



**Municipal Association of Victoria**

**Submission**

**Australian Senate Inquiry into Provision of Child  
Care**

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## EXECUTIVE SUMMARY

The MAV is the peak body of local government in Victoria and represents all 79 councils. As the leading provider of children's services and early years infrastructure in Victoria, councils remain critically interested in the provision of child care and early childhood development services.

The MAV welcomes the Senate inquiry into the collapse of ABC Learning as a further opportunity to reinforce the urgent need for a rebalancing of the current child care market, supported by a new federal policy approach and structural reform in the planning, funding and provision of child care services. To achieve these objectives it is recommended that:

1. An urgent support package is provided for the not-for-profit sector for a 2009 response
2. Ongoing funding is directed to local government, for children's services infrastructure and to support the continued integration of ABC Learning centres with existing local infrastructure.
3. The Federal Government establishes a needs-based planning system for long day child care services which is linked to Child Care Benefit (CCB) approvals (payments to services).
4. Child care providers (in receipt of federal funding) are banned from listing on the stock exchange.
5. The Federal Government reviews and extends its CCB scheme
6. The Federal Government's new tools - CCMS (computerised child care management system) and its *mychild website* – are extended to allow for collection of data on child care supply and demand.
7. States retain responsibility for legislation, regulation and licensing of child care services.
8. Each state reviews its current regulations particularly licensing requirements
9. Federal and State governments continue investing in workforce development.

These recommendations are made in response to policy positions long held by MAV, about the need for a more balanced child care market and in response to the collapse of ABC Learning. In considering the future of child care services across Australia, MAV further recommends that:

10. Federal funding for Family Day Care (FDC) services is reviewed.
11. More service options are available in Vacation care for older children, and
12. Unit-costing in the Federal Inclusion Support Subsidy Program is reviewed.

Local government has identified a number of impacts of the collapse of ABC Learning:

### Social Impacts:

- Disruption to families (parents and children);
- Potential for disruption to Australian workplaces and employment of parents, if alternative local child care places cannot be secured on closure of centres.

### Financial Impacts:

- Use of substantial public funds to bail-out the failure of a large listed company
- Potential for diminished Federal expenditure in the short term for child care programs and early childhood reforms.
- Negative flow-on effects for child care suppliers important to sustaining the child care industry.

Child Care Industry impacts:

- Highlighted the vulnerability of commercial child care services and privately-owned children's services infrastructure to economic downturns.
- Provides the opportunity to rebalance the child care market
- Destabilising for the early childhood workforce:
- Disruption to State regulators

Impacts on local government

- Pressure on councils and local councillors to solve the resulting child care problems on behalf of local families;
- Disruption to council officers responsible for family and children's services and coordinating local networks of service providers

The demise of ABC Learning provides a unique opportunity for all three levels of government to forge new policy directions, including alignment of child care programs and early years education. The Federal Government is best placed to lead such a redevelopment and to coordinate responses which will avoid a fire sale approach by receivers and find solutions to maximise opportunities for a transfer of services to community-based, not-for profit providers and child care centres to public ownership. The MAV looks forward to working alongside Federal and State government to achieve this urgent reform.

## INTRODUCTION

The Municipal Association of Victoria welcomes the opportunity to provide comment to the Senate Inquiry into the provision of child care. The MAV is the legislated peak body of local government in Victoria and represents all 79 councils. The Association's members remain critically interested in the provision of child care and early childhood development services, and in the outcomes of the collapse of ABC learning. Under legislation, and through its electoral mandate, local government has responsibility for municipal planning and community development. State legislation<sup>1</sup> describes the primary objective of a council as "endeavouring to achieve best outcomes for the local community having regard to long term and cumulative effects of decisions, fostering community cohesion and encouraging active participation in civic life." The Act explains that councils are to be "responsible and accountable" to the local community through advocacy, decision-making and action.

Victorian local government has a long history of active involvement, planning and providing services, facilities and events for young children and their families. Councils are the leading provider of children's services and early years infrastructure in Victoria. Recent research<sup>2</sup> showed the following levels of involvement in children's services:

- FDC (85 per cent of councils)
- Occasional Child Care (75 per cent)
- Long Day Care (72 per cent),
- Four-year-old kindergarten (96 per cent)
- Maternal and Child Health services (100 per cent)
- Playgroups (77 per cent)
- Playgrounds (100 per cent)
- Children's library service (75 per cent)

Research<sup>3</sup> on *child care provision* in 2006 showed that 47 per cent of councils were licensees of child care services and 65 per cent owned infrastructure from which some type of child care service operated. In addition, councils directly provided 11 per cent of centre-based long day care in Victoria (107 centres). The non-government community sector was providing 23 per cent and the commercial sector 66 per cent of centre-based long day child care services in 2006.

