

Friday 10th August 2018

**The impact of the transition to  
the new Child Care Subsidy  
on early learning  
service providers**



**Australian Childcare Alliance**



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## Introduction

### Who we are

As the national peak body in the Australian early learning sector, the Australian Childcare Alliance (ACA) represents more than **2,500 members** and approximately **360,000 families** throughout Australia. We work on behalf of Approved Providers, predominantly private, to ensure families have an opportunity to access affordable, quality early learning services throughout Australia.

ACA's vision is a future where **every child in Australia** has access to high quality, affordable and sustainable early learning.

### What is the purpose of this report?

With about 1.2 million Australian children in early learning services, the Federal Government's new Child Care Subsidy (CCS) is the most significant change to the early learning sector in up to 40 years.

During the transition to the new CCS, ACA has received a wealth of anecdotal feedback from members Australia-wide. This feedback has informed our discussions with the Department of Education and Training (DET) about the various elements of the new CCS, along with our guidance materials for members.

Whilst the anecdotal feedback has been invaluable, ACA sought to paint a much broader picture of the impact of the new CCS on the early learning sector.

ACA recently ran a survey targeted at Australia's early learning service providers (ACA members and non-members). We hope that the data gathered from this survey can be used to facilitate well-informed, meaningful discussions about the impact of the new CCS with the Federal Government, stakeholders and the early learning sector at large.

## Survey Insights: Impact on the Sector

By Paul Mondo, ACA President

The early learning sector's transition to the new Child Care Subsidy (CCS) has been unprecedented for all stakeholders in terms of the complexity of the new processes, the challenging timelines and the unexpected outcomes.

ACA believes it is important to review the impact of the CCS to date and reflect on whether its implementation will improve early learning outcomes for children and families. Our aim is to identify areas for improvement, with a focus on **equitable access to early learning** for **all Australian children** as well as supporting the sustainability of the sector.

Over the last twelve months the early learning sector's efforts to understand the impact of the changes both operationally and on families have been all consuming.

For early learning **service providers**, the transition has been a huge challenge both operationally and in their engagements with families, as is clearly reflected in the survey results.

Operationally services were required to install new equipment, new software, new processes and of course train their staff. The difficulty service providers experienced in sourcing information prior to the implementation contributed to increased difficulties in ensuring that all elements of the transition were covered off.

A common theme from the survey results is the **third party software provider issues**. It appears that the service provider's impressions of how transition unfolded directly correlated with their experience with their software provider – this was a critical component to their experience of the transition.

Those services using software providers that were not adequately prepared for the new system experienced a raft of frustrating problems, from not being able to determine the level of subsidy their families would receive (this had to be estimated or calculated manually) to not being able to invoice families correctly, and ultimately struggling to determine the ongoing viability of the service.

Across all government support services and software provider support services, resources were totally exhausted for the week leading into and the month following transition. This caused a significant sense of frustration for those administering the system as there was no clear way to get answers to the many questions and problems that needed addressing.

ACA appreciates the challenge for the Department of Education and Training to manage the development of the new IT infrastructure and associated support services, along with the task of ensuring that the third party software providers were adequately prepared for the new system. On balance, almost all services were able to lodge their sessions and receive subsidy payments in a timely manner.

However the survey results reveal that the general consensus among service providers is that the support they received from government didn't come early enough and didn't make it easy for services to find solutions to the roadblocks or problems they were experiencing.

In this context ACA's educational materials were well received and seen to be supportive in the transition process.

An added layer to the challenges for service providers was the reality that the transition went far beyond new operational requirements and involved **educating families** about the new system - a task that many thought was not adequately achieved by government.

For many services this task even extended to directly assisting their families in the process of updating their details on MyGov. For those service providers with families from Non-English Speaking Backgrounds, some addressed the educational gaps by organising evening educational sessions with language translators present.

The feedback from service providers paints the picture that for **families**, the transition was equally challenging, with many struggling to understand the new activity test, what sort of activities would be eligible and what their new level of subsidy would be.

While seeking answers to these critical questions during the transition, many parents were frustrated by either not being able to get through to Centrelink on the phone, or being misinformed by Centrelink staff about key items such as how to correctly calculate activity hours, how to apply for the Additional Child Care Subsidy, and other detail around the policy.

The most outstanding miscommunication was the fact that the exemption to the activity test regarding the **36 hours per fortnight** of subsidised hours (in centre-based **preschool/kindergarten programs** in the year before school) was not made clear to families in their Assessment Letters. This caused great confusion and was again compounded by Centrelink telephone staff misinforming many families about this exemption.

