



Senator the Hon Simon Birmingham

Minister for Education and Training

Senator for South Australia

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Dear BBF Funding Recipients and Services,

I am writing to clarify the arrangements being put in place to support Budget Based Funded (BBF) services to operate under the Jobs for Families Child Care Package (the Package).

BBF services play an important role in their community, providing much needed early learning and school aged care or family support services, often in challenging circumstances. I am committed to ensuring that valuable community services continue to operate beyond the introduction of the Package. I want to assure you that you will be able to continue to tailor the delivery of your service to the needs of families in your communities. This includes delivering culturally focussed and integrated services to ensure that the needs of all children are met. The Department of Education and Training is working hard to support BBF funding recipients to enable your service to operate effectively in the new child care system. To this end, I thought it would be useful to set out my commitments to you and your communities.

Firstly, I can assure you the changes under the Package do not come into effect until July 2018. Your current BBF funding agreement ends on 30 June 2017 and as per usual practice, in 2017 we will issue funding agreements for the 2017–18 year. You should not be concerned that BBF funding will cease before the introduction of the Package.

The next 18 months is a period of transition. I will ensure my department continues to work closely with you during this time and beyond, to support your service's successful transition to the Child Care Subsidy (CCS). This work has commenced with PricewaterhouseCoopers (PwC) who have been preparing assessments of the capacity of your service to operate in the new child care system. As you know, this work has involved PwC visiting funding recipients to develop a good understanding of your service, families in your local communities and to better understand the current business and operating model in the context of the Package. PwC has also worked with funding recipients on a range of options for your service in transitioning to the new arrangements. This has been documented in your transition plans. Centre-based services should have received a copy of their plan, and mobile services will receive theirs by early 2017, if not before. This work has been conducted on a service-by-service basis because each service is unique and we want to ensure that the good things already happening continue to take place after the transition to the new package.

This is important work, but it is just the beginning. There will be more support commencing in early 2017 based on the needs identified in the transition reports. PwC and my department will work closely to tailor this support and ensure key issues are addressed.

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There are a number of BBF services for which the core purpose is not child care, but family or community support. The Prime Minister, the Hon Malcolm Turnbull MP, has given a firm commitment that we will identify alternative funding sources for these services and support them to transition to these new arrangements. I am working with my ministerial colleagues to find the best solution for these services and the PwC reports will support this work.

As you know, the current BBF program is capped and closed to new providers and does not have capacity to respond to changes in demand or to enable new services to open where they are needed. As a result, some BBF services receive tens of thousands of dollars per child while others have to manage on less than \$100 per child. The total funding available for BBF services has remained stagnant in real terms, while funding for mainstream child care has increased steadily for many years. I understand that some stakeholders have called for a separate grant fund for Aboriginal services. To do this would create these same issues, whereby artificial limits would be set, and services would not be paid according to the numbers of children that attend. I want to ensure that services supporting our most disadvantaged families have access to the same opportunities for additional funding available to other child care services.

The Package to be introduced in July 2018 has been designed to support a diverse range of services so that they have the flexibility to adapt to the needs of local families. As part of these reforms, families and BBF services will be able to access funding streams they have not been able to access previously. When combined, these funding streams will exceed the funding available through the BBF program:

- the Child Care Subsidy (CCS) is a per child payment. Services with more children than currently recognised through their BBF funding allocation will benefit. Families on incomes of less than around \$65,000 will receive a subsidy of 85% of the fees charged, (up to the hourly fee cap)
- the Additional Child Care Subsidy (ACCS) is a top up payment in addition to the CCS, recognising that some families require additional support. This includes:
 - temporary financial hardship
 - transition to work
 - grandparent carers
 - child wellbeing (that is children at risk of abuse or neglect) and
 - low income families who do not meet the activity test.
- the Community Child Care Fund (CCCF) which recognises the unique circumstances in which BBF services operate and the additional challenges and costs you face compared with other service types and mainstream child care services. The CCCF will have the capacity to recognise and support higher cost models of service delivery such as mobile services and services in remote communities, with low numbers of children in attendance.

I note that \$110 million is available through CCCF year on year, which is in addition to the ACCS and the uncapped CCS. Together, these three elements of the Package will offer significantly more funds than currently available through the BBF program.

I have taken on board concerns raised with me about the competitive nature of the CCCF. Based on this feedback, I have asked my department to structure the CCCF with the following key features for BBF services:

- Capacity for discretionary funding of services, outside the main competitive funding round
- Funding determinations would be informed by the work of the PwC consultants
- Capacity for 3–5 year funding agreements to enable longer term planning and to provide greater security of funding
- Funding will be available for services to supplement their fee income, in particular where a service may not otherwise be viable

- Funding agreements will include regular review points (at least six-monthly) with some capacity for funding adjustment either up or down, to respond to significant changes in circumstances affecting service income and costs (e.g. large changes to enrolment numbers or natural disasters)
- Services will know as early as possible how much CCCF they will receive from July 2018.

These are important measures that I hope will give you assurance that we understand the challenge facing BBF services, your communities and families, in transitioning to the Package. That said, we have an iterative transition process in place to carefully inform the final arrangements and I am committed to seeing that process through, particularly since there is plenty of time to do so.

I hope I have been able to reassure you that I take very seriously my commitment to ensure that the good work of BBF services continues to serve families and children well beyond this transition process. Please continue working closely with staff in my department, who are also committed to ensuring this transition is successful for BBF services.

Further information on the Jobs for Families package is available at: www.education.gov.au - Overview Jobs for Families Child Care Package.

Yours sincerely

Simon Birmingham