A partnership with local government was central to the major development by the Federal Government of both centre-based and home-based child care through the 1970s and 1980s. In particular, this drove the establishment of community-based long day child care services, with significant council resourcing including land, financial and in-kind contributions. Victorian councils have been significantly involved in the development and facilitation of child care and the sector is the largest sponsor of out-of school hours and FDC programs in Victoria. Despite a contraction in their involvement in the 1990s, Victoria councils have remained strongly involved in child care. Throughout 2008, the MAV and councils have been key collaborators with Commonwealth and State government in working to achieve reforms in early childhood education, particularly the integration of

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<sup>1</sup> The Victorian Local Government Act 1989 and amendments implemented through the Local Government (Democratic Reform) Bill 2003

<sup>2</sup> *Victorian Local Government Support for Early Childhood Services - a survey of Victorian councils, April 2007*, undertaken jointly by MAV and Victorian Department of Human Services - Office for Children. Note: This survey did not specifically ask about the provision of 'vacation care' (which many Victorian councils provide) nor 'in-home child care' (which some Victorian councils provide), both these child care services are funded by the federal Government.

<sup>3</sup> *Report of the Child care Taskforce*, Department of Human Services, October 2006, pgs.18 & 20.

care and education. This collaboration is represented in the high proportion of the Commonwealth capital grants for early learning and care centres already assigned to Victoria.

All Victorian councils prepare four yearly *Municipal Early Years Plans*, which are local area plans designed to provide a strategic direction for the development and coordination of educational, care and health (ECECH) programs, activities and other local developments that affect children 0-6 years within a municipality.

On the announcement of the collapse of ABC Learning, discussions were held immediately between the State Government and the MAV, in order to secure the involvement of Victorian councils in contingency planning if necessary. The State Office for Children and Early Childhood Development subsequently funded the MAV to explore opportunities for a strategic and coordinated response by councils where ABC centres are deemed unprofitable (under the ABC business model) but assessed as critical by councils for their local community. This work is presently being undertaken. That the State has funded the MAV complete a review of child care options demonstrates the crucial role played by Victoria councils to support the provision and accessibility of local child care services.

## IMPACTS OF THE COLLAPSE OF ABC LEARNING

Within a relatively short period, ABC Learning came to dominate the child care market in Australia, operating around 1000 child care centres in 2008 with 720 centres remaining in the new ABC Learning Group. ABC Learning was known as an aggressive market player and is believed to have had a deliberate policy of operating some of its centres at a loss to achieve a strong market presence or market domination in specific areas.<sup>4</sup>

The policies of the Federal Government allowed this level of market concentration develop, despite calls from the community-based child care peak bodies of the risks associated with a policy that enabled the domination of the child care market by a single business.

In summary the key impacts of the collapse that the MAV wishes to highlight to the Senate include:

### Social Impacts:

- Disruption to families (parents and children);
- Potential disruption to Australian workplaces and employment of parents, if alternative local child care places cannot be secured on the closure of centres;
- Financial Impacts:
- Use of substantial public funds to bail-out the failure of big business
- Potential for diminished Federal expenditure in the short term for child care programs and early childhood reforms.
- Negative flow-on effects for child care suppliers important to sustaining the child care industry.

### Child Care Industry impacts:

- Highlighted the vulnerability of commercial child care services and privately-owned children's services infrastructure to economic downturns.
- Provides the opportunity to rebalance the child care market
- Destabilising for the early childhood workforce:
- Disruption to State regulators

### Impacts on local government

- Pressure on councils and local councillors to solve the resulting child care problems on behalf of local families;
- Disruption to council officers responsible for family and children's services and coordinating local networks of service providers

## SOCIAL IMPACTS

### Disruption to families (parents and children)

Research has shown that for young children aged 0-8 years, changes to their environment and the people responsible for their daily care and education can be a challenging 'transition'.

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<sup>4</sup> Northern Grampians Shire council, in rural Victoria for example, reported that ABC opened a centre in the township of Stawell in 2007 after the councils well-established not-for profit child care service was upgraded into a Children's Hub. Since opening, the ABC Learning centre had not exceeded 30 per cent of its capacity despite aggressive marketing and pricing strategies aimed at competing against the council owned centre (for example, marketing a week's free child care) The councils says it was "rightly identified by the receivers as one of the commercially unviable centres.

Given this, the uncertainties associated with the collapse of ABC Learning in 2008 would have affected the consistency and quality of the care provided at the ABC centres, despite the goodwill of staff, managers and parents.

The content and number of local media articles about closures of services (threatened and real) is an indicator of the level of community concern about the management of local child care services and the unpleasant consequences for families of suddenly being left without any formal child care arrangements.

Many councils have reported receiving calls from “anxious” or “stressed parents” over the past five months. These parents were seeking information about alternative child care placements, fearing that their centre closed. In addition, many calls from parents concerned the actions that councils could/would be taking to keep the child care centres operating. Some parents sought the help of councils to re-open centres closed in 2008 as community-based, not-for-profit services.

It is understood that staff have left ABC centres over the past five months in order to find secure employment elsewhere. Finding suitable replacement staff urgently is a difficult challenge for child care centre managers, particularly experienced or qualified staff.

Where centres have closed with limited notice, children and their families have had to make sudden adjustments as result, including: new travel arrangements, orientation to new centre procedures, routines and staff, and establishing new relationships. In some cases, the alternative placement offered to the family may not prove satisfactory to the family and the child may again experience yet another transition, in a matter of months.

Families enrolled within the ABC2 group of centres will be hoping that a transition of business to a new provider is achieved by 31 March. Inevitably, this will mean the imposition of changes regardless of how well-managed these transmissions will be.

Potential for disruption to Australian workplaces and employment security for parents with young children.