In terms of the impact on families, it is too early to determine how better or worse off families are. The survey results indicate that during the transition period more families were worse off than initially anticipated, but it is unclear whether this is a temporary result of transition or the overall impact of permanent changes.

Ultimately this change 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 CCS. 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.

At this early stage it appears that the change to the CCS has not rectified all of the ills of the previous model. However, a good proportion of families are better off from an affordability perspective, which is an indisputable, fantastic outcome.

This **must** be reconciled however with the critical reduction in access for many **vulnerable and disadvantaged** children where a family does not meet the activity test requirements. It is vitally important that the capacity for these children to receive subsidised access to an early learning service extends **beyond the parameters** already allowed within the CCS.

To this end ACA continues to engage with government to ensure an equitable outcome for Australia's youngest generation and facilitate a smoother, simpler system for all who engage with it.

## Survey Findings

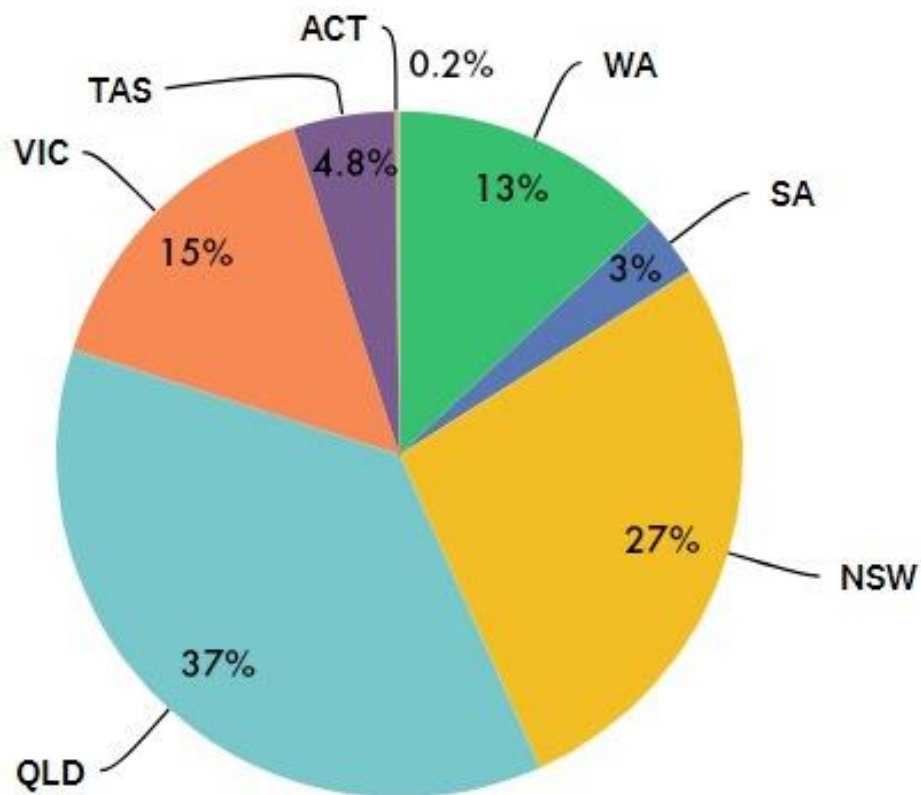
### DEMOGRAPHICS

#### Sample size

Over 500 early learning service providers completed the survey over the period of **16 July – 27 July 2018**.

