



ANAO Submission: Design and Implementation of the Child Care Package

31 May 2019

Submitted by the Australian Childcare Alliance

Contents

- Executive Summary.....4**
- Introduction7**
 - Audit objective 7
 - Audit criteria 7
- Part 1 - Was the Child Care Package designed to support the achievement of the Australian Government’s policy objectives?9**
 - Background 9
 - Policy objectives..... 9
 - The new Child Care Subsidy System (CCSS) 9
 - Did the new CCS make childcare more affordable? 11
 - Reduced access for some families 11
 - A lack of recognition of the benefits of early learning for all children 12
 - Did the new CCS make Australia’s child care subsidy system less complex for families and service providers? 13
 - Families 13
 - Service Providers..... 16
 - Did the new CCS better target Australia’s child care fee assistance policies and programs to encourage greater workforce participation by parents?..... 16
- Part 2 - Have sound arrangements been established and implemented to support the transition to and management of the Child Care Package?18**
 - The colossal impact of the new CCS on the early learning sector 18
 - Technical/software issues..... 18
 - The introduction of a new IT system 18
 - Increased administrative burden (for both service providers and families) 19
 - Families: A complicated system for families to navigate..... 19
 - Service Providers: A challenging system for service providers at the practical level 21
 - A failure to achieve more flexible service options..... 22
 - Financial burden..... 23
 - Educating families: The role of service providers in assisting government with the family application process 23
 - Additional staffing costs..... 23
 - Unexplained retrospective CCS adjustments (ie. deductions)..... 23

The problem with back payments	25
Matching data across ISS / Portal / PRODA	26
Lack of warning about families reaching their cap	28
Information gap – service providers and families	29
Slow communication with the sector about CCS problems.....	30
Additional Child Care Subsidy (child wellbeing).....	31
Conclusion	34
Appendices	35

Executive Summary

With nearly a year having passed since the introduction of the new CCS, ACA believes it is crucial to review the impact to date and reflect on whether the CCS has improved early learning outcomes for children and families whilst identifying areas for improvement.

Below is a summary of the problems identified through ACA member feedback, in the lead up to the transition and post introduction of the new Child Care Subsidy.

Lack of universal access / overly burdensome and delayed application process

Problem: The activity test has added a layer of complexity that makes the application process difficult for families to understand and complete without support from their early learning service provider. It also requires families with varied working hours (shift workers, casual workers or people running their own business) to complete the activity test as often as they can, ideally on a fortnightly basis. This is a time-consuming administrative burden on families.

The activity test targets subsidies **only to those families that meet the activity test**, therefore denying some families the right to a **base level of subsidised access** to early learning regardless of their circumstances.

Recommendation: A revision of the Child Care Subsidy parameters so that **all families** qualify for 18 hours per week of subsidised access to approved provider early learning services, equivalent to meeting step 1 of the activity test.

Problem: After families complete the activity test they are required to wait approximately **two weeks (sometimes up to six weeks)** for a notification in MyGov of their eligible subsidy level, before the process can continue to allow their CCCS to commence

Recommendation: A more timely process for assessing CCS applications and providing families with their eligible subsidy hourly rate and weekly hours.

Problem: The enrolment process has created unnecessary red tape which is an administrative burden on families and service providers.

Recommendation: A revision of the enrolment process to reduce the number of steps involved before the CCS is payable.

Complicated model for families and service providers to navigate through

Problem: The allocation of subsidised hours is calculated fortnightly rather than weekly. This change has only added to the confusion for those families who access sessions which exceed the number of subsidised hours for which they qualify. This is even harder for families with shared custody of the children. The result is a different gap fee for families from one week to another.

Recommendation: A revision of the Child Care Subsidy parameters so that the allocation of subsidised hours is calculated weekly, rather than fortnightly.

Problem: The need for service providers to report on session start and end times reduces the capacity for services to be flexible in terms of delivery hours.

Recommendation: A revision to the CCS reporting requirements whereby service providers must report on the **number of hours** of the session) rather than a fixed session start and end time.

Financial burden

Problem: Previously paid CCS can be reversed, with amounts deducted from the service provider, without any explanation or prior notice. This poses a substantial financial risk for families, who find themselves in sudden debt, as well as to service providers if the gap fees cannot be recuperated from the families.

Recommendations:

- The provision of very clear and specific guidance for service providers and families, outlining the circumstances under which DHS has the legal capacity to adjust CCS **already paid** to a service on behalf of a family, and the window of time in which these adjustments can occur.
- The provision of a mechanism that provides service providers and families with some sort of notice before previously paid CCS is withdrawn.

Problem: Back payments of CCS are processed to families rather than to service providers, which means that service providers are not able to recuperate their financial loss unless the family agrees to pay subsequent. the gap fees. In many cases, the families are not forthcoming to pay back the resulting debt, either because they simply cannot afford to, or they have since left the centre and don't take the debt seriously. Early learning services are therefore constantly at risk of **unpredictable substantial financial loss**, which is completely outside of their control.

Recommendation: A revision to the CCS payment model so that back payments are processed to the early learning service provider, rather than to the families.

Technical issues

Problem: Technical issues with ISS / Portal / PRODA make it difficult for early learning service provider staff to access relevant data and administer CCS payments. In addition, funding models such as Inclusion Subsidy Support (ISS) which funds services to provide extra educators for children with additional needs are now even more complex and the interface with other systems is fraught with data mismatch.

Recommendations:

- Evaluation and modification of the existing interface systems, to address these fundamental data matching issues with ISS / Portal / PRODA.
- The provision of reliable direct support resources such as a case manager or a representative from each relevant government department to allow service providers to address any issues they are experiencing in a reasonable time frame.

Problem: Aside from the family's initial CCS notification in MyGov, there is no mechanism for the service provider to know which of their families have a CCS cap, or to predict which of their families are nearing the cap.

Recommendation: The provision of a communications mechanism that provides better awareness in advance for families and service providers in terms of how much of their entitled subsidy families have used.

Educational resources

Problem: A lack of simple, easy to follow guidance for **families**, exacerbated by incorrect information provided by Centrelink staff, left families ill-informed and reliant on their early learning service provider to guide them through the application process and determine how many hours of subsidised care they were eligible for.

Recommendations:

- A revision of the application process to make it simpler for **families and service providers**.
- The provision of simple, easy-to-understand guidance materials for **families**.
- The provision of well-resourced support mechanisms including online, telephone and face to face support via additional educational resources and additional training for Centrelink staff.

Problem: A lack of simple, easy to follow guidance for **service providers** in terms of administering the CCS and the various processes required of them.

Recommendations:

- A revision of the application process to make it simpler for families and service providers.
- The provision of simple, easy-to-understand guidance materials for service providers including online, telephone and face to face support - either a dedicated line to DHS for service providers or equipping the CCS Helpdesk with all of the info it needs to successfully respond to the queries to service providers.

Additional Child Care Subsidy (child wellbeing)

Problem: The application process for an ACCS (child wellbeing) determination can take longer than the legislation-mandated 28 days and means that the most vulnerable and disadvantaged children are without subsidised care while waiting for a convoluted administrative process to be completed.

