability of quality early childhood education and care places within the Port Stephens, Maitland, Great Lakes Gloucester, Dungog and Newcastle Local Government Areas.
- Services that do retain operational support funding, will have to reapply for the funding each year and the funding is to be capped at \$250,000.00.

Our understanding is that the decision to review Community Support funding to establish a new criteria was made on the basis of increased expenditure. This increased expenditure came because of rapid new entrants to the Family Day Care sector.

Port Stephens Council (Newcastle/Port Stephens Family Day Care) is dismayed and alarmed at the decision to withdraw operational funding from Family Day Care Services at the same



time the Productivity Commission was asked to find ways to ensure that child care remain affordable and accessible. The removal of this funding will negatively impact both on affordability and accessibility for families, not only those who utilise our service, but nationally.

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**Port Stephens Council (Newcastle/Port Stephens Family Day Care) requests that the Commission make a recommendation that the Australian Government reverses the decision to remove operational funding for Family Day Care in Regional, remote and city areas. We also request an explanation on the determination of a 'major city' clarification.**



### Information request 12.3

#### Activity Test

Port Stephens Council has concerns in relation to the removal of subsidies for families who do not meet the activity test criteria. In our services the use of care by families who do not meeting the activity test to date is minimal:

Before and After School Care 0 families/180 families 0%

Vacation Care 3 families/180 families <2%

Family Day Care 90 families/630 <2%

We believe **all** families would benefit from access to subsidised care on the same priority basis as we have currently.

'The Early Years Learning Framework is Australia's first national Early Years Learning Framework for early childhood educators. The aim of the document is to extend and enrich children's learning from birth to five years and through the transition to school.

The Council of Australian Governments has developed this Framework to assist educators to provide young children with opportunities to maximise their potential and develop a foundation for future success in learning. In this way, the Early Years Learning Framework (the Framework) will contribute to realising the Council of Australian Governments' vision that:

"All children have the best start in life to create a better future for themselves and for the nation."

The Framework draws on conclusive international evidence that early childhood is a vital period in children's learning and development. It has been developed with considerable input from the early childhood sector, early childhood academics and the Australian and State and Territory Governments.

The Framework forms the foundation for ensuring that children in all early childhood education and care settings experience quality teaching and learning. It has a specific emphasis on play-based learning and recognises the importance of communication and language (including early literacy and numeracy) and social and emotional development. The Framework has been designed for use by early childhood educators working in partnership with families, children's first and most influential educators.' Source: [http://docs.education.gov.au/system/files/doc/other/belonging\\_being\\_and\\_becoming\\_the\\_early\\_years\\_learning\\_framework\\_for\\_australia.pdf](http://docs.education.gov.au/system/files/doc/other/belonging_being_and_becoming_the_early_years_learning_framework_for_australia.pdf)

Access to a limited amount of subsidised care will provide respite care for parents and socialisation and developmental opportunities for children. With school aged children respite care and developmental support is not relevant for children in BASC unless there are additional support requirements. However, in Vacation Care and Family Day Care both respite and developmental needs are relevant for families. Family Day Care is the only the education and care service to offer flexible hours of care to accommodate families circumstances. Australia has a transient population and in our local government area there is a large defence establishment. Many of these families lack access to the usual family support networks. Access to care provides opportunities for linking families to their community and relevant services.

If there is a concern with families not meeting the activity test taking positions away from those families who do meet the activity test then the regulations around priority and notice to leave a service could be tightened.

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**Port Stephens Council believes the current arrangement of 24 hours of subsidised care seems fair and supports all families in the raising of their children.**



*Information request 12.5***Removal of free access of up to 50 hours of care a week to grandparents**

Port Stephens Council can see a negative impact on families if free access to 50 hours of care per week for eligible grandparents is removed.

Grandparents as guardians are using Port Stephens Council's Children's Services programs for respite for themselves and for socialisation opportunities for the children. In our experience these children are not attending Before and After School Care, most likely because the functions of respite and socialisation are being filled by the child's attendance at school.

Frequently the children are in the care of grandparents due to issues such as drugs and or violence and these children could be considered "at risk". It is our view that grandparents undertaking this care require as much assistance from the community as possible. The children frequently demonstrate behavioural problems and it can be challenging for older people to successfully manage these behaviours without help. Port Stephens Council's Children's Services can not only provide a safe and stable educational and care environment for the children, but in many circumstances can be a source of information and referral for the children's grandparents. Grandparents often lack the energy and or resilience to perform their carer duties 24/7 and being able to access free care in an invaluable support.