One consequence of enforced closures of centres is the risk that some families may suddenly be left without any formal child care arrangements, preventing a parent from attending work. In areas where ABC Learning controls the child care market (e.g. in some rural townships ABC Learning is the only child care centre provider) the consequences may be that families will no longer be able to participate in the labour force or undertake formal study.



## FINANCIAL IMPACTS OF THE COLLAPSE

### Use of substantial public funds to bail-out the failure of big business

The Federal Government first announced a \$22 million funding package in November to ensure all ABC Learning centres remained open until the end of December 2008. An additional \$34 million funding package was announced in December 2008 to enable approximately 25 per cent of the ABC centres (classified as unviable by the receivers) to remain open until end of March, 2008. These subsidies enabled contingency planning for the families and staff from the 55 centres that closed in January 2009.<sup>5</sup> However, the provision of Federal Government subsidies to the receivers of ABC centres means that Australian taxpayers have effectively been subsidising the failure of a big business. Such subsidies would have had far greater effect if they had been invested in publicly-owned child care infrastructure.

Victorian councils believe that Federal Government policy has failed, leading to parents relying on the market dominance of for-profit child care services. This has resulted in all parties experiencing the consequences of the failure of the largest business – ABC Learning.

### Potential for diminished Federal expenditure in short term for child care programs and early childhood reforms.

The subsidies to ABC Learning to keep centres open into 2009 was an unexpected child care expense for 2008-09. The MAV is concerned that this might lead to an attrition of expenditure (or reduced funding opportunities) in the national child care program for the current budget period, 2009-10 and beyond. The MAV is also concerned that Federal initiatives in the CCB scheme, and Federal expenditure in 2009-10 for COAG's National Reform Agenda in early childhood may diminish.

### 2.3 Negative flow-on effects for child care suppliers

As has already been seen in media reports, the sudden closure and rationalisation of ABC centres, has had a negative impact on some suppliers in the child care industry<sup>6</sup> including some local suppliers (e.g. laundry and food suppliers) in areas with a concentration of ABC centres. The ongoing viability of important suppliers to the child care industry, within a strong, diverse market of suppliers is a crucial element of a stable child care and sustainable industry.

## IMPACTS ON THE CHILD CARE INDUSTRY OF THE COLLAPSE OF ABC LEARNING

### Highlights the vulnerability of commercial, for-profit child care services and privately-owned child care infrastructure, during an economic downturn

Commonwealth and Victorian government policy has identified the importance in early years services in increasing the productive capacity of the economy through enhancing workforce participation and improving learning outcomes.

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<sup>5</sup> It is understood that child care places from the ABC centres that closed were, in most cases, consolidated to a centre operating within 2.5 kms. Most enrolled families were offered places at an ABC centre, but a small number were offered places in nearby child care centres run by other providers. It is also understood that 80 per cent of staff from closing centres were re deployed to nearby ABC centres.

<sup>6</sup> including casual employment placement agencies, outdoor play equipment provider

The recent collapse of ABC Learning and other private child care services has highlighted the high risks from significant market concentration in the for-profit sector. As private providers almost satisfied the growth in child care demand, the industry faces ongoing risks around the failure of private providers and the consequential effects on families and children.

The collapse of these companies had significant consequences for many elements of the industry, such as the building owners, staff, management, shareholders and families. Moreover, it has led to significant risks for Commonwealth and state government to actively direct the market to ensure continuity of care.

Given the importance of the service to families and the development trajectory of children, significant questions remain about the viability of for-profit entities in the child care industry. This is particularly the case given the unprecedented market concentration of ABC, implying economies of scale are limited for the service.

#### Provides the opportunity to rebalance the child care market

Local government in Victoria is keen to ensure the availability and accessibility of child care services in *all* communities. Ideally, families will also have some opportunity for choice in selecting in a not-for-profit, community-based service or a for-profit commercial service. As explained above, Victorian councils play a key role in the provision of publicly-owned children's services across the state. The MAV's policy position argues that maintaining a mixed economy in child care,<sup>7</sup> ensuring a better balance between the proportion of publicly-owned and privately-owned child care assets and between child care services run for-profit and not-for-profit, will provide benefits to the community.

Figures for Victoria show that up until 2008, the private/commercial sector in child care was growing at a very fast rate, with the number of publicly-owned child care places remaining stable. This was the case in spite of the fact that there are long waiting lists for community-based long-day care services.<sup>8</sup> Many councils had expressed concerns that local families no longer have a real choice when selecting their child care<sup>9</sup> and discussed with the MAV their concerns about the risks associated with the market concentration of ABC Learning. This concentration now appears to have been even greater than the public were aware, as investigations into the failed child care businesses are revealing many close connections between ABC Learning and other failed private child care operators. The collapse of ABC Learning and the subsequent review of current Federal child care policy and controls, such as this Senate inquiry, provides an opportunity to change the balance in the child care market between not-for-profit/for profit child care operators and between publicly-owned/privately-owned child care centres/facilities. The MAV supports greater Federal investment in community infrastructure, including children's services centres.

#### Destabilising for the early childhood workforce

There is presently a critical shortage in the current and projected early childhood workforce. This evidence has underpinned a number of initiatives being implemented already by the Federal and Victorian Governments, to provide incentives to attract people

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<sup>7</sup> *April 2005 – Local Government Supporting Child Care across Victoria*, a joint paper by the MAV and Community Child Care Inc.