Recommendation: A more timely assessment process in DHS to ensure that applications for determinations are processed in a timely manner, thus allowing immediate subsidised access to early learning services for those families in need.

Problem: Back payments of the CCS component of the family's ACCS-funded service fees are paid directly to the family, leaving the early learning service provider out of pocket.

Recommendation: A revision to the CCS payment model so that back payments are processed to the early learning service provider, rather than to the families.

Introduction

When the “Jobs for Families” package¹ was first announced in 2015 there was a pervading sense of relief that after many years of inaction by successive Federal Governments in addressing affordability in childcare, the wait for families was finally over. While the National Quality Framework required early learning services to strive for high quality outcomes for children, it brought with it an indisputable cost impact for families. The promise of relief on the horizon finally provided some comfort for families, albeit with little knowledge or understanding of the proposed changes.

Those of us in early learning sector saw the government focus on early childhood education and care and the additional investment as a step in the right direction, but raised concerns about the **impact of a new regime on vulnerable families** and in particular the **impact of the activity test**.

The new Child Care Subsidy (CCS) took effect on 2 July 2018, with the changes surrounding this new package affecting more than **17,000 service providers across Australia** and **over 1.2 million families** using early learning services.

The new complexity of the activity test affected an enormous section of the Australian population, while imposing an enormous administrative burden on an already highly regulated sector.

With nearly a year having passed since the introduction of the new CCS, ACA believes it is crucial to review the impact to date and reflect on whether the CCS has improved early learning outcomes for children and families whilst identifying areas for improvement.

ACA has run a number of member surveys pre and post CCS implementation in order to assess how the early learning sector was coping with the new system, identify any problem areas and feed this information back to the relevant government departments. We have included this data as Appendices to compliment this audit submission, along with member complaint data from our state bodies.

We welcome this ANAO Performance Audit along with the opportunity to submit our contribution on behalf of ACA members and the broader early learning sector, with a focus on Australia’s children having **equitable access** to early learning as well as supporting the sustainability of the sector.

Audit objective

The objective of the audit is to assess the effectiveness of the Department of Education and Training’s design and implementation of the Child Care Package.

Audit criteria

The ANAO proposes to examine:

- Was the Child Care Package designed to support the achievement of the Australian Government’s policy objectives?

¹ Regulation Impact Statement – Jobs for Families Child Care Package November 2015 - <https://ris.pmc.gov.au/sites/default/files/posts/2016/02/Jobs-for-Families-Child-Care-Package-RIS-1.pdf>

- Have sound arrangements been established and implemented to support the transition to and management of the Child Care Package?

Part 1 - Was the Child Care Package designed to support the achievement of the Australian Government's policy objectives?

Background

Policy objectives

In 2013, the Government tasked the Productivity Commission to undertake an inquiry into the child care and early childhood learning system and provide recommendations on how to make the system more affordable, flexible and accessible. This inquiry commenced in November 2013 and the final report, the Productivity Commission Inquiry into Childcare and Early Childhood Learning (2014), was publicly released on 20 February 2015.

The report recommended changes to the system to:

- make it more affordable;
- make it simpler and more streamlined (ie. less complex in terms of administration); and
- better target child care fee assistance policies and programs to encourage greater workforce participation by parents.

In response to this report, the Australian Government announced the Jobs for Families Child Care Package on 10 May 2015. The Government announced it would spend almost \$40 billion on child care support over the next four years, including changing Australia's child care system to better support families with access to quality, flexible, and affordable child care targeted at "those who need it most".

The changes included an increase of \$3.5 billion to support implementation of the Jobs for Families Child Care Package, which was designed to assist families with their child care costs, plus \$843 million over two years to ensure all Australian children would have access to a preschool programme in the year before school.²

The new Child Care Subsidy System (CCSS)

As the implementation date for the new system drew closer, the government renamed it the new Child Care Package, with the framework known as the Child Care Subsidy System (CCSS) and the new subsidy itself referred to as the Child Care Subsidy (CCS).

The government also announced that the number of hours of subsidised child care that families would be able to access each fortnight would be determined by a three-step **activity test**, aimed to target the support those families who worked the most and earned the least.

A broad range of activities meet the activity test requirements, including:

- paid work, including being self-employed or on leave (including paid or unpaid parental leave)

² Regulation Impact Statement – Jobs for Families Child Care Package November 2015 - <https://ris.pmc.gov.au/sites/default/files/posts/2016/02/Jobs-for-Families-Child-Care-Package-RIS-1.pdf>

- doing unpaid work in the family business
- training courses for the purpose of improving the individual's work skills or employment prospects
- an approved course of education or study
- volunteering
- unpaid work experience or internships
- actively setting up a business
- actively looking for work.

Low income families with a combined annual income of \$66,958 or less who do not meet and are not exempt from the activity test would be entitled to 24 hours of subsidised care per fortnight under the Child Care Safety Net.

There would however be certain **exemptions** to the activity test. These included:

- an exemption for individuals who legitimately cannot meet the activity test requirements, such as parents with disability and carers.
- an exemption for families with a preschool aged child who attends preschool at a centre-based day care service in the year two years before grade one of school – the family would be entitled to 36 hours of subsidised care per fortnight.

Further details about the new Child Care Subsidy (CCS) can be found at the Department of Education and Training website - <https://www.education.gov.au/child-care-subsidy-1>

Did the new CCS make childcare more affordable?

For those families who passed the activity test, the new CCS improved affordability for many.

Examples include single parents \$80 per week better off on three days a week of attendance or families with income under \$66,958 and meeting the activity test in the vicinity of \$30 per day better off.

The 36 subsidised hours in a kindergarten/preschool program in the year before school (an exemption to the activity test) has also been a positive outcome, despite the fact that this entitlement **has not been made clear to all families** and is not stated in the Assessment Letter. This has also been blighted by glitches with the IT system in the first few weeks of CCS, along with many families misinformed by Centrelink that no such exemption existed.

This improvement in affordability is also reflected in the data from the Department of Education and Training's Child Care In Australia Quarterly Report³. The September quarter 2018 data shows that there were 1,316,350 children attending approved child care, including more than 50,000 Indigenous children – an increase of 3.7 per cent compared to the June quarter 2018. Close to a million families (931,030) had at least one child in approved child care, up 5.5 per cent from the June quarter 2018.

Australian families' use of child care also increased, with average weekly hours across all services (excluding In-Home Care) increasing to 25.7 hours, up by 8.8 per cent compared to the June quarter 2018.

In relation to fees, average hourly fees (excluding In-home care) were \$9.50 in the September quarter 2018, a 2.9 per cent increase since the June quarter 2018. However, since the implementation of the Child Care Subsidy, there has been **an improvement in average affordability of more than 10 per cent across the country**, as measured by the Australian Bureau of Statistics Consumer Price Index⁴.

These benefits cannot be ignored in the overall evaluation of the CCS. It is for these families that the importance of changing the subsidy system becomes apparent, with a substantial number of families extremely happy with the change in their personal circumstances.

However, this improved affordability for some **came at a cost for many other families**, who now have reduced access to early learning services, or no funding assistance at all.