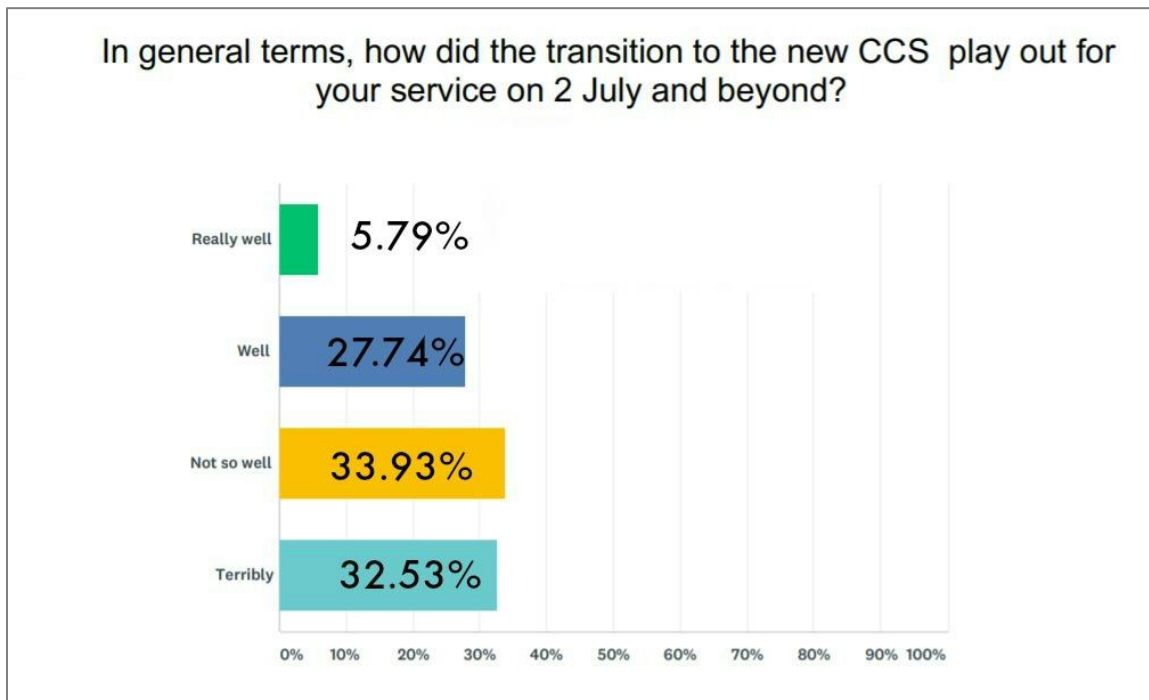
#### Geographic location

Survey respondents came from the following states/territories:



## GENERAL FEEDBACK

When asked how the transition played out for their service on 2 July and beyond, **over 66%** of service providers surveyed said “terribly” or “not so well”, while just **under 34%** said “well” or “really well”.



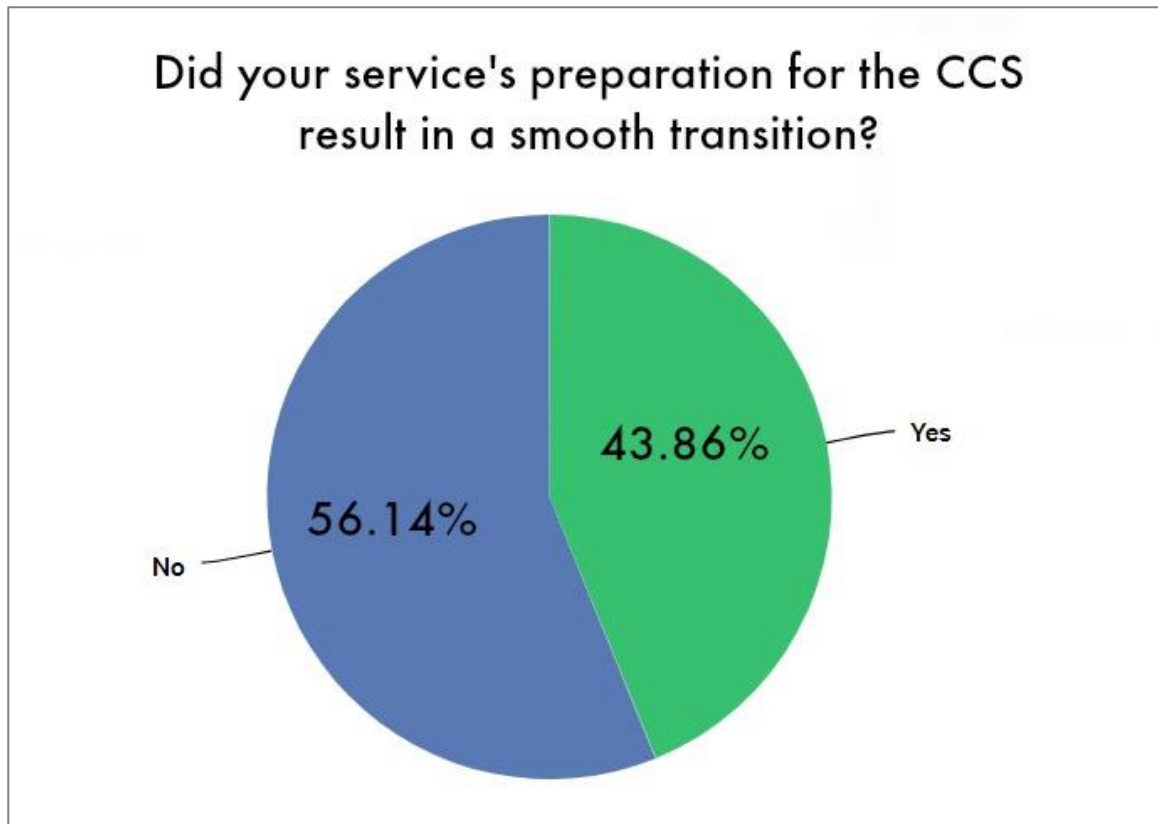
Comments\* included:

- Some good - picked up more business through parents being able to afford childcare. some bad. Some parents were lazy in getting transitioned. Overall wasn't too bad considering how big of a change it was.
- Mostly well but a few families did get frustrated with many hours spent to rectify issues which took weeks.
- PRODA registration was painful for some staff. It was time consuming to support all families to register.
- We all were very much in the dark and basically had to let it roll out before we knew how it would look.
- Some parents did not listen to our continual messages to do as they had been asked and update details until after July 2nd, so they had no subsidy applied for the 1st 2 weeks of the new financial year, their own problem not Centrelink's.
- We were well prepared for the transition to CCS however, we are still experiencing issues where Centrelink have incorrectly assessed families or are providing misleading information to them.



- Some software problems and some family problems.
- Still waiting on Pre prep hours and on the special subsidy.
- It still has major ongoing issues.
- We were not given access to the amount families would be paying until the 2nd July.
- What a disgusting mess!! As of today we still do not have accurate educator statements & cannot invoice the families even though they are showing as confirmed status & with CCS percentages showing. It's disgraceful & everyone is blaming everyone else.

When asked whether their service experienced a smooth transition, over 56% of service providers said “no”.

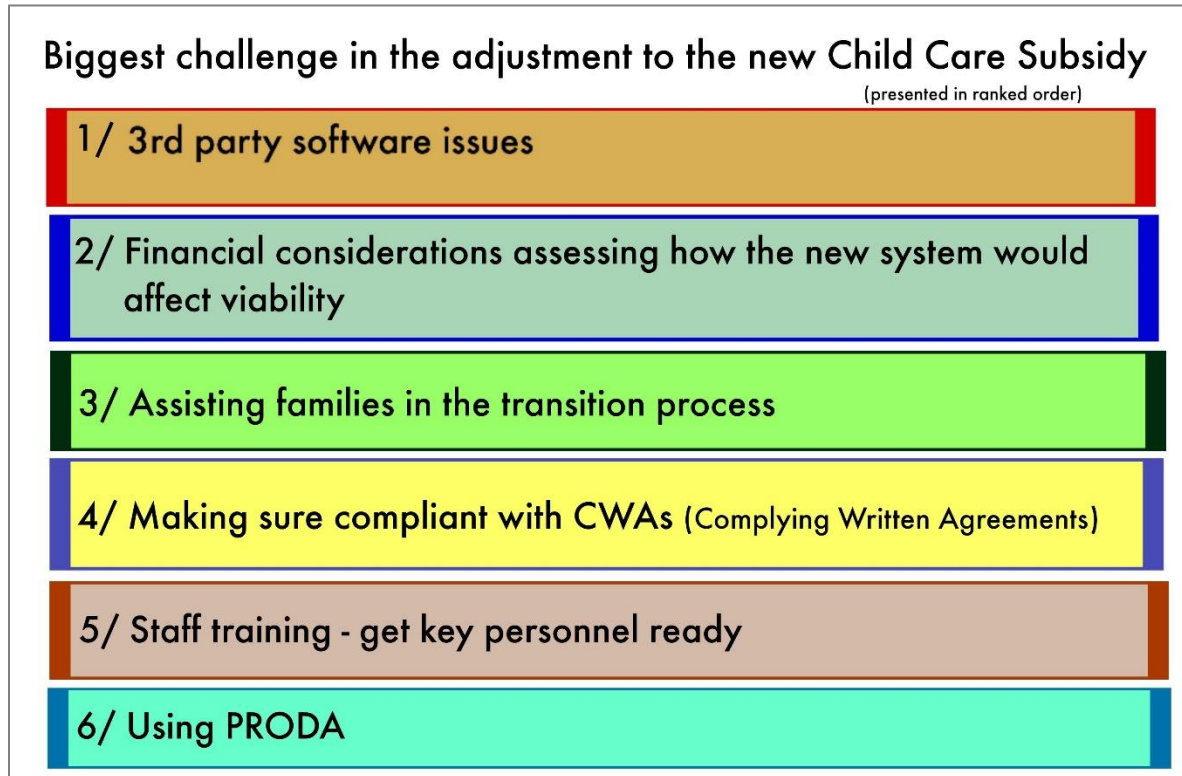


Comments included\*:

- Not enough information for families or the service - no one can contact anyone for assistance.
- We prepared as much as we can before-hand and it was STILL not enough.
- To the best of our ability, however some issues were beyond our control.
- Various aspects of software program haven't functioned as should
- Despite being organised we were let down by government and support from software company.
- To a degree it was smooth, however our ccs payments are very slow to be paid.
- We were in a great position until it came time to submit attendances. We have since had 0 support and repeated conflicting information in trying to resolve issues.
- Still unable to invoice due to third party software issues.
- Even though we translated resources, there are still communication issues.

## BIGGEST CHALLENGES

When service providers were asked to rank the challenges in the adjustment to the new CCS, they rated them in the following order:



Comments\* included:

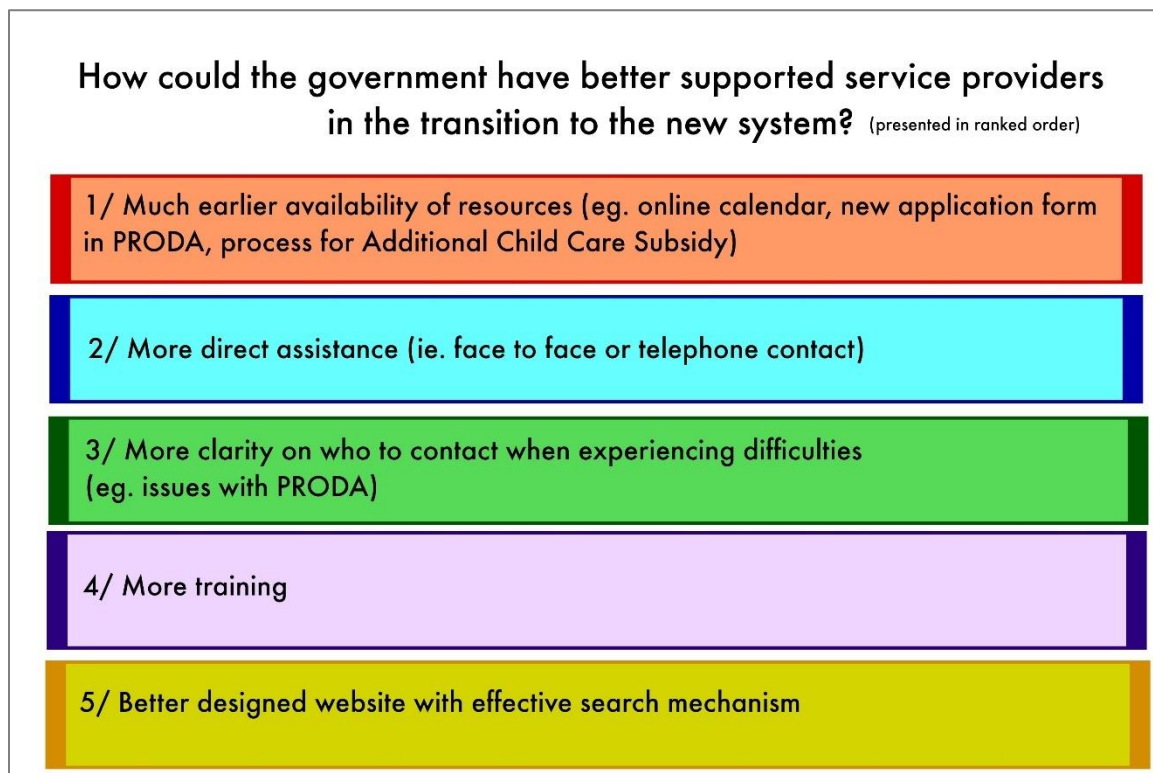
- Issues with families no longer being eligible for any subsidy due to changes to the activity test.
- Parents believe that services are at fault when their enrolments are not approved.
- No information about how the new system would actually work in plain language from the gov't.
- Mixed messages from departments.
- We use [REDACTED] they have proven to be completely inadequate.
- Backdating payments not coming through and parents and provider constantly contacting CCSS or Centrelink.
- I don't understand why CCSS is paying families directly for past attendances debts have tripled and the job is a mess its made it very difficult.
- Government issues such as failure to adequately train Centrelink staff regarding policies such as the 36 hour preschool exemption. Centrelink staff telling families that services don't know what they are doing.