<sup>8</sup> The City of Greater Dandenong, for example, reports that their seven community-based child care centres have ongoing waiting lists whilst the local centres which are privately operated report vacancies.

<sup>9</sup> City of Whittlesea is one such example, a growth council at the interface of metropolitan Melbourne and rural Victoria.

to undertake TAFE courses in child care and increase the total number of qualified early childhood personnel. The ABC collapse has worked against these initiatives, by sending a message to the current child care workforce and those considering a career in the child care industry that employment – in the biggest market segment (commercial providers), or the child care industry generally – may be insecure.

Many councils have expressed concerns for early childhood workers employed at the ABC centres. Concerns relate to the insecurity of their employment. In addition, there is concern that ABC staff may be fearful about the status of their ABC training courses with uncertainties about their continuation and recognition.

Such insecurity may well lead to staff making decisions to leave the child care industry, thus exacerbating current and predicted shortages in the early childhood workforce.

### 3.4 Disruption to State Regulators

The collapse of ABC and other child care operators, has placed urgent pressures on state regulators (in the case of Victoria, monitoring and administering the children's services legislation and regulations is the responsibility of Department of Education and Early Childhood Development (DEECD), specifically the Office for Children and Early Childhood Development and children's services advisers in Regional Offices throughout Victoria). The need to respond to all stakeholders about the extent and impacts of the collapse, collate information, provide information and prepare contingency plans has proven to be a time-consuming task. This has required a major commitment of DEECD resources, at a time when the Department has been implementing its new *Blueprint for Early Childhood Development and School Reform*, and working to support COAG in its reform agenda for early childhood.

The collapse has brought into sharp relief the obligations of licensees regarding matters such as the notice required to be given to regulators and enrolled families before closure of the service, relinquishment of a license, and conditions required by a licensee wishing to transfer their licenses.

## **IMPACTS ON LOCAL GOVERNMENT**

### Pressure on councils and local councillors to 'solve' the resulting child care problems for local families

It is common for community members to turn to local government for assistance when local services are faltering and access to services and activities, especially by vulnerable groups, is threatened or compromised. In the case of the threatened closure of local ABC child care centres, many councils have reported that anxious parents have been contacting them seeking support to prevent the closures or requesting they take steps to 'take-over' the services or centre.

Councils are often left with unviable services and assets, while private providers pick up the most profitable. In 2008, the MAV understood that less than half of Victorian councils directly operate long day child care services and that many councils do not intend to undertake this role into the future.

Disruption to council officers responsible for Family & Children's Services and coordinating local networks of service providers

Consideration of the local impacts of the collapse of ABC Learning and other child care chains has placed urgent pressures on local government staff.

The need to respond to all stakeholders particularly concerned parents, local media, the collation of information and preparation of reports to council about local child care needs, services and response options has proven to be a time-consuming task. This has been a major concern for councils at a time when all Victorian councils have held elections (November 2008) and new councillors are being orientated to all program areas across the corporation. It is worth noting that 50 per cent of Victoria's councillors were not re-elected at the recent elections. Some councils have held special meetings to consider their current child care policies and responses to the threatened closure of local ABC centres.

## ALTERNATIVE OPTIONS AND MODELS FOR THE PROVISION OF CHILD CARE

As previously indicated, the MAV has commissioned work to examine and develop potential restructure options to facilitate the involvement of local government and community organisations in operating ABC2 centres and other closing centres. This has involved consultation and other research into ownership structures and potential new operating models for child care services.

At this stage however, to assist in consideration of better models for the provision of child care, the MAV urges the Federal Government to support the development of new models that will:

- grow the community-based, publicly-owned children's services sector;
- achieve integration of care and education in the early years;
- invest in local infrastructure;
- recognise the role played by FDC, Occasional Care and Kindergarten services (and commit to a review of Federal funding and subsidy arrangements for each of these services)
- expand options for vacation care
- better fund the inclusion of children with additional needs.

### **GROWING A COMMUNITY-BASED, PUBLICLY-OWNED CHILDREN'S SERVICES SECTOR**

In considering the future for child care in Australia, the MAV strongly advocates for policy which supports and grows the community-owned children's services sector.

Research indicates that the community-based sector offers higher quality child care services than the commercial sector. There are certainly long waiting lists for community-based long-day care services in Victoria.<sup>10</sup> Many councils report examples of the ways their child care services contribute to the provision of a cohesive service to disadvantaged families: including children under child protection orders, children or families 'at risk' and children with additional needs (Some examples of the added care and supports provided include: staff washing children's clothes; breakfast and or dinner is provided for some children; Centres keeping a spare stock of bottles, bags, dummies, clothes; employed extra support staff).

The MAV believes that families in all areas should have a choice about their child care service. Until late 2008, the private child care sector was growing at a very fast rate, and the publicly-owned share of the market was falling dramatically. This was the case in spite of the fact of long waiting lists for the community-based centres. Many councils have expressed concerns that local families no longer have a real choice when selecting their child care<sup>11</sup>.