Reduced access for some families

In terms of early learning outcomes, the direct result of the activity test is that some children **no longer have access to a base level of subsidised access to an early learning environment who would have under the previous system.**

It is important to clarify that the previous system **did not provide a base level of access** to all children. The base level of subsidised access was set at 24 hours a week for children from a family with one stay-at-home parent. Additionally, they only qualified for Child Care Benefit (CCB) and not the Child Care Rebate (CCR). With CCB being income tested, families with an income above \$150,000 and one stay at

³ <https://www.education.gov.au/early-childhood-and-child-care-reports>

⁴ <https://www.education.gov.au/child-care-australia>

home parent did not qualify for any subsidy at all. However this meant that **most** children had access to **two days per week of subsidised early learning**.

With CCS reducing the income threshold for which subsidy cuts out in the case of a stay at home parent to \$66,958 and reducing access from 24 hours **a week** to 24 hours **a fortnight**, a **significant cohort of children are worse off** in accessing quality early learning environments.

This group of families are worse off due to their circumstances and their income, not qualifying them for the same subsidy levels as those under the previous system.

Whilst at the macro level this cohort of families is not the majority, for some centres, this was a substantial proportion of their families.

However even **families that qualify for the CCS** have **reduced their hours or removed their child** from early learning services due to the **technical problems** they have experiences in getting the subsidy payments started or continued.

Some families have been unable to confirm their enrolment due to technical problems with Centrelink/MyGov. Others may not understand the process of applying for the CCS, and do not receive adequate guidance from Centrelink.

This education gap can have **catastrophic results** for the family and their centre, resulting in families reducing their days or removing their children from the centre.

ACA received a remarkable volume of feedback from members complaining about the technical issues they experienced with the new CCS, which led to reduced hours or families leaving their centres. These issues are explored in more detail in **Part 2** of this submission.

A lack of recognition of the benefits of early learning for all children

The policy decision to link a child's access to early learning exclusively to parent activity is a clear indication that there is no adequate **recognition or value placed on the importance of high quality early learning in giving our children the best start in life**. This is extremely disappointing and ignores an enormous, growing set of Australian and international evidence about the positive lifelong effects of early learning.

ACA has produced a summary of academic research that provides evidence of the enormous benefits of early learning in the two years before school, available at www.beststartinlife.org.au/resources/ .

Did the new CCS make Australia's child care subsidy system less complex for families and service providers?

Whilst the new Child Care Subsidy aimed to streamline the Child Care Benefit and the Child Care Rebate into one subsidy and reduce the complexity for families and services alike, ACA's members and their families would be united in arguing that the new system is **even more complex** than the previous one.

At a superficial level the CCS, as a single subsidy, seemingly gave some clarity to families regarding the calculation of fees. However in reality, the introduction of the activity test, coupled with Complying Written Arrangements and enrolment approvals, has added a significant layer of complexity for both service providers and families alike.

Additionally in terms of data management and back end processes, the new system has introduced an incredibly complex process that is further complicated by the fact that it is administered by two different government departments (the Department of Education and Training and the Department of Human Services).

The level of complexity of the new CCS is probably best illustrated by the wealth of feedback to ACA from early learning service providers on behalf of their families, reporting that Centrelink staff have provided inaccurate advice about processes and subsidy entitlements, indicating that Centrelink staff themselves do not understand the intricacies of this complex new system with its convoluted processes.

Families

Under the new system a child's access to subsidised early learning is **directly linked to their family's activity**. At the administrative level, this means that families are required to provide Centrelink with intricate details about the number of hours both parents work, study, look for work, take on volunteer work, or care for elderly relatives (among other activities).

When circumstances change (for example families running their own businesses or working in casual positions will not work the same number of hours per fortnight), families are required to estimate these details for the year ahead and update their details as often as they can to accurately reflect these changes.

The introduction of an **activity test** created a bottleneck to receiving the benefit which is onerous and time consuming. Many families struggled to complete the activity test, or reported less eligible hours of activity than their reality, as they did not realise the breadth of activities that were recognised by the test, including the time taken to travel between the child care service and the parents/carers place of work, training or study.

This issue is even more prominent for families from Non-English Speaking Backgrounds (NESB), with some of our members reporting that they ran special instruction sessions for their NESB families, and took them through the application process in MyGov on the centre's computers step by step.

This problem was even more exacerbated by some families being misinformed by Centrelink staff about how to complete the test, what activities were recognised by the test and whether their child had access to the 36 subsidised hours in a kindergarten/preschool program in the year before school (an exemption to the activity test).

The application process is also delayed by the next step – after families complete the activity test they are required to wait approximately **two weeks (sometimes up to six weeks)** for a notification in MyGov of their eligible subsidy level. This notification has to be actively sought by revisiting their MyGov account to access a "Child Care Subsidy Summary", with their Subsidy rate (%) and Eligible hours per fortnight.

The family is then required to enter into a Complying Written Arrangement with this service (likely to be captured in an enrolment form, although this may vary from service to service).

The service provider then advises Centrelink of the details of that agreed care arrangement, which will trigger a request back to the family from Centrelink (through MyGov) asking them to verify the information provided by the service.

Unless the family completes this call to action, **no subsidy will be paid** and the service is likely to charge the full fee, as they would be unaware of the level of subsidy the family qualifies for.

This process of entering a Complying Written Arrangement needs to be repeated every time the family permanently changes their care arrangements (eg. The number of days they need or the days of the week they need).

Application process for the Child Care Subsidy

Process

1/ FAMILY CREATES ACCOUNT IN MYGOV

This requires the Medicare/Centrelink Customer Reference Number

2/ FAMILY COMPLETES ACTIVITY TEST

This is a complex process and often requires the assistance of the family's early learning service provider.

3/ FAMILY WAITS FOR NOTIFICATION OF SUBSIDY LEVEL

Family will receive notification in MyGov with subsidy rate (%) and eligible hours per fortnight. This can take **2 - 6 weeks**.

4/ FAMILY ENTERS WRITTEN AGREEMENT

Family signs a written agreement with their early learning service provider. (This is likely to be captured in enrolment form but may vary from service to service.)

5/ SERVICE PROVIDER

Advises Centrelink of details of agreed care agreement.

6/ CENTRELINK ASKS FAMILY TO VERIFY

Family is sent request to verify the agreed care agreement in MyGov.

7/ FAMILY VERIFIES AGREEMENT

Family verifies the agreed care agreement in MyGov.

8/ SUBSIDY COMMENCES

Try to take notes during the event. Try to focus on what is going right and what is going wrong. When we take notes after an event we forget some key details.

9/ ANY CHANGES TO DAYS OR HOURS

Steps 4-5 must be repeated every time the family permanently changes their care arrangements. (ie. the number of days they need, the days of the week or the number of hours).

The complexity of this process has left many families bewildered, with service providers having to dedicate substantial resources to walking their families through these steps.

The process has proven to have further complications, given the allocation of hours **across a fortnight** as compared to the previous systems use of **weekly** allocation of hours.

The new system has also brought with it numerous technical issues, which may affected families by slowing down the application process for the CCS, slowing down the application for their preschool/kindergarten exemption, providing them with back payments way too late (so they left the centre), or deducting previously received subsidy amounts, substantially affecting their out of pocket fees. These technical issues are explored in more detail in Part 2 of this submission.

