



COMMUNITY CHILD CARE CO-OPERATIVE LTD. (NSW)

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Mr Robert Fitzgerald
Presiding Commissioner
Contribution of the Not for Profit Sector
Productivity Commission
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Please find below Community Child Care Co-op's submission to the Productivity Commission's Study on the Contribution of the Not for Profit Sector

Thank you for the opportunity to comment on the issues within your terms of reference.

Yours faithfully,

A handwritten signature in black ink that reads "C Lymbery". The signature is fluid and cursive, with the first letter 'C' being particularly large and stylized.

Carol Lymbery
CEO
Community Child Care Co-operative

Who are we?

Community Child Care Co-operative (NSW) is a 30 year old not-for-profit organisation that promotes, supports and advocates for quality children's services, meeting the needs of children, their families and the community. We are a peak organisation in NSW representing over 1300 children's services, families and individuals.

We endeavour to:

- provide leadership which empowers the decision makers within children's services.
- identify service provision gaps and needs, and proactively target resources to these areas.
- support and collaborate with other children's services providers who reflect similar philosophical beliefs.
- embrace the value of difference and debate.
- be efficient and sustainable in the use of resources.
- be a role model for best practice in corporate governance and organisational operation.
- be a respected organisational citizen and a positive force in the community.

Although Community Child Care Co-operative represents services in all areas of the children's services sector, our members are predominantly not for profit community based **long day care services** and not for profit community based **preschools**.

Our submission thus predominantly reflects the views and interests of these two groups as well as our own organisation view as a not for profit organisation.

We have concentrated our submission primarily on:

- the unnecessary burdens or impediments to the efficient and effective operation of not for profit children's services that are caused by the actions of the Commonwealth Government;
- options for improving the efficient and effective delivery of children's services; and
- the unnecessary burdens or impediments to the efficient and effective operation of peak not for profit organisations such as ours that are caused by the actions of the Commonwealth Government.

Not for Profit Children's Services

What is not for profit childcare and what makes it so different?

Children's Services are delivered under a number of different management systems across Australia. Whereas once all childcare in Australia was delivered by not for profit organisations, between 1991 and 2001 the number of places in privately owned for-profit long day care services (a significant proportion of which were owned by corporations) increased by almost 400 per cent compared to only 55 per cent in not-for-profit services. Currently less than 35% of early childhood services in NSW are run by not for profit organisations.

Historically child care provision in Australia was dominated by community based not for profit services. This changed with the growth of for profit care under the previous Government, and continued to change after the listing of child care corporations on the stock exchange.

It is vitally important who supplies early education and care. Although all services are regulated by State Governments and subject to National Quality Assurance Systems, the ownership of childcare really matters.

It matters because research has repeatedly shown that community based not for profit care is:

- Higher quality care. Key indicators such as staff qualifications and staff children ratios, are consistently better in community based not for profit centres.
- More inclusive care. Research has also consistently shown that community based not for profit care services provide care for proportionately higher numbers of children with additional needs and with babies, the least profitable group to care for. They respond to the needs of the community including communities who may be 'hard to service' such as refugee groups, lower income families and geographically isolated communities.
- More cost effective for Governments. Rather than money invested in childcare exiting the system as return for shareholders, all money invested into community based not for profit care remains in the child care system. Community based not for profit child care systems are not run for personal profit – the money is returned to the service to enable the expansion and improvement of the service.
- Unless there is a robust community based not for profit child care sector, the sector is not capable of exerting pressure, through competition, on private and corporate suppliers to improve quality provision of care and keep prices down.
- Community based not for profit child care sector empowers individuals by involving them in the running of the service. They connect people to each other and to other services and supports, breaking down isolation and strengthening communities. Not-for-profit children's

services assist in strengthening families and community. They build capacity in local communities, are socially inclusive and contribute significantly to social capital.

- Community based not for profit child care services integrate with other community services.

What impedes the efficient and effective operation of not for profit children's services?

Despite the need for not for profit children's services this sector is shrinking as a proportion of the children's services sector. One of the reasons for this is because of the burdens and impediments created by the Commonwealth and State Governments to the efficient and effective operation of children's services.

These impediments include:

1. Increased regulatory burden

Not for profit children's services are usually managed by a committee or board consisting of the parents whose children attend the children's service at that time. Membership of a children's service management committees is a voluntary commitment, often undertaken by a parent with family commitments to a young child or young children who is newly returned to the workforce. Some committees manage to attract individuals who are highly skilled in their professional lives, some struggle to attract members at all. But for the most part, when an individual joins a management committee or Board of a children's service, they have not previously been involved in the management of a children's service.

The range of legislation and regulations that a children's service is subject to has increased constantly over the last few years. The penalties for non-compliance to this legislation have increased commensurately. Undoubtedly, the majority of additional pieces of legislation that a children's service is subject to increases the safety and quality of the service provided for children. However, it also increases the burden on the voluntary management committee that is responsible for ensuring their service's compliance.

These committees cannot keep pace with the new legislative requirements. The number of individual pieces of legislation they must adhere to makes it an impossibility. The result is that many not for profit children's services are unknowingly breaking laws every time they open their doors.

2. The need to fit in narrow service silos

Children's services are funded under a variety of funding programs, by various Commonwealth and State Government Departments. Not for profit children's services try and meet the needs of the community they serve. This endeavour is continually thwarted by needing to shape their service to the narrow service type that is funded by their principal funding body. Wouldn't it be great if it was accepted that each community would have certain needs for early education and care, if an amount was allocated to that community based on the number of children it contained, and the community was allowed to develop the appropriate early education and care solution they needed. Instead we have a situation where services need to be provided on the basis of a funding model. The consequences of this are intensified in the children's services sector where the Commonwealth Government is responsible for funding child care services and the state governments are responsible for funding preschool services.