- Linking 2 Directors to Proda and to the organisation has been difficult and then caused other issues with completing other tasks as only one can be authorized.
- Systems were not tested with enough software providers we have had no communication from government or software providers for 3 weeks no ability to pay Educators families had changes but don't know what the changes are because educators can't do invoices and services have no access to reports.
- The time factor of doing everything that the government should of been doing!
- So time consuming.
- 26 years in the FDC sector never ever have I experienced anything so unprofessional & unethical as this. The stress this has put financially on all educators not to mention the huge non-compliant aspect of not being able to invoice & receipt through our software.

## HOW COULD GOVERNMENT HAVE HELPED MORE?

When service providers were asked how the government could have better supported service providers in the transition to the new system, they ranked “much earlier availability of resources” most highly, followed by “more direct assistance”.

It is clear that a higher level of support would have been appreciated by the early learning sector in the lead up to the transition.



Comments\* about how government could have better supported service providers included:

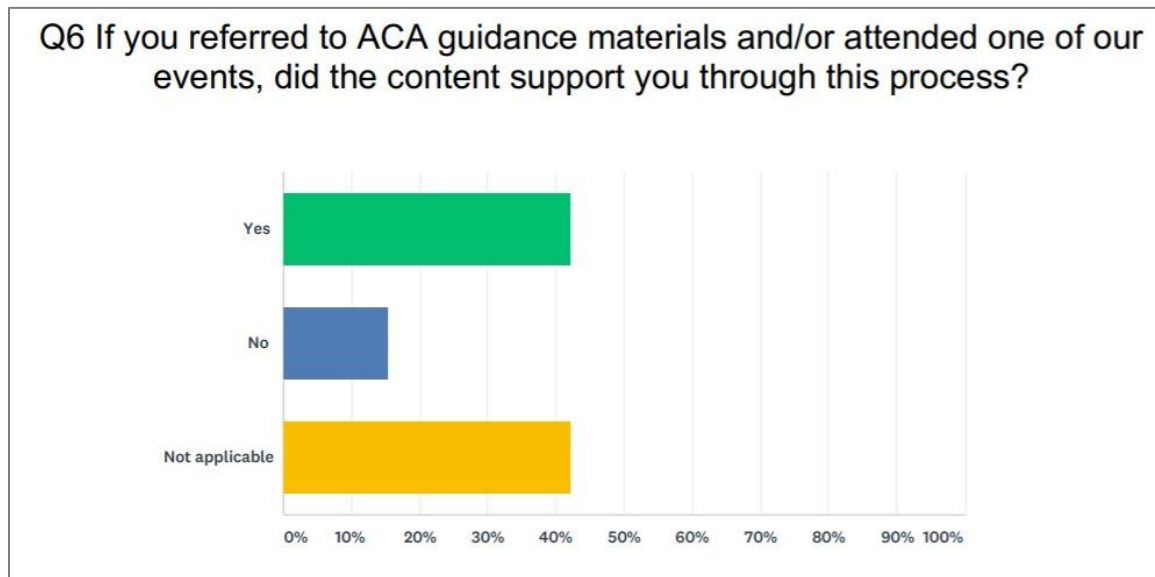
- Community education on the impact. We did not get access to families eligible hours until 4 working days before 2nd July and had to start ringing families showing Pending and those that we knew had incorrect assessments.
- More resources to 3rd party software providers. increased capacity to their servers to avoid down times. consulted with "users" when designing the system.
- More communication in advance of issues that would affect the service. For instance we did not get told in advance that the families who are pending eligibility would not get CCS paid to the service but instead the families will get the money until the CCS comes through. This is not fair to the service

which will be out of pocket until the family pays them the difference and this could be thousands of dollars that the service will have to bear because the families in low socio economic areas will not be able to afford the full fees.

- Training their own staff (CCMS helpdesk and Centrelink) so that they could correctly provide advise and correctly process CCS claims for ALL families.
- By allowing term based preschools to remain eligible for the subsidy
- clearer information about eligibility of families to activity test exemptions; better training of Centrelink staff so that we (and families) weren't dealing with misinformation.
- It is a lot of pressure to be told that we would have non-compliance. recorded on our record - when PRODA does not work and we are not able to do what we need to do!

## HOW USEFUL WERE ACA'S GUIDANCE MATERIALS?

Of those service providers that used ACA's CCS guidance materials, 73% said these resources supported them through the transition process.