Service Providers

From the service provider perspective, the new system required a substantial investment in resources, both during the transition phase, as well as ongoing. Staff required training on the new system to ensure that they could adequately educate families and competently manage the additional administration processes.

ACA received a plethora of feedback from members complaining about the technical issues they experienced with the new CCS, resulting in reduced hours or families leaving their centres. These issues are explored in more detail in **Part 2** of this submission.

Did the new CCS better target Australia's child care fee assistance policies and programs to encourage greater workforce participation by parents?

First and foremost, it should be stated that ACA holds the view that **all Australian children** have the right to the **best start in life**, and should have access to at least 18 hours per week of subsidised access to early learning services, equivalent to meeting step 1 of the activity test.

The government's attempt to target the CCS to **only certain demographic segments** has imposed an unnecessarily complex application process on Australian families, along with service providers, which have the onerous task of assisting their families through the process, often by walking them through the MyGov steps online.

As the changes surrounding this new package affected more than **17,000 service providers** across Australia and over **1.2 million families** using early learning services, the complexity of the activity test affected an enormous section of the Australian population, imposing an enormous administrative burden on an already highly regulated sector.

Whilst the activity test was designed to prioritise families who either work, study, do volunteer work including looking after sick relatives, are looking for work or are setting up a business, the process of completing the activity test is **so complex**, with such convoluted guidance, that many families have not completed it correctly, therefore missing out on the correct level of subsidy.

Part 2 of this submission focusses on the many problems resulting from implementation of the new CCS, setting them out in detail.

ACA will reserve comment on whether the new system has increased workforce participation, as we feel this evaluation is a role for government and beyond the early learning sector's level of expertise.

ACA's recommendations to address the problems identified with the new CCS are set out in **Part 2** of this document.

Part 2 - Have sound arrangements been established and implemented to support the transition to and management of the Child Care Package?

The colossal impact of the new CCS on the early learning sector

Over the last year and a half, the early learning sector's efforts to understand the impact of the changes arising from the CCS both operationally and on families have been **all consuming**. Such a significant change was never going to be a simple process, but the limited information made available prior to the implementation, along with the many unpredicted problems along the way, has contributed to increased difficulty for service providers in transitioning to the new system.

The advent of a single subsidy was seen as a positive step to simplifying the complex and convoluted two subsidy system that had previously existed - there was no doubt that the Child Care Benefit (CCB) and Child Care Rebate (CCR) subsidy system with its plethora of additional subsidies and allowances needed to be improved. Whilst the sector and families had become accustomed to its intricacies, the lack of clarity in the calculation of the rebates meant that very few families truly understood how their 'out of pocket' fees were worked out. But more importantly, the former system **failed to ensure affordability for families**.

Quite rightly, the introduction of the new system has raised many questions among the sector about the impacts on families, their entitled level of subsidy and the overall ease in which they can access subsidised early learning services.

For service providers the new system has introduced a substantial layer of complexity with increased administration, the need for greater communication with families, and many unexpected problems along the way, resulting in stressful relationships with families, increased stress levels among service provider staff and unpredictable financial implications for the service provider.

As previously stated, the back end processes are further complicated by the fact that they are administered by two different government departments (the Department of Education and Training and the Department of Human Services).

The adjustment to the new system has been an enormous challenge for the early learning sector, which has only been exacerbated by a lack of adequate guidance and support mechanisms along the way.

Technical/software issues

The introduction of a new IT system

One cannot underestimate the mammoth task of building completely new IT infrastructure in the available timeframe to support the new subsidy system. For all of the faults and glitches that have been discovered during implementation, overall the new IT system has worked as planned.

However there have certainly been problems along the way.

Most early learning services are connected to the new IT system via licensed third-party software providers, which have had to develop new software to meet the demands of the new system.

The timelines of the transition to the new process placed great pressure on these software providers to build new systems with existing resources, with some coping better than others. For those early learning services using third party software providers, this requirement added an extra layer of complexity to the transition process, additional costs and in some circumstances significant technical complications in the first weeks of the transition.

Problems have included:

- Software providers not ready by the transition date, ongoing technical issues with the CCS IT system
- Problems with the CCS System (CCSS)
- Problems with PRODA
- Problems with the Additional Child Care Subsidy (ACCS)
- Back payments to families

Whilst it is important to note that there was no systemic issue affecting the CCSS IT system, this did not mitigate the more complex task of trying to identify the myriad of **individual problems** that beset the early learning sector during the first weeks of the new system.

The sector was expected to play a major part in sorting out problems caused by the transition to the new system for families. This was compounded by a totally inadequate support service by Centrelink in the lead up to the transition and immediately after the transition.

This situation resulted in great frustration but most importantly meant that in some cases individual subsidies did not flow to families immediately or accurately. As a result, the relevant families were provided with back payments, which were paid directly to the families rather than to the early learning service providers, with no clear advice as to when this would occur.

Service providers were then left having to chase fees from parents who were not expecting to make additional payments in this way, creating significant administrative burden and frustration for families and service providers alike.

The problems listed above are explored in greater detail in the following pages of this submission.

Increased administrative burden (for both service providers and families)

Families: A complicated system for families to navigate

The removal of base level access for all children meant the creation of a broad range of defined activities beyond work and study as well as many exemptions to the activity test within the legislation.

The broad range of defined activities include, amongst others:

- Voluntary Work
- Unpaid work in a family business
- Looking for work

The new system also includes some exemptions to the activity test, which include:

- Children attending a pre-school program in the year before formal schooling (these children have access to 36 subsidised hours of early learning per fortnight)
- Individuals on Newstart, Youth Allowance, Parenting Payments or special benefits

The impact of having to broadly define activity and create a list of exemptions to access subsidised care is the **first complication** of the single subsidy. It also creates significant red tape for families in navigating their way through the system to work out if they meet any of these criteria.

Considering the need to offer such exemptions, the more obvious solution be to simply **grant all children access to the first step of the activity test**. The income test could still apply to ensure that the most vulnerable families attract the highest level of subsidy and to allow a cut off point for those families at the highest income levels.

Whilst the income cut off point is a point of conjecture, this one simple change would mean less bureaucratic red tape for families, providers and the Department of Education and Training (DET), allowing them to fulfil all of the above mentioned life activities with no burden of proof, at the same time providing **all children with the right to a base level of access to early learning** regardless of their parents activity.

As stated in **Part 1** of this submission, after families complete the activity test they are required to wait approximately **two weeks (sometimes up to six weeks)** for a notification in MyGov of their eligible subsidy level, before the process can continue to allow their CCCS to commence. This means once enrolled with an early learning centre, the family is required to pay the full fee until their CCS process has been finalised. Alternatively the service may choose to charge less during the waiting period, but given the back payments are eventually processed to the families rather than the early learning services, the service providers have no incentive to do this.

Another element of complication for families in understanding the new subsidy system is the allocation of hours **across a fortnight** as compared to the previous systems use of **weekly** allocation of hours.