### **WORKING TO ACHIEVE THE INTEGRATION OF CARE AND EDUCATION IN EARLY YEARS**

The MAV also strongly supports the development of a nation-wide network of community-owned child and family services hubs. The construction of centrally located children's hubs, where services are managed in a way to improve their access and integration, is seen as a preferred model by councils involved in planning the redevelopment of their

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<sup>10</sup> *The City of Greater Dandenong, for example, reports that their seven community-based child care centres have ongoing waiting lists whilst the local centres which are privately operated report vacancies. The City of Greater Geelong has 412 children on its waiting lists for its 7 child care centres, whilst it is known that many privately-operated child care centres in the city are not operating to capacity.*

<sup>11</sup> *City of Whittlesea is one such example, a growth council on the interface of metropolitan Melbourne and rural Victoria.*

children's services. Meeting the costs of such redevelopments has proven prohibitive,<sup>12</sup> and Victoria has welcomed the recent rounds of capital grants from the Victorian and Commonwealth governments to support the establishment of new children's hubs and early learning and care centres. This investment needs to continue and better reflect the true costs of these building projects including land costs. What is also needed is upgraded funding (from both states and Federal government) to enable 'single-purpose services' to become flexible and integrated.

## INVESTING IN LOCAL INFRASTRUCTURE

Two important issues are influencing councils' provision of important children's services infrastructure including child care facilities and explaining the reason why councils require capital investment from other levels of government for their continued operation.

### The increasing cost of new infrastructure.

The cost of providing new community infrastructure has increased dramatically over recent years. Yet this infrastructure is necessary to ensure the availability of children's services in all local communities. Facilities requiring construction include long day child care, occasional care, kindergarten and venues for parenting supports such as maternal and child health, conducting playgroups, parenting classes/groups and consultations with visiting specialists. In addition, the growth in models (for more integrated children's services) has added significant additional costs associated with land costs, building design and project management (this excludes additional costs of services coordination and ongoing relationship management). In those municipalities with population growth areas, the pressure to provide new infrastructure is particularly pressing.

### The cost-burden on local government for renewing ageing infrastructure used for children's services.

Cost-burdens on councils are resulting from the need to replace a high proportion of ageing community infrastructure. These burdens are becoming increasingly difficult for local government, particularly those in rural areas with declining populations. This important issue is highlighted by the Australian Local Government Association (ALGA), in its *10-Point Plan* for reinvigorating local communities (2007). The ALGA argued for federal investment through a Community Infrastructure Renewal Program, and federal strategies to offset/address the costs to local government of providing important community infrastructure. While the funding provided under the recent *Regional and Local Community Infrastructure fund* provides significant support to councils, further support is required to address this challenge.

As indicated previously, local government remains the major provider of children's services in Victoria. Facilities for children and families supplying a wide range of services require urgent replacement in many municipalities.

Adding to pressure on councils to provide land and facilities for children's services is the fact that increasing numbers of non-government organisations (NGOs) including churches are reporting to councils similar concerns about cost of renewal of facilities and seeking

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<sup>12</sup> *Victorian councils have gathered considerable experience in constructing and managing children's services /community services hubs, with a range of service configurations developed in response to local needs. The convenience for families of co-located children's services is being emphasised now by state and federal politicians. However, Victorian local government sees further benefits arising from co-located services that are truly integrated. There is considerable knowledge within Victorian councils about best practice in building design, centre governance and staff management to support service integration. Policies and further investment in hubs for child and family services requires more discussion and cooperative planning between levels of government about the aims, principles and core components of such hubs.*

council grants to upgrade their children's facilities. Some NGOs have closed local children's services and sold the facilities and land. In other municipalities, particularly rural shires, NGOs have sought to hand-over responsibility for children's services to local councils.

### **PREVENTING FUNDED CHILD CARE PROVIDERS FROM LISTING ON THE STOCK EXCHANGE**

In addition to publicly-owned children's services, not-for-profit and for-profit, independent providers also make a valuable contribution to the mixed economy for service provision. However, in light of the ABC Learning collapse and community concern about "profits" from child care being siphoned off to shareholders, it is recommended that the Federal Government consider the exclusion of corporate providers being listed on the stock exchange if they wish to participate in the child care industry.

#### **Recommendation 1. Funded Child care providers to be banned from listing on the stock exchange.**

The following section contains recommendations for the strategic responses required by all levels of government in order to address the issues outlined above.

## ROLE OF GOVERNMENT

Victorian councils and the MAV consider that it is the failure of Federal child care policy that has led to the proliferation of privately run child care, and all the risks associated with this proliferation are now being felt with the subsequent failure of ABC Learning. As a result, the Federal Government must now take a stronger leadership role.

The Federal Government is ideally placed to lead the development and coordination of policy responses that lead to the best outcome for children's development and learning. The Federal Government also needs to commit to undertaking a review of the child care industry, policy and funding and develop a strong new national framework and structural reform of child care policy.

However, the demise of ABC Learning provides a unique opportunity for all three levels of government to forge new policy directions including alignment of child care programs and early years education.

## THE FUNDING OF CHILD CARE SERVICES/INFRASTRUCTURE

The Federal government must facilitate solutions that will maximise opportunities for the transfer of services to community-based not-for profit providers and child care centres into public ownership. To assist with this the MAV believes that:

***Recommendation 2. An urgent support package is required for the not-for profit sector to enable a 2009 response***

It is recommended that financial incentives are made available to enable local government and NGOs to competitively bid for ABC centres. In particular, financial incentives may be appropriate to enable the purchase of centres or property currently leased to ABC2 Group services, and which are deemed as essential infrastructure for child care/children's services.