Port Stephens Council's Children's Services currently provide education and care for the children of 9 Grandparent carers. It should be noted that one of our services operates in a low socio-economic area with a low AEDI and low school retention rate.

**Port Stephens Council supports the retention of access to free child care for up to 50 hours for eligible grandparents.**

*Draft Recommendation 8.5***Nannies must be linked to a service provider such as a Family Day Care Service**

Port Stephens Council (Newcastle/Port Stephens Family Day Care) believes that there is a role for nannies in the education and care system. However, as the protection of children is paramount, in order to ensure protective strategies are in place for the children and nannies, Port Stephens Council makes the following suggestions:

- All nannies are linked to a provider such as a Family Day Care Service. This would enable nannies to have support in regulatory compliance, guidance in the use of the Early Years Learning Framework and any issues that may arise whilst providing education and care in the family's home. This also ensures eligible families can receive the Early Care and Learning Subsidy.
- All nannies to have a minimum Certificate III qualification and compliant with the National Quality Framework.
- The term nanny should be replaced with the term in home-educator in line with other service types of the National Quality Framework. This indicates to families and the wider community the skill set of the nanny in relation to the service provided.

**Port Stephens Council requests that the Commission make a recommendation that all nannies be linked to an existing Family Day Care service provider.**

*Draft Recommendation 12.2 and 12.4***Early Care and Learning Subsidy and Deemed Cost of Care***Early Care and Learning Subsidy (ECLS)*

The recommendation to combine Child Care Rebate, Child Care Benefit and other funding stems into a single child-based subsidy has merit. The single fee will make the funding less complicated, and easier for families to understand, and will also make the distribution of the funds less problematic for services.

There are several issues however, that the single combined subsidy raise that are not necessarily going to decrease families fees for ECEC.

*Deemed Cost of Care*

ECLS is based on a deemed cost of care of reasonable cost of delivering services.

The deemed costs provided by the Commission are seemingly based on the median price charged for ECEC services.

\$7.53 per hour in LDC

\$6.84 per hour in FDC

\$6.37 per hour for OSHC

A deemed cost of care based on a median price will provide totally different figures than if the deemed cost of care was based on average fees for different service types.

The deemed cost of care will need thorough modelling to ensure it reflects the true cost of care in different areas and situations.

The deemed cost of care does not take into account the additional fees that are charged for overnight, 24 hour and weekend care that in general attract high fees. Currently, families' receive CCR on the additional out of pocket expenses.

On initial calculations it would appear that fees for families in Family Day Care will increase if the suggested deemed cost of care for FDC is \$6.84, as our median service educator's fee is currently \$8.70.

The cost of delivering a family day care service is two tiered. There is the cost of face to face education and care provided by family day care educators and an additional cost for service that supports and monitors the care provision. With the current subsidy, this additional cost is recognised. The current base rate for CCB is \$4.10 and for families using part time care FDC receive a 133% loading on the base rate to assist families with the cost of flexible care delivery that is not based on block hours charging practices. This means that that the part time CCB rate is \$5.47





The tables below are based on an hourly rate of \$8.70 and the part time CCB rates. This table shows in simplicity the effect that the suggested deemed cost of care would have on families currently using care with our Service.

Average fees of 88 educators is \$8.70		
Scenario 1:		
Parent using 30 hours per week  Educator fee of \$13.00	Current CCB 16%  $\$13 \times 30 = \$390$ $30 \times .92 = \$27.60$  Total fee = \$417.60 CCB = \$26.25 CCR = \$195.70  Gov't fee = \$221.95  <b>PARENT FEE = \$195.65</b> (avg \$6.52 per hr)	Estimated ECLS 50%  $\$13 \times 30 = \$390$ $30 \times .92 = \$27.60$  Total fee = \$417.60  ECLS $\$6.84 \times 30\text{hrs} \times 50\%$ Gov't fee = \$102.60  <b>PARENT FEE = \$315.00</b> (avg \$10.50 per hr)
Scenario 1a		
Parent using 30 hours per week  Educator fee of \$8.70	Current CCB 16%  $\$8.70 \times 30 = \$261.00$ $30 \times .92 = \$27.60$  Total fee = \$288.60 CCB = \$26.25 CCR = \$131.20  Gov't Fee \$157.45  <b>PARENT FEE = \$131.20</b> (avg \$4.37 per hr)	Estimated ECLS 50%  $8.70 \times 30 = \$261.00$ $30 \times .92 = \$27.60$  Total fee = 288.60 ECLS $6.84 \times 30\text{hrs} \times 50$ Gov fee \$102.60  <b>PARENT FEE = \$186.00</b> (avg \$6.20 per hr)