ACA is still finding it difficult to comprehend the rationale for a fortnightly use of hours and we don't believe the argument that the fortnightly hour allocation allows for greater flexibility for families stands up to scrutiny in practice. This change has only added to the confusion for those families who access sessions which exceed the number of subsidised hours for which they qualify. This is even harder for families with shared custody of the children.

It particularly impacts families whose children attend 5 days per week for up to 12 hours per day, who are subsidised for 60 hours of subsidy in one week and 40 hours of subsidy the second. The result is a different gap fee for families from one week to another. It seems incredible that these unnecessary complications were built into the CCS.

Beyond the implications on access and the practical outcomes, there are a range of administrative requirements that impact both service providers and families.

From a families' perspective the **enrolment process** is overly convoluted. The new requirement to enter into a Complying Written Arrangement (CWA) with their service provider brings an added layer of administration.

Families are required to enter a written agreement regarding the days of the week and the number of hours they need. The early learning service is then required to submit the information contained within the CWA as of an 'enrolment notice' to DHS/Centrelink. This then triggers the need for parents to log into their MyGov account to verify that the information lodged by the early learning service is correct, before the CCS is payable. That is, parents must now confirm the specifics of this contractual arrangement **twice** in order for subsidies to flow - once through a CWA with the service provider and then again, through MyGov, with Centrelink.

This process must be repeated with an amended contract whenever there are permanent changes to a child's booking pattern. In practice this means that parents must now request any changes to their service hours in writing and engage with Centrelink again, rather than having a simple conversation in person.

The above-mentioned CWA, and in particular, the requirement for this to be recorded in writing every time a family permanently changes their bookings seems unnecessarily excessive.

Whilst ACA recognises the government's efforts to stamp out the previous rorting within the family day care sector, this issue has already been addressed and there is no practical need for this level of administrative burden. If parents feel they are being incorrectly charged by a service on presentation of invoices and statements, they are very quick to point this out with their service provider.

Likewise, the need for the enrolment notice to be updated as a result of any such change creates additional unnecessary administration.

The rationale of greater transparency for families in fees could have been achieved by simply mandating more frequent statements and specifying the type of information that would create such transparency.

This increased expectation on families is unnecessary red tape, which only adds to what is already a challenging time for families with a parent returning to work and settling their child into an early learning service for the first time. The first experience a family has with Early Childhood Education is often stressful for parents and children, and this additional confusion only adds to the chaos.

ACA believes the new CCS package could be easily amended to support all Australian children, allowing all families access to high quality, affordable early learning services, whilst streamlining the application process to subsidised access.

[Service Providers: A challenging system for service providers at the practical level](#)

The people in the middle of the transition to the CCS are service providers and their management staff, as they navigate through an incredibly complex piece of legislation to understand the specific operational changes required to ensure compliance, whilst at the same time educating and supporting their families in their own transition.

The new CCS required a substantial investment in resources, both during the transition phase, as well as ongoing. Staff required training on the new system to ensure that they could adequately educate families and competently manage the additional administration processes, which are outlined under the previous **Families** heading of this section.

ACA received a plethora of feedback from members complaining about the technical issues they experienced with the new CCS, resulting in reduced hours or families leaving their centres. These issues are explored in more detail in **Part 2** of this submission.

As previously stated, the application and enrolment processes are convoluted, slow moving and time consuming for all concerned - it can take two to six weeks for families to receive their CCS notification in MyGov after applying, during which they are required to pay full fees.

Problem: The activity test has added a layer of complexity that makes the application process difficult for families to understand and complete without support from their early learning service provider. It also requires families with varied working hours (shift workers, casual workers or people running their own business) to complete the activity test as often as they can, ideally on a fortnightly basis. This is a time-consuming administrative burden on families.

The activity test targets subsidies only to those families that meet the activity test, therefore denying some families the right to a base level of access to early learning regardless of their circumstances.

Recommendation: A revision of the Child Care Subsidy parameters so that all families qualify for 18 hours per week of subsidised access to approved provider early learning services, equivalent to meeting step 1 of the activity test.

Problem: After families complete the activity test they are required to wait approximately **two weeks (sometimes up to six weeks)** for a notification in MyGov of their eligible subsidy level, before the process can continue to allow their CCCS to commence

Recommendation: A more timely process for assessing CCS applications and providing families with their eligible subsidy hourly rate and weekly hours.

Problem: The allocation of subsidised hours is calculated fortnightly rather than weekly. This change has only added to the confusion for those families who access sessions which exceed the number of subsidised hours for which they qualify. This is even harder for families with shared custody of the children. The result is a different gap fee for families from one week to another.

Recommendation: A revision of the Child Care Subsidy parameters so that the allocation of subsidised hours is calculated weekly, rather than fortnightly.

Problem: The enrolment process has created unnecessary red tape which is an administrative burden on families and service providers.

Recommendation: A revision of the enrolment process to reduce the number of steps involved before the CCS is payable.

A failure to achieve more flexible service options

One of the Federal Government's aims of the CCS was to allow early learning service providers to offer more flexible service offerings to help support the varying needs of families, with the new model operating around an **hourly fee** rather than the traditional **daily fee**.

The new model has resulted in some service providers offering sessions of varying length to offer flexibility for families and to ensure that families are able to maximise the number of eligible subsidised hours under the activity test.

However this requirement also links to one specific component of the CWA whereby the service **must specify the start and end time of a family's session of care**, particularly if that session is shorter than the service's operating hours. This requirement effectively **reduces** the capacity for services to be flexible and would be better served by reporting on session duration (ie. the **number of hours** of the session) rather than a fixed session start and end time.

Problem: The need for service providers to report on session start and end times reduces the capacity for services to be flexible in terms of delivery hours.

Recommendation: A revision to the CCS reporting requirements whereby service providers must report on the **number of hours** of the session) rather than a fixed session start and end time.

Financial burden

The new CCS has created a range of issues affecting payments to parents and early learning services. ACA has received a wide range of enquiries from members dealing with specific cases and problems.

In addition to the transition costs, which included training of staff and for many centres the purchasing of new equipment to allow for the accurate recording of daily attendance, the introduction of the CCS has brought with it additional unexpected financial burden for early learning centres.

Educating families: The role of service providers in assisting government with the family application process

One important aspect of the transition process is that service providers were effectively forced to be a key component in supporting the government in getting families to complete their requirements and register for the new system. This task has occupied countless hours in service management. The family aspect, along with the requirement for services to learn the details of the subsidy, install new equipment and software and participate in training for new software packages, has **increased operational costs significantly**.

Additional staffing costs

Many early learning centres have had to roster additional staff hours or recruit new staff members to their team, to address the additional administrative burden of processing the CCS and reconciling the weekly subsidy payments with the out of pocket charges to families. The amount of additional administration has been excessive, with some members reporting an additional 20 hours of administration per week.

Unexplained retrospective CCS adjustments (ie. deductions)

ACA has received many contacts about the family's CCS payments having been adjusted (ie. previously paid CCS funds to the early learning centre are deemed to be an overpayment and therefore deducted) way back to July 2018, without any warning or explanation. This leaves the centre director in the

position of having to chase a debt with the relevant families, and the families having to call Centrelink to find out the reason for the unexplained change in their subsidy amount.