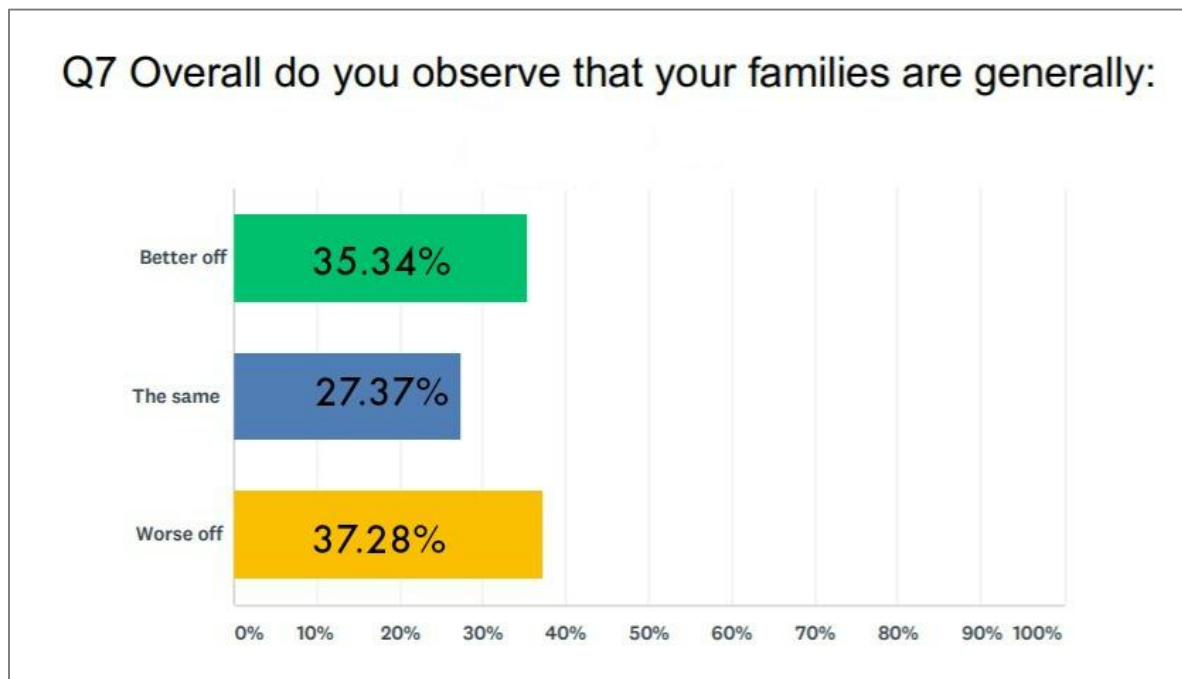
Comments\* about ACA's guidance materials included:

- Exceptional assistance. Would have been lost without ACA Definitely the only real support we received.
- Much better than anything the government provided.
- Very helpful.
- Extremely useful and gained most of my knowledge from attending the session Wednesday 13 June.
- Had attended several CCS info sessions prior to the ACA one. ACA was much more informative and helpful.
- Would've liked more of these at readily available times.
- Things are changing as we speak, so it helped a lot at the time when we attended events.
- To a certain point.
- Not enough advice given.
- I relied mainly on my software provider who has endless information on how to manage the changes. ACA were supportive in other ways but I didn't get much from the government.
- We were for the most part informed of more information and provided with more specific advice from ACA than the department. CWA was a debacle. We were given 3 different advice from 3 different sources: 3rd party software provider, Department and ACA.

## IMPACT ON FAMILIES

Service providers were asked whether broadly speaking their families were better off or worse off as a result of the new system.

As was expected, these answers varied depending on the circumstances of their combined families and the socio-economic factors of their local area. Services pointed out that they had mixed outcomes for each family so it was difficult to make a blanket statement about all of their families.



Comments\* included:

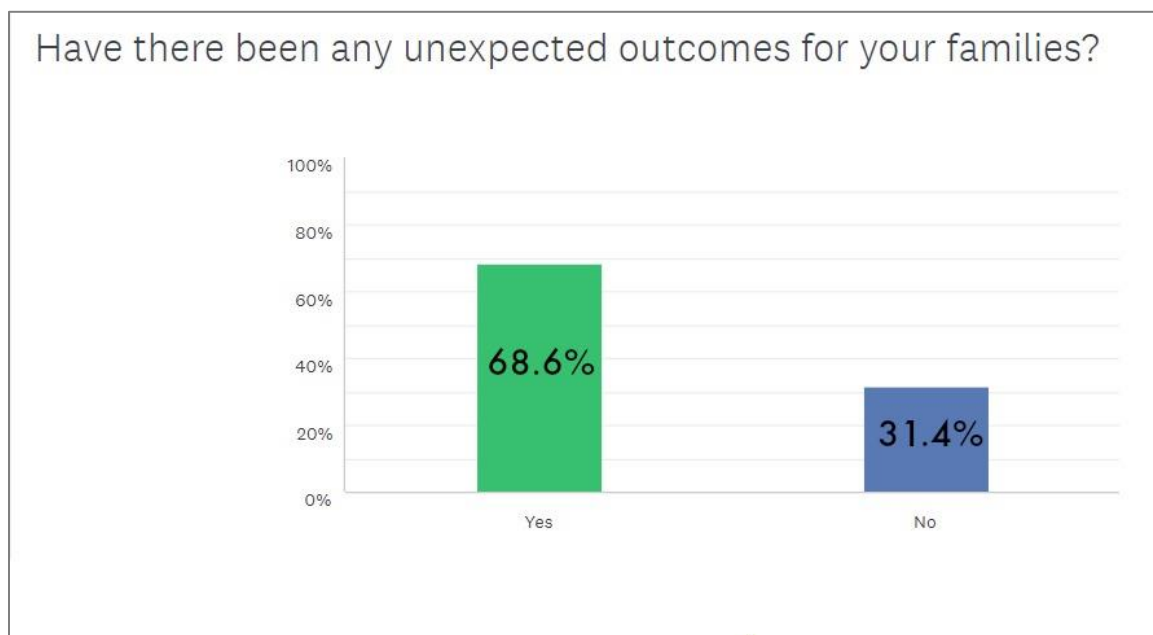
- Majority of our families are better off. there are a couple that a worse off but 90% are better off roughly.
- Single parent families and lower income earners are much better off
- Half are better off or the same whilst the other half do not have enough CCS hours.
- Majority are same or a little better off. There are a few that appear to be worse off. These seem to be those that previously were eligible for 50% CCR rebate. Now the 100 hours per fortnight affect their payments. Over 12 months should even out with higher payments but we have a couple of families with full time bookings, that will finish up this year because child is going to school, and on the surface it appears that they are worse off with CCS.



- We cannot tell, we cannot invoice them.....still.....3 weeks after going live.
- I would call complete ineligibility, worse off.
- some were definitely worse off. Some families could not understand that the hours of work are per fortnight.
- I have had families either drop their child's days as their only eligible for certain hours. I've had children who attended full time drop to 4 days as the difference in fees were massive. I've had children leave the service completely as the mother failed the activity test even though the dad was working full time. I've some families that are paying the same and some that are now paying \$80 extra a fortnight. As a business it really has affected our numbers as they have dropped in the past 3 weeks since the subsidy has kicked in. 7/23/2018 10:41 PM 41 Some are much worse off while others are slightly.

When asked if there have been any unexpected outcomes for their families.

**68.6% said yes.**



Comments\* included:

- Not knowing for 4 weeks what there new fee is.
- Full fees due to stuff ups with 3rd party software.
- Problems with not understanding the new process, confusion around Gap fees being different from week to week, child enrolments not being able to be closed in the ccs system with children reappearing, the list goes on.
- Too many families need helping to complete the activity tests correctly.
- Hours entitled cut dramatically.

- 36 hour preschool farce- still don't know what to do.
- Families who used to receive subsidy are no longer eligible, resulting in children being pulled out of care.
- Failure of Govt to process parents eligibility in a suitable timeframe leaving them with significant out of pocket expenses.
- Financial hardship, removal of children from centre due to full fees.
- The Governments decision not be reimburse adjustments directly to our service, for initial incorrect hour entitlements or delays in the transition process, have left many families with Full fee debts that they don't understand, don't have the financial ability to pay and don't understand what they need to do to claim this money back from the Government.
- It has been frustrating for some families at our service - all children have additional needs but not necessarily a formal diagnosis or Carer's allowance which would provide access to CCS hours. This has been a problem for a number of families!!!!
- Grandparent CCB had to be reapplied for - complex and stressful. The transitional absences debacle - that was a lot of stress.
- No backdating during school holidays.
- Hours limitations - they thought they would be entitled to more hours.
- The full benefit of the Queensland Kindergarten funding discount for health care and pension card holders has been reduced, essentially the federal government is stealing this benefit from the families and saving themselves money that they don't have to pay as much CCS. Prior to this new system families received the full amount as a discount to their fees. Now they only receive a smaller percentage of it. This has affected 75% of our preschool families making their fees less affordable.
- Unexpected stress, frustration, anger, loss of trust in the sector.
- Not unexpected but utter confusion despite advertising and hand outs.



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