Importantly, the Federal Government must also consider incentives and structural adjustment packages for centres located on high value sites. Such incentives would ensure that high value land with purpose-built child care/children's facilities can be transferred into community ownership. This would be preferable to seeing centres on high value land sites sold for other purposes, and is particularly important in areas where the unmet need for child care is demonstrably high.

In order to ensure the involvement of the not-for profit sector, the Federal Government needs to make available special *incentive and establishment grants*, to assist community-based, not-for profit child care providers (including interested councils or 'cluster managers') to pull together adequate resources to:

- appropriately assess the business being offered for transfer and the future viability of the service (due diligence; transmission of business responsibilities/costs; preparing business plans and budgets).
- effect a seamless transfer of operations by 1 April 2009 (e.g. transmission of employees; recruitment of new staff/suppliers; centre processes/practices; recruit staff; communicate with enrolled families; renegotiations of lease agreements).

***Recommendation 3. Ongoing funding needs to be directed to local government, for children's services infrastructure and to support the integration of ABC Learning centres with existing local infrastructure.***

Capital funding, from both Federal and State Governments, should continue to be made available for publicly-owned child care facilities into the future.



Capital investment is essential to retain, grow and strengthen the community-based children's services sector; with government capital investment required to develop community-based services in areas where none exist and where there is evidence for viability.

The Victorian Government's *Plan for improved outcomes in Early Childhood* recommended that Federal Government:

- a) Increases the availability of child care places for children aged 0-2 years.
- b) Provides capital support for child care services in areas of high unmet demand.
- c) Ensures that all early childhood education and care centres offer a kindergarten program<sup>13</sup>.

These actions are strongly supported. The MAV recognises the importance of the policy and budget commitments made by the Federal Government to improving early childhood education, and COAG's adoption of Early Childhood as a key element of the National Reform Agenda. Work has already progressed towards the achievement of b) and c) above, including capital grants to support the establishment of 260 new early learning and care centres nationally. In Victoria, the rollout of this capital grants program has been particularly successful because it:

- Built on a state capital grants program to local government for integrated children's centres. This provided incentives to Victorian councils to continue to invest in expensive hub projects, built their capabilities in establishing integrated children's centres and brought the total contribution to a more equitable level. Victorian councils have learned the true cost of building and establishing an early learning and care centre can be up to \$10 million – depending on the number of services being offered from the particular site. There are crucial hidden costs in these hub projects, including costs for project management and developing sustainable governance and management models for integrated service centres, now identified as critical for their success. Capital grants to local government need to reflect the true costs of building such facilities and should represent a reasonable proportion of the total project costs.
- Harnessed the skills of local government in place-based planning and municipal early years planning by allowing the state to roll-out the grants project in close collaboration with Victorian councils.

These examples demonstrate why it is best for capital grants for children's centres be offered first to local government. Local Government offers the highest capability and the lowest risk in terms of competent management of publicly-owned assets distributed at the local level, and ensure public ownership in perpetuity.

Ongoing Federal incentives are required for the development of new facilities in specific areas:

- a) those where there has been *market failure* – and inadequate numbers of commercial child care providers exist (to meet needs);
- b) *rural townships* and regional centres where the presence of children's services and child care services have been identified as crucial for the sustainability of the locality. The sustainability assistance grants have proven vital for rural children's centres, and should be continued.
- c) *growth corridors*. Councils experiencing rapid population growth require grants for the development of children's services centres to offset the enormous pressure on

<sup>13</sup> Department of Premier and Cabinet (2007), *National Reform Agenda – Victoria's Plan for Improving Outcomes in Early Childhood* (page 26)

their own capital works programs. The MAV is aware that the National Growth Areas Alliance is also seeking funds to meet infrastructure shortfalls for growth areas. In growth areas it would be necessary for grants to include funds for both capital works as well as for the purchase of land, as this may be the only way to achieve new publicly-funded child care centres built in these areas.

These initiatives would work hand-in hand with the reintroduction of stronger Federal controls in planning for controls for new child care services which will receive federal funding.

**Recommendation 4. Federal Government to establish a needs-based planning system for long day child care services which is linked to CCB approvals (payments to services.)**

The MAV supports strategies that will enable the Federal Government to use CCB approvals to influence planning for new child care services. This includes promoting the development of child care places in localities where the market has failed to meet demand (where waiting lists remain high) or to ensure the viability of existing child care services. Victorian councils actively contributed to the Commonwealth planning process in the past through annual surveys of child care demand in all municipalities.

**Recommendation 5. Federal Government to review and extend its CCB Scheme.**

CCB is paid by the Federal Government to approved child care services in order to offset the costs of child care for families. The MAV strongly supports the retention of the federal CCB but believes that CCB could be used even more strategically.

CCB should better support children at risk/disadvantaged.