This is one of several problematic scenarios brought to our attention. In some circumstances these reported issues can be explained, but in many cases they seem to be anomalies which took service providers by surprise, resulting in increased work for those administering the system, in trying to ascertain why these problems were occurring, and an unpredicted financial loss for the centre.

To date there has been **no clear advice to providers** as to what limitations exist for DHS to withdraw already paid CCS from the service provider.

ACA recommends that very clear and specific guidance is made available to the sector to understand under what circumstances DHS has the capacity within the legislation to adjust CCS **already paid** to a service on behalf of a family, and the window of time in which these adjustments can occur.

This would allow the sector to know that if something happens outside of the scope of what is allowed to happen, then this is a problem that needs addresses. One of the most significant frustrations for providers is when an unexplained adjustment occurs and the significant amount of time required to attempt to problem solve these occurrences, often without resolution.

These CCS adjustments present an **enormous financial risk for families**, who are presented with an unexplained enormous debt, that they simply don't have the financial means to pay.

Many centres report that families don't understand that this debt is a result of a decision by Dhs– not their early learning centre. These CCS adjustments has created tension and stress for all concerned, with some families changing centres due to the misunderstanding.

In practice we find ourselves in our position whereby there are unexplained retrospective adjustments to already calculated CCS payments made to service on behalf of families that can date back to as far as July 2018. This would, to our understanding, fall out of line with what is built into the legislation. There has never been any official acknowledgement to the sector of these occurrences. Whilst it is understood that further investigation to each of these issues is important to understand the reasons, the lack of clarity for services and families exacerbates the stress caused.

Furthermore, these issues can often occur well after a family has completed their enrolment at a service meaning that a service provider is forced to chase monies from families no longer attending. This becomes an almost impossible task and is highly disappointing when the legislation is not intended to allow such adjustments being made. In practice service providers are having to use debt collectors to recover this money and in some cases to families to court. Is it appropriate that 'glitches' by DHS should drive and cause these problems?

Problem: Previously paid CCS can be reversed, with amounts deducted from the service provider, without any explanation or prior notice. This poses a substantial financial risk for families, who find themselves in sudden debt, as well as to service providers if the gap fees cannot be recouperated from the families.

Recommendation: The provision of very clear and specific guidance for service providers and families, outlining the circumstances under which DHS has the legal capacity to adjust CCS **already paid** to a service on behalf of a family, and the window of time in which these adjustments can occur.

The provision of a mechanism that provides service providers and families with some sort of notice before previously paid CCS is withdrawn.

The problem with back payments

ACA has also received many contacts from members about the scenario of CCS back payments.

As previously discussed, when a family applies for the CCS on MyGov, they usually have to wait 2-6 weeks for their CCS notification of subsidy level and percentage of hourly rate. During this time, if they choose for their child to attend their early learning service, they will be charged the full rate by the centre (although many centres charge a lower rate, in good faith that these costs will be balanced out by the family once the CCS funding starts flowing).

Once the CCS funding commences, any CCS back payments are processed directly to the family, rather than to their early learning centre.

Similar to the CCS adjustments example in the section above, this process leaves the centre director in the position of having to chase a debt with the relevant families.

ACA's discussions with the Department of Education and Training (DET) about this issue have revealed that this is the way the system was designed to work - any back payments in the CCS system will be processed to the family's bank account, rather than their early learning centre's account. DET have advised that the only solution for services is to charge full fee until CCS approvals are in place but this can provide a significant financial burden on families who may be returning to work after a break particularly if they are at the higher end of the subsidy range.

As an ongoing process, this causes a **serious financial problem for early learning services**, putting the onus on them to chase these amounts from their relevant families. In many cases, the families are not forthcoming to pay back the resulting debt, either because they simply cannot afford to, or they have since left the centre and don't take the debt seriously.

Early learning services are therefore constantly at risk of **unpredictable substantial financial loss**, which is completely outside of their control. This is an enormous financial risk, which could seriously affect those early learning centres that are already running on a tight budget and just breaking even.

There are other more specific examples of how the back payment issue has impacted services. On design flaw that has now been rectified allowed families to dispute their enrolment at a service at any time. Often an aggrieved family would do this when their care ceased at a service. The system then recalled all debt from the service provider, in most cases thousand of dollars, and left the onus on the provider to prove the child's attendance and agreed enrolment at the service. When this task was completed, DHS would then pay the recalled CCS payment as a back payment directly to the family leaving it up to the good will of the parent as to whether they would reimburse the service. There have been tens of thousand of dollars to ACA's knowledge that have ended up incorrectly in the hands of

parents rather than hard working service providers for no good reason other than a design flaw in the system. This is money completely lost to a service provider.

To make matters worse service providers, until recently, did not have any visibility as to when parents received a back payment. The Productivity Commission in 2013 made a recommendation that all subsidies be delivered to service providers for families to alleviate the risk of parents not reimbursing service providers. It is vitally important that the issue of back payments is reviewed to minimize confusion and ensure that money is directed in such a way that ensures that service providers are compensated for services rendered.

Problem: Back payments of CCS are processed to families rather than to service providers, which means that service providers are not able to recuperate their financial loss unless the family agrees to pay subsequent. the gap fees. In many cases, the families are not forthcoming to pay back the resulting debt, either because they simply cannot afford to, or they have since left the centre and don't take the debt seriously. Early learning services are therefore constantly at risk of **unpredictable substantial financial loss**, which is completely outside of their control.

Recommendation: A revision to the CCS payment model so that back payments are processed to the early learning service provider, rather than to the families.

Matching data across ISS / Portal / PRODA

Whilst the main part of the CCS system (CCMS/CCSS interface) has been experiencing glitches, there have also been issues with the portals that 'bolt on' or 'feed into' the programs.

PRODA turned out to be an administrative disaster for some providers, with issues of data mismatch across ASIC, ACECQA, PRODA, DET, DHS and Centrelink.

Resolving these issues was a comedy of errors which often took countless hours spread over months. Often there was no way of knowing if a change or update had been successfully processed until the system 'updated overnight', by which time, discovering that it hadn't been successful would mean the process had to be started again with a new call centre operator at the government department in question. The absence of any direct assistance such as having a 'case manager' or at least a familiar person to talk to from each government department left providers incredibly frustrated.

One of the problems was caused by the design of creating approved personnel in PRODA. Service providers were told to nominate their PRODA-approved personnel and register them with an individual email address, so that they could verify their identities with individual log ins. As most early learning services only operate with one generic email address, this process was often completed by using their personal email addresses. However, their AUSkey for the ISS portal would have been linked to their early learning centre's generic email address.

These two records needed to match for personnel to be able to access the information in the portal and be able to edit, apply, confirm information or even find out why the funding hadn't been transferred across in the first place. The mismatch meant that personnel had to spend substantial time trying to resolve the problem with the relevant departments, before they could get on with their jobs.

In addition, funding models such as Inclusion Subsidy Support (ISS) which funds services to provide extra educators for children with additional needs, have been made even more complex. Interfacing with the ISS portal was difficult in the past, but the platform has become even more unstable, and the interface with other systems is again, fraught with data mismatch.