<p>Scenario 2</p> <p>Parent using 30 hours per week</p> <p>Educator fee of \$13.00</p>	<p>Current CCB 104%</p> <p><math>\\$13 \times 30 = \\$390</math>  <math>30 \times .92 = \\$27.60</math></p> <p>Total fee = \$417.60  CCB = \$170.55  CCR = \$123.50</p> <p>Gov't fee = \$294.10</p> <p><b>PARENT FEE = \$123.50</b>  (avg \$4.11 per hr)</p>	<p>Estimated ECLS 90%</p> <p><math>\\$13 \times 30 = \\$390</math>  <math>30 \times .92 = \\$27.60</math></p> <p>Total fee = \$417.60</p> <p>ECLS  <math>\\$6.84 \times 30\text{hrs} \times 90\%</math>  Gov't fee \$184.70</p> <p><b>PARENT FEE = \$232.90</b>  (avg \$7.76 per hr)</p>
<p>Scenario 2a</p> <p>Parent using 30 hours per week</p> <p>Educator fee of \$8.70</p>	<p>Current CCB 104%</p> <p><math>\\$8.70 \times 30 = \\$261.00</math>  <math>30 \times .92 = \\$27.60</math></p> <p>Total fee = \$288.60  CCB = \$170.55  CCR = \$59.00</p> <p>Gov't fee= \$229.55</p> <p><b>PARENT FEE = \$59.00</b>  (avg 1.96 per hr)</p>	<p>Estimated ECLS 90%</p> <p><math>\\$8.70 \times 30 = \\$261.00</math>  <math>30 \times .92 = \\$27.60</math></p> <p>Total fee = \$288.60</p> <p>ECLS  <math>6.84 \times 30\text{hrs} \times 90\%</math>  Gov't fee \$184.70</p> <p><b>PARENT FEE = \$103.90</b>  (avg 3.46 per hr)</p>

The concern for our Family Day Care service is that currently we are not eligible for Operational Support Funding from July 2015, which will increase the average costs of care in Family Day Care significantly. If the deemed cost of care does not allow for this then Family Day Care will become less affordable for families. Considering that Family Day Care has a large % of children under 3 years using education and care this will put increasing pressure on all areas of the Early Childhood sector, which is already experiencing an environment where demand greatly exceeds supply.

The intent of the Commission is to increase families' access to affordable childcare. There needs to be more consideration on how the ECLS will be implemented and how the deemed cost of care will be established so as not to disadvantage any particular service type in the market.

The removal of the multiple child rate will also impact on the cost of care for families.

Port Stephens Council requests that the Commission undertake thorough modelling of the deemed cost of care to ensure it reflects the true cost of care in different areas and situations, and the loss of operational funding to Family Day Care Services.



### In concluding

The Australia Government announced the Productivity Commission Inquiry into Child Care and Early Childhood Learning to:

- determine how the child care system can be made more flexible, affordable and accessible and
- identify how the current system can be improved to make it more responsive to the needs of parents.

The Australian Government said:

- they want to ensure that Australia has a system that provides a safe, nurturing environment for children
- a child care system which meets the working needs of families and is responsive to the needs of today's families and today's economy, not the five-day 9am-5pm working week of last century
- Australian families need a system that is not only affordable, but ensures people can work flexible hours whilst knowing that their children are receiving high quality child care
- Australian families need to have more choices when it comes to the decisions they make about the care of their children. Parents need more choices as they move in and out of different types of child care due to their changing personal, economic and working circumstances.
- they want a child care system that is more capable of responding to the dynamic and individual needs of parents.

Please consider our submission and take into account that Family Day Care Services are currently in a position to offer flexible, affordable and accessible childcare to families outside the hours of 9am to 5pm. The proposed changes have the potential to severely impact on children, families, services and the community as a whole.

The Children's Service's Team inclusive of Family Day Care Educators have worked tirelessly to ensure that ALL regulatory requirements are embedded in our daily practices to ensure safe, nurturing and educational environments for children.

Our concern with the changes to the Community Support Funding is the significant increase in child care fees for families. The outcome for 714 families will be the higher child care fees, effectively making care unaffordable to families who are already under financial pressure.



**“Family Day Care is a unique part of Australia’s child care system and we must ensure that services can continue to provide the regulated home based care that is so much in demand by families. “**

Sussan Ley MP - Assistant Minister for Education (taken from correspondence to FDC services, July 2014)

This report was researched and written by:

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Port Stephens Council