Many families/children who are disadvantaged are not receiving child care although participation in a quality child care environment has been recommended as it would provide many benefits. A key barrier is believed to be the cost of child care. Specifically the MAV recommends:

- That the Federal Government ensures CCB is made available for children who are under protective orders (and other children that state government agency workers deem to be at risk) and commits to developing protocols with the state(s) to ensure this.
- The guidelines and eligibility criteria for CCB and Special Child Care Benefits (SCCB) should be reviewed with attention to their impact on children or families at risk or disadvantaged. The current guidelines should be simplified to ensure they are more readily understood by families, and services and benefits are made available for all eligible children. Many councils are seeking to ensure that CCB and/or SCCB is more readily accessible for children who are being supported by disability agencies. In regard to ensuring better community support for vulnerable families, many councils point out that child care providers should not be left to carry the bad debts of vulnerable families who do not pay their child care fees (or their component of the fees), in instances where the provider agrees to continue to accommodate the children because they are considered to be 'at risk'. This is a particular issue in some areas identified as socially disadvantaged.

Importantly, the MAV contends that Federal funding for early intervention services (Inclusion Support Program, and the Inclusion Support Subsidy Program) has been crucial for supporting disadvantaged families and children, and seeks an increase in federal funding of these programs from 2009, in order to ensure that current levels of service

provision can continue to be delivered in Victoria in face of unexpected increases in birth rates.

CCB should be extended for all/more casual and occasional child care.

At present, many families using casual and occasional child care places are not receiving CCB. The MAV has identified variable levels of understanding by child care service providers about when families are eligible for CCB or SCCB for casual and occasional child care placements. This situation should be remedied (perhaps a review and simplification of CCB guidelines) in order to maximise accessibility for eligible families to these benefits. In some small rural townships/areas, occasional child care may be the only form of centre-based child care available.

CCB should be available for kindergarten services offering 'extended hours'

Amendment of the CCB scheme to allow extended hours kindergarten services to qualify for CCB, in all areas, but especially rural areas is recommended. This is considered a key to achieving a better integration of kindergarten and child care services in Victoria.

Making such changes to the CCB scheme is considered crucial for improving outcomes for young children, particularly at risk or disadvantaged families. This position is supported by the Victorian Government.<sup>14</sup>

**THE COLLECTION AND REPORTING OF CHILD CARE DATA**

The Federal Government needs to invest in systems that will provide sound data about child care supply and demand. The gathering of reliable data on the supply of child care places and demands for child care is a critical component for sound policy development and forward planning by all levels of government for child care service delivery. The MAV recommends:

**Recommendation 6. The Federal Government's new tools – the CCMS (computerised child care management system) and the 'mychild' website – should be extended to allow for collection of data on child care supply and demand.**

It is important that valuable resources are not duplicated in the search for accurate data on child care supply and demand. The MAV supports the collaborative efforts by all three levels of government to achieve agreements for regular reporting on a national, statewide, regional, local and suburb level.

**REGULATORY FRAMEWORKS AND LICENSING REQUIREMENTS**

**Recommendation 7. States to retain responsibility for legislation, regulation and licensing of child care services.**

Each state currently takes responsibility for regulations and licensing of child care. Victoria is presently undergoing a review of its *Children's Services Regulations* and the release of the Regulatory Impact Statement for the new draft regulations occurred in January 2009. The State Government has relied on the international early years evidence

<sup>14</sup> *The National Reform Agenda – Victoria's Plan for Improving Outcomes in Early Childhood (NRA) (2007). The Victorian Plan recommends that the Federal Government "...increases the rate of Child Care Benefit for early childhood education and care services that provide places to children, who are indigenous, recently arrived refugees (without VISAs), have a disability or are in the protection of the Victorian Child Protection Service". ( pages 25&26, and ACTIONS 40- 43 , page 42)*

base to underpin its new set of regulations and has consulted with the MAV and other stakeholders in the child care sector with many opportunities to provide input to this review. The State has recognised the need to respond to this evidence and address the need for quality early childhood services regardless of the child care setting of the young child.

The State's roles and authority in licensing of child care services follows from this regulatory review. The MAV, therefore, supports the State retaining responsibility for regulating and licensing child care services and believes the State is best placed through the RIS process to review and develop appropriate regulations for child care.

The MAV recognises that the history of Victoria's development of children's services has influenced both the training and qualifications of staff in the children's services field.

### **Recommendation 8. Each state to undertake a review of its current regulations and licensing requirements**

As a result of the ABC Learning collapse, and in order to better manage risks in future, it is recommended that each state undertake a review of its regulatory and licensing requirements to ensure that the rights of families, child care staff and government regulators are protected. The review should include:

- the extent of obligations of current licensees regarding notification of closure or transmission of business;
- the terms of transfer of license and applications for a new license (how it does protect the interests of the enrolled families, how does it impact on balance within the local child care market and Federal policies for child care?). *Transition Plans* might be required under the licensing requirements, which could demonstrate efforts to be made to reduce the impacts of the change. This might become part of the conditions required to receive a State government license to run a child care service or to receive Federal CCB.
- The penalties for licensees that do not abide by the requirements above.

## **ROLE FOR GOVERNMENTS IN DEVELOPING AUSTRALIA'S CHILD CARE WORKFORCE**

### **Recommendation 9. Federal and State Government to continue investment in workforce development**

The MAV supports the current round of incentives by Victorian and Federal Governments and continuing commitments to invest in the provision of more tertiary places and quality training opportunities for the early childhood workforce. Such initiatives are essential not only to manage current and expected shortfalls in the early childhood workforce across Victoria and Australia,<sup>15</sup> but also to underpin nation-wide programs aimed at ensuring or improving the quality of early childhood services, particularly child care services<sup>16</sup>.