Under the previous system the ISS case claims were linked to CCB enrolments in the ISS portal.

Under the new CCS the ISS Portal funding is still linked to the CCMS system until the end of this financial year, but these case claims still have to be linked to CCS enrolments, which are set up differently.

As a result software providers have struggled to work out the glitches between the linkages, often taking months to resolve the mismatches and glitches. This also poses the question as to what is going to happen in July again when the ISS transfers to the CCS system.

Currently, having the ISS system still linked to the CCSM system means that remittance advices for ISS payments are emailed to services for funding. In contrast, the CCS system does not provide any remittance directly as the CCS payments are always visible in the third-party software. As there are no records of the ISS payments in third-party software, the CCSM is the only way of checking that the ISS payments have been processed, in the reconciliation of accounts.

These issues have heavily impacted those families of children with additional needs; they have had to wait until the issues were sorted out before they could enrol their children (thus unable to work or undertake other intended activities) or the service has had to fund the additional staff, only to be told that the funding would not be back dated to the start of enrolment.

These problems have also created another level of red tape to an already stretched service.

The stress of potentially not being funded for additional educators to work with the most vulnerable, additional needs children flowed on to the educators in the service - not just management and ownership.

Most cases have been back paid, but there are some that still remain rejected for the first week of July leaving the provider out of pocket for previously approved funding for no valid reason.

Problem: Technical issues with ISS / Portal / PRODA make it difficult for early learning service provider staff to access relevant data and administer CCS payments. In addition, funding models such as Inclusion Subsidy Support (ISS) which funds services to provide extra educators for children with additional needs are now even more complex and the interface with other systems is fraught with data mismatch.

Recommendations:

- Evaluation and modification of the existing interface systems, to address these fundamental data matching issues with ISS / Portal / PRODA.

- The provision of reliable direct support resources such as a case manager or a representative from each relevant government department to allow service providers to address any issues they are experiencing in a reasonable time frame.

Lack of warning about families reaching their cap

Under the CCS, families earning over \$186,958 and under \$351,248 have an annual cap of \$10,190 per year per child. Families are notified of this cap in their initial CCS notification which also sets out their hourly rate and subsidy level. However they are not given any further notice when they are nearing this cap.

Early learning service providers are generally left in the dark about whether any of their families are subject to a cap. Unless their families actively tell them at the time of receiving their CCS notification, **there is no mechanism for the service provider to know** this or be able to predict which of the families are nearing the cap.

Services providers and families find out about reaching the cap after the event (ie. when suddenly there is no more CCS and full fees are imposed for the previous week and the remainder of the financial year).

Some third-party software includes a weekly report that service providers can run, which indicates when a family has reached their cap. However this is an onerous manual process, and not all third-party software providers feature this report. Additionally many service providers are not even aware of this report. In any case, the report only provides one week of notice, rather than months of notice, which would be the ideal scenario in order to allow families to make alternative arrangements or budget for the full fee period.

This situation causes enormous stress to the families as it doesn't allow them to budget for this circumstance ahead of the first full fees being imposed on them. It means that they may remove their child from the early learning service at short notice, with very little time to make alternative arrangements in terms of their work attendance.

This situation also causes stress on the relationship between the families and the service providers, with little understanding the service provider's role and their inability to provide any notice.

Problem: Aside from the family's initial CCS notification in MyGov, there is no mechanism for the service provider to know which of their families have a CCS cap, or to predict which of their families are nearing the cap.

Recommendation: The provision of a communications mechanism that provides better awareness in advance for families and service providers in terms of how much of their entitled subsidy families have used.

Information gap – service providers and families

During the lead up to the 2 July transition date, ACA maintained close engagement with members all over the country, to monitor how they were coping with the preparation process for the transition to the new CCS.

We found that members were struggling to understand the fundamental elements of the new system, such as:

- how to complete the Provider Transition process
- the difference between PRODA and the Provider Entry Point (PEP)
- what a Complying Written Arrangement comprises of
- how the hourly rate is calculated for each family
- how to help their families estimate their subsidy amount per fortnight
- how to prepare key personnel for the new system
- how to comply with mandatory attendance reporting
- how to determine whether sessional hours would feasibly work for their centre
- how to transition from the Special Child Care Benefit (SCCB) to the Additional Child Care Subsidy (ACCS)

As previously stated, parents were not able to access adequate phone support from Centrelink, with extremely lengthy wait times. Centrelink's phone support operating hours of 8am – 5pm made it difficult for families to receive the support they needed without taking time off work. If families had the good fortune to talk to a Centrelink call centre staff member, the individual was often unable to provide immediate or accurate advice. ACA believes the Centrelink call centre staff were inadequately trained in the intricacies of the new system.

In the absence of adequate guidance and support from Centrelink for families, service providers were effectively forced to be a key component in supporting the government to ensure that families had completed their requirements and registered for the new system. This became a high involvement, time consuming task for the teams of staff in early learning services.

Service providers reported the need to spend substantial time with their families, walking them through the online application process in MyGov and talking them through the requirements of the activity test. This need was magnified for those families from Non-English Speaking Backgrounds (NESB). Whilst there was some Departmental information available in Languages Other Than English (LOTE materials), the selection of languages was limited and by no means met the demand for these materials in multiple other languages.

Many families are still under the impression they can claim CCS at the end of financial year- as they have previously done with CCB/ CCR, regardless of being told this is not the case by centres. Early learning services are expecting many upset families at the end of financial year when families try to claim their CCS. This detail has not been advertised or communicated well to families.

As a result of substantial feedback from our members, ACA produced its own educational materials for both services and families, to close the information gap that the DET materials didn't seem to address.

This guidance was made available via our digital channels – the ACA website, social media and regular emails to members.

The preparation of these ACA materials was resource intensive and required the designation of substantial resources. The development of these guidance materials continued until long after the 2 July transition date.

Meanwhile service providers had to allocate substantial resources to ensuring their staff had gained a solid understanding of these new processes, in order to administer the new system and also educate their families.

Slow communication with the sector about CCS problems

During the transition period to the new CCS, there have been numerous unexpected problems reported to ACA via member feedback.

ACA has been actively engaging with the Department of Education and Training (DET), often daily, to seek solutions to these problems and determine whether they are individual problems or systemic problems. Some of these problems are ongoing and affect a substantial portion of the sector.

Whilst ACA appreciates the Department’s challenge of investigating these problems and identifying solutions, it has been a frustrating process managing the expectations from members, as generally the Department has been slow to communicate with the sector about the identified problems and provide estimated timelines on their expected solutions.

Furthermore, the solutions provided in the DET emails to the sector often refer service providers back to the Department’s CCS webpages, which are not always clear. ACA has therefore produced its own educational materials for members, with clear, step-by-step instructions.

Problem: A lack of simple, easy to follow guidance for **families**, exacerbated by incorrect information provided by Centrelink staff, left families ill-informed and reliant on their early learning service provider to guide them through the application process and determine how many hours of subsidised care they were eligible for.

- **Recommendations:**

- A revision of the application process to make it simpler for **families and service providers**.

- The provision of simple, easy-to-understand guidance materials for **families**.

