

Service Review

Family Day Care

June 2016

Purpose

To consider a range of recommendations arising from the review into the Family Day Care Service.

Project Deliverables

Outcome

- Continued access to a quality FDC service for local families.

Outputs

- A service vision statement.
- What is Council's future role in the service.
- An understanding of the early childhood education and care market.
- Advice on the alternate provider market.
- Financial analysis, including possible savings.

Service Details

- 147 children from 101 families. 56,199 hours of care.
- 64 children on the waiting list.
- Two PT staff members. 12 subcontract educators.
- Net direct cost budgeted to be \$47,736 in 15/16 with another \$35,000 in indirect costs.
- 42c per hour administration levy. Budgeted to raise \$28,000 in 15/16.
- Council receives Federal funding and service users can claim government assistance.

Alternative Service Providers

- Local government is the dominant service provider in the G21 region.
- Two large providers have been contacted. Both have expressed interest in entering the market if Council was to exit.
- Alternative provider operating model similar to Council though more expectation put on educators and administration levy is higher than current level.

Community Consultation

- Community consultation undertaken in April.
- 16 submissions (2 from the drop in sessions, 9 via email and 5 via the web).
- [change.org](https://www.change.org) petition separately developed which was supported by 122 people with 36 individual comments.
- Very consistent feedback:
 - The service provided by the educators and Council coordination unit is fantastic, personal and they trust it;
 - The service provides a great alternative to long day care – flexibility, small group sizes, personal attention;
 - People would be willing to pay more for the service if it meant retaining it at its current level;
 - A general theme of ‘leave it as it is’.

Service Vision Statement

A family day care service that provides high quality education and care in a small group setting that is flexible, affordable, accessible and provides choice in the local community to meet the individual needs of families and children.

Options

1. Maintain current service.
2. Continue service but aim to reduce or eliminate subsidy, with multiple 'levers' available to achieve this:
 - a. Reduce Expenses
 - b. Increase Growth
 - c. Increase Fees
3. Council transitions to alternate service provider.

Risks

There are key risks to be aware of when considering these options:

1. Expected increase in market competition - increased long day care availability
2. Cost impact on parents
3. Reputation impacts of levy increases
4. If service