All levels of government share responsibility for addressing the current poor status and funding of the early childhood (EC) workforce. COAG has assisted with this by undertaking a number of actions to improve the quality of early childhood education and care services and improve the supply and professionalism of the early years workforce.

<sup>15</sup> *The National Children's Services Workforce Survey*, by the Community Services Ministers' Advisory Council, July 2006, predicted a national shortfall of 7,320 staff by 2013.

<sup>16</sup> Including the introduction and strengthening of national Quality Assurance systems for federally funded child care programs.

The MAV seeks a greater investment in education and training courses for EC workers, including courses that will bring together providers of early childhood care and early childhood education. This is seen as crucial to improve the integration of EC services in Victoria. Therefore the MAV supports implementing further *workforce development initiatives that*:

- a) Fund development of new courses and traineeships in children's services,
- b) Offer a range of incentives to achieve a workforce with higher qualifications,
- c) Initiatives to support development of career structures within children's services workplaces or industry; and
- d) Fund research and professional development opportunities which would assist children's services professionals to better resolve and find solutions to industry issues (such as recruitment and retention issues).

## **A NATIONAL CHILD CARE AUTHORITY?**

It appears that COAG can provide adequate authority and generate the policy direction necessary for governments to work collaboratively at the national level for early years reform. The development of the National Early Years Learning Framework, in 2008, has proven this.

However, useful roles for a national child care committee might be to:

- Monitor the outcomes of Federal policy, funding and planning controls on the child care industry and families.
- Review the criteria and application processes of planning controls or new federally funded child care services.
- Evaluate the outcomes of various approaches by each state, against agreed national performance indicators, to feed into national improvements for the child care industry.
- Evaluating available data collection and reporting opportunities to support the roles of federal, state and local governments in child care service development and planning. Data will support assessments of service accessibility and quality. Some data would also be available to the public.

## **OTHER RELATED MATTERS.**

### **FAMILY DAY CARE SERVICES**

The child care market should be viewed comprehensively and the role of FDC as key option for long-day child care services must be also be considered as part of any Federal review of child care provision and policy development. All government communications for families about child care services and options should ensure that FDC is included on an equal footing as other forms of child care, as is recognised as a legitimate child care option.

The MAV is seeking from Federal Government recognition that network funding for FDC has eroded the operational budgets of schemes to levels that are no longer sustainable. As a result, the MAV is investing considerable resources to undertake benchmark research and strategic analysis into the development of more sustainable models of FDC, however this alone is not enough. The MAV also seeks a Federal Government commitment to undertake a formal review of cost drivers in FDC and the impacts of funding changes to the FDC industry (or service supply market).

FDC coordination units play a crucial role in the implementation of federal quality assurance frameworks for FDC services and the development of the FDC care provider workforce. It is important, therefore, that Coordination Units are adequately funded to maintain these roles into the future.

While the MAV supports the position of FDCA for at least a 10 per cent increase in network funding for FDC schemes what the MAV wants to see in FDC are:

- New federal funding agreements tied to standards and outputs;
- More flexibility built into the Federal Government's network funding to FDC schemes and their funding agreements with schemes. A Federal Government approach to funding FDC must recognise and reflect the fact that 'one size' does not fit all operating environments or communities across Australia. *Network funding* should enable a range of models of FDC service delivery.

### **Recommendation 10. Federal funding for FDC services to be reviewed**

#### **VACATION CARE FOR OLDER CHILDREN WITH ADDITIONAL NEEDS**

The issue of appropriate vacation care for children with higher support needs and aged 12 to 16 years has been of concern for many years. Many councils report that requests for support around this issue are increasing, however generic vacation care services which cater for children from six years of age, may not be appropriate for older children with additional needs, especially those presenting with challenging behaviours.

The provision of federal funding for some of these children through the Inclusion Support Subsidy is important, but does not alone address the problem of service and program suitability. New service types need to be available for these children and families. Federal funding for such alternative services needs to recognise the higher unit-costs of providing care for additional needs children, such as educational equipment, specially trained staff, appropriate premises for service provision and specialist transport requirements.<sup>17</sup>

### **Recommendation 11. More service options need to be made available in federally-funded vacation care for older children.**

#### **INCLUSION SUPPORT SUBSIDY (ISS) PROGRAM**

Inclusion support funding is proving inadequate to meet increasing demand from families seeking child care services for children with additional, high support needs. Inadequate funding support is preventing many children from securing child care placements or places extreme pressures on agencies and councils which commit to offering placements to such families. The unit rate of the ISS should be increased in order to reimburse services providers for the total cost of providing the agreed supports.

### **Recommendation 12: Review the unit costing in the Federal Inclusion Support Subsidy Program .**

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<sup>17</sup> Greater Geelong City council report that in response to this service gap for older children with high support needs, several Early Intervention Agencies in the Barwon region investigated running specific programs for these children, but the main obstacle to any of these programs has been lack of funding for appropriate child/staff ratios and the availability of staff and an appropriate environment.