- The provision of well-resourced support mechanisms including online, telephone and face to face support via additional educational resources and additional training for Centrelink staff.

Problem: A lack of simple, easy to follow guidance for **service providers** in terms of administering the CCS and the various processes required of them.

Recommendations:

- A revision of the application process to make it simpler for families and service providers.
- The provision of simple, easy-to-understand guidance materials for service providers including online, telephone and face to face support - either a dedicated line to DHS for service providers or equipping the CCS Helpdesk with all of the info it needs to successfully respond to the queries to service providers.

Additional Child Care Subsidy (child wellbeing)

The Additional Child Care Subsidy (child wellbeing) (ACCS – CW) is a vitally important component of the CCSS. It is designed to provide support to the most vulnerable of children and families at times of extreme need or trauma.

In reality, this already disadvantaged group of families are severely impacted by the practical issues associated with the introduction of a complex, administratively burdensome and overly onerous system.

The application for ACCS – CW is undertaken by a service provider on behalf of any children in their centre deemed to be vulnerable or in need of additional support. Initially the provider must apply for an ACCS certificate, which is completed within their third-party software.

Although this process is relatively simple, during the first few months after the transition date there were significant problems faced by many early learning services whose third-party software provider did not have the capacity to apply for an ACCS certificate. In the case of one software provider, their software was still not ready to deliver this function well into 2019, more than six months after the transition date. The impact on the families affected by this technical issue is severe and frankly unacceptable.

After a certificate is approved, a service provider must then apply for a determination which again is made via their third-party software, but approved by the Department of Human Services (DHS).

This application for a determination has proven problematic for a range of different reasons. In the first lot of determination approvals being processed, it appeared that DHS were not suitably equipped to handle the number of applications that were to be made. Whilst the legislation mandated that an application would be assessed within 28 days of being made, many of these assessments extended well beyond this timeline.

In some cases the assessments took double the estimated time, leaving service providers out of pocket during this waiting period. To make matters worse, if for some reason the application was rejected, service providers were forced to collect fees from this vulnerable cohort of families, for periods of up to

8 weeks, resulting in fee amounts these families simply could not afford to pay. As was highly predictable, these families often left the service to avoid the risk of an unmanageable debt. This is an unacceptable outcome for the children involved. The situation also exposed early learning services to financial losses which were not likely to be remunerated.

The ACCS system also had some significant technical problems meaning that even in approved cases there would be gaps in some weeks where ACCS was not paid when it should. The Department of Education and Training (DET) should be able to provide further information on the specific occurrences of these problems, but the reality is that some service providers have still not been reimbursed in these cases as DET continues to explore the situation and determine the best way to make these payments to early learning services.

It was also clear from the beginning that the different evidentiary requirements under ACCS compared to its predecessor caused significant confusion for the sector. This is compounded by the lack of training and clarity made available for service providers around this component of the CCSS. When applying for a determination, evidence must be sought from a range of external agencies or professionals, such as child protection agencies, which had no understanding of what they needed to do to provide compliant evidence. To make matters worse, DHS seemed to take a rather punitive approach to assessing evidence, making things even more challenging to support these vulnerable families.

One other significant difference between the current (ACCS) and previous (SCCB) system involves how the funding is allocated. The former Special Child Care Benefit (SCCB) (Child At Risk) was a subsidy that covered the **total cost** of the relevant families' fees. In contrast, the ACCS system has been designed to provide the ACCS as a **top up payment** to the CCS, meaning that the families' early learning service fees are covered by **both of these payments**.

This model has proven problematic when a parent has not been approved for CCS whilst a service is applying for ACCS concurrently. When a family is eventually approved to receive the CCS, the CCS component gets paid directly to the family whilst the ACCS component is paid directly to the service. As a result, the early learning service often does not recoup the CCS component that has been back paid to the family and is often left out of pocket.

The early learning service provider generally enrolls these families on the basis that their attendance fees will be covered in their entirety by the CCS and ACCS. When this problem occurs and the service provider is left with a substantial financial loss as a result of the back payment being paid directly to these families, it is often not possible to recover this funding in these circumstances.

The unfortunate fallout from this problematic scenario is that early learning service providers may be hesitant to accommodate for these vulnerable and disadvantaged families, having experienced a financial loss under similar circumstances in the past.

Problem: The application process for an ACCS (child wellbeing) determination can take longer than the legislation-mandated 28 days and means that the most vulnerable and disadvantaged children are without subsidised care while waiting for a convoluted administrative process to be completed.

Recommendation: A more timely assessment process in DHS to ensure that applications for determinations are processed in a timely manner, thus allowing immediate subsidised access to early learning services for those families in need.

Problem: Back payments of the CCS component of the family's service fees are paid directly to the family, leaving the early learning service provider out of pocket.

Recommendation: A revision to the CCS payment model so that back payments are processed to the early learning service provider, rather than to the families.

Conclusion

Ultimately the early learning sector's adjustment to the CCS has been a long drawn out process rather than a single event, with the current transition period bringing on a greater understanding of the impact of the new system.

The early learning sector as a whole would concede that the previous subsidy model was highly flawed, complex and did not support affordability for families - an overhaul was undeniably necessary.

With over nine months since the 2 July implementation date, it appears that the change to the CCS has not rectified all of the ills of the previous model. Undeniably, a good proportion of families are better off from an affordability perspective, which is a fantastic outcome. Nonetheless, we need to move forward as a sector to identify and resolve the short comings of the CCS.

To this end the ACA is extremely grateful to its members for their valued ongoing feedback about their experiences in this context over the past few months.

From the families' perspective, the activity test means a lack of equity in access to early learning for all children. If all families were given access to an income tested subsidy to the first step of the activity test, this would not only **support a child's right to a base level of access** to early learning but also **reduce many of the complexities for families** in understanding the range of activities and exemptions they currently need to report on.

There is also an opportunity to **reduce the administrative complexities** of the legislation for families and service providers alike. Families have made it clear they would like the process of applying for family subsidies to be as simple as possible, allowing parents to fulfil their core responsibilities of supporting their children in their introduction to an early learning environment and returning to the workforce.

For service providers, adding an additional layer of significant administration and red tape has compounded the heavy burden of legislative and compliance processes already in place. The introduction of the new CCS has resulted in increased operational costs and subsequently increased fees to families.

ACA would welcome the opportunity to work with government to ensure an **equitable outcome** for Australia's youngest generation and facilitate a smoother, simpler system for all who engage with it.

Appendices

Appendix A – ACA Survey – Service Providers and the CCS July 2018

Appendix B – ACA Survey – Service Providers and the CCS May 2019

Appendix C – ACA QLD Issues Log May 2019

Appendix D – ACA WA Issues Log May 2019

Appendix E – ACA SA Issues Log May 2019



Australian Childcare Alliance



Australian Childcare Alliance
Queensland



Australian Childcare Alliance
New South Wales



Australian Childcare Alliance
South Australia



Australian Childcare Alliance
Victoria



Australian Childcare Alliance
Western Australia



Australian Childcare Alliance
Tasmania

Contact details

ACA President: Paul Mondo

Email: President@childcarealliance.org.au

Telephone: 0411 587 170