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### **Management of Business Risks for child care providers through the lens of the Not-for-profit sector**

The Productivity Commission Report explores for-profit providers' strategies for reducing financial viability risks. These include ensuring they pay prudent prices to acquire childcare assets, accessing capital with sufficiently low debt or equity financing costs, tightly controlling their costs and labour costs in particular and setting prices that match demand for services, including through lifting fees.

In 2014 Uniting Care Gippsland (a not-for-profit Church based agency) made the difficult decision to withdraw as operator from service provision of four child care centres across Gippsland. The 2012/13 agency financial year budget came in with a higher than expected child care program deficit that could not be sustained. The agency had provided a total of \$1.2 million to support child care centre operation since 2009/10. This significant subsidy was not able to be sustained into the long term and had the potential to impact on the standard of delivery in other programs and services across the agency.

The child care model of funding (i.e. CCB funding) made it difficult and unachievable to offer affordable, high quality services to all families. The agency position at the time of withdrawal and continues to be held, is that the new quality standards and regulations governing the delivery of child care is important and needed. Uniting Care Gippsland would not advocate for anything less. The bottom line is that quality children's services need a funding model that can be applied in both populated areas of Australia and the remote areas where communities are smaller, there is less community infrastructure and subsequently salaries are lower. The costs of running a high quality child care service are arguably the same; however the capacity for the families to meet the daily fees is significantly affected. The provision of a range of funding options such as Budget Based Funding models is imperative to ensure some equity of demographic variances in the Australian context. Significant effort has gone into creating integrated programs (that is, incorporating a joined up approach to formal early childhood education and child care) which work particularly well in rural areas where opportunities for staff are limited and joining up of programs ensures a more seamless progression for children to move from early learning and care into the primary school education system.

There is much work to be done in ensuring both State Governments who fund Education programs and Federal Government who provide funding and subsidies for child care are more joined up in their approach. This split in the funding arrangements has significant consequences for services who are trying to achieve best outcomes for children where it is more desirable to integrate smaller number of children, particularly in rural areas. The State Government do not 'fund' child care and therefore there is little discussion at this level of these issues as this is not part of their priority – their focus is on education. Philosophically this creates a split between education and care which we would argue both are happening in education and in child care.

Not-for-profit Church based agencies aim to address disadvantage and provide services accessible to vulnerable groups within communities – this philosophical position is in direct conflict with for-profit business models. Affordable, high quality and flexible models of early learning and care is a protective factor for vulnerable children. An example of vulnerability is the growing number of children throughout Gippsland who present with trauma related behaviours. This trauma related behaviour can be created through experiences of abuse and/or circumstances created through poverty. When children exhibit trauma related behaviours they require a carefully planned environment with relationship based responses from highly qualified and skilled early childhood professionals. When operating child care services, if children presented with trauma related behaviours Uniting Care Gippsland would seek ways to provide a high quality environment for these children. This would include being inclusive and not using cost barriers as a reason not to increase staff: child ratios to support the quality of a program and increase child participation. This philosophical base is core to the principles of Uniting Care Gippsland and the Uniting Church.

In a statement to the Nation in 1977 the Uniting Church summarised this position that continues to underpin the work of Uniting Care network.

..."We pledge ourselves to seek the correction of injustices wherever they may occur. We will work for the eradication of poverty and racism within our society and beyond. We affirm the right of all people to equal educational opportunities, adequate health care, and freedom of speech, employment, or dignity in unemployment if work is not available. We will oppose all forms of discrimination which infringe basic rights and freedoms. We will challenge values which emphasise acquisitiveness and greed in disregard of the rights of others, and which encourage a higher standard of living for the privileged, in the face of the daily widening gap between the rich and poor.".....

Refusing children access to a service when fee payment is not forthcoming by parents would most often occur in a cohort of families named the 'working poor'. These families are ineligible for rebates or concessions and are unable to afford fee for service. Exclusion based on an inability to pay fees, can result in a family having minimal social connections and children being denied the experience of an early learning and care program.

For a not-for-profit Church based organisation such as Uniting Care Gippsland, we want to provide responsive high quality services for children, families and community. This way of service provision strives to promote a healthy Gippsland where disadvantage and inequity are in fact challenged. If we provided only the minimum to meet regulatory requirements not all services would be of a quality standard. Funding needs to enable a place-based flexible model that is responsive to community and child needs. A metro-centric view does not cater for variance. Due to smaller numbers of children in rural areas, the cost efficiencies are different.

Early Years services create a fabric for family and community wellbeing. This needs to be inclusive of all families and early years services need to align to government policy across Education and Welfare sectors at both State and Federal levels. Early Learning and Care programs are a protective factor for all children, particularly the most vulnerable. The evidence has been in for some time that access to **high quality** early learning programs improves a child's life trajectory. If government retracts quality standards in the care and education of children to minimise costs, critical policy directions and evidence around early childhood being a platform for a healthy nation will be dismissed.