3. Chronic underfunding

Not for profit children's services were once funded at a level which matched the cost of supplying the service. The previous Government's philosophy was to "level the playing field" between not for profit services and children's services run by the private market. This has led to chronic underfunding of children's services. This is most noticeable in the area of capital funding. Not for profit children's services are not in positions to adequately maintain the premises they are in, or expand their premises because they can no longer get access to capital funding as required. This lack of capacity to raise capital funds and to make necessary repairs and upgrades will mean that the proportion of children's services provided by the not for profit sector will continue to contract. This also has a long term spiral effect whereby because services are not able to maintain their appearance they lose market share to for profit services.

4. Lack of consultation with sector

Not for profit children's services are funded by Government in part because we can deliver services more cheaply than the Government could do through direct service delivery. We are often the mechanism through which Government implements its policy objectives in the child care sector. However, consultation with the not for profit sector is patchy at best. More and more children's services are expected to implement changed systems and mechanisms of service delivery with little consultation or interest from Government as to how it will effect service delivery by not for profit children's services.

5. Lack of appreciation of the difference of not for profit service delivery

As outlined earlier, not for profit children's services are substantially different than for profit ones. A significant barrier to their operation is that there is not enough understanding of this difference by the government departments that fund and regulate them.

Improving the efficient and effective delivery of not for profit children's services

When Government seeks to create new legislation and regulation that will impact on not for profit organisations such as children's services it needs to:

- Determine the net effect on the regulatory burden of those services. A single new piece of legislation when looked at in isolation may not impose a huge impost, but when added to the other 40 regulations the service already complies to, may be the straw that breaks the camel's back.
- Consider carefully the best method of educating services such as not for profit children's services of changes. Children's services are drowning in a sea of paper. Training courses /seminars/ upskilling of sector leaders may be better ways of getting the message across.
- Talk across Government Departments.

Not for profit children's services could be delivered more efficiently and effectively if there was more ongoing consultation with the sector prior to implementing changes to Government policy and if there was more appreciation of the value of the "not for profit difference".

Peak organisations

What is a not for profit peak organisation and what makes it so different?

The Commonwealth Government funds a range of "peak" organisations in the community sector to resource and support direct line community services. Community Child Care Co-op has been a peak organisation for children's services in NSW, especially not for profit children's services for over 30 years. During that time, what we have done has changed little. Essentially we have supplied not for profit children's services in NSW with support and resourcing, training and professional development and publications and advocacy. We do the research that they do not have the time to do individually, we work out the impact of changes to government policy on the sector, we provide support and information on issues that affect all children's services and we advocate for the needs of the sector with Government. What makes a not for profit peak so different? We provide a bridge between government and frontline services. Children's services can

approach us for support and assistance without it jeopardising their funding. As a fellow not for profit organisation we come from the same world as the not for profit frontline services.

What impedes the efficient and effective operation of not for profit like ours?

The need to change our service delivery to meet new funding guidelines

What Community Child Care Co-op has done as a peak organisation over the last 30 years has changed little. Not for profit children's services have always needed similar services from our organisation over this period. Community Child Care Co-op has had to constantly change how we supply those services to fit in with current government guidelines and programs.

On average, it appears as if every five to six years, a new program will be developed to which we have to apply for funding to enable us to continue to offer our services. With change occurring at this rate, just as we become efficient and effective at supplying our services under one set of funding guidelines to achieve one set of outcomes, we need to change it. We believe our frustration at this can best be summed up by the following quote:

'We trained hard, but it seemed every time we were beginning to form up into teams, we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation.'

GAIUS PETRONUS, A.D. 66

The narrow funding focus of many of the programs makes us difficult to supply the breadth of services required by our sector. Services go in and out of vogue with Government Departments, and with Governments, and we are required to change our outputs to match these changes. An example of this is advocacy. Not for profit children's services require advocacy, both individually and as a group, with government departments and with the community as a whole. Under the previous Commonwealth Government it was specifically included in our funding contracts that we were not to engage in advocacy work. Our contracts with the current government, specifically allows and in fact demands that we advocate for the sector.

The change from funding services to inviting tenders

Over the last ten years there has been a shift in Government funding models from grant allocation to purchasing outcomes through competitive tendering. This has:

- increased direct competition between various not for profit organisations which changes the landscape of peak organisations from one of co-operation to one of low level internecine war fare. Energy is thus expended on dealing with turf wars rather than delivering great outcomes for government and the community; and
- meant more time has to be spent on chasing funding and writing tenders than on service delivery; and
- meant continually reshaping what we do to fit the programs we are tendering for as opposed to the needs the children's services sector has.

The need to change our organisation to reflect the bureaucracy.

A recent Commonwealth Government tender application for not for profit organisations asks applicants whether their organisation has:

- an organisation chart
- duty statements for all positions
- financial policy and procedures systems manual
- chart of delegations
- business plan
- risk management plan

Most large not for profit organisations would have all of these documents. Many small not for profit organisations would not. It seems as if in order to meet the approval of the bureaucracy and therefore win funding contracts, not for profit organisations have to become more bureaucratic themselves. Although this is of course possible, some of the uniqueness of the not for profit model becomes lost in the process, not the least the responsiveness of organisations to the communities they serve.

Thank you for the opportunity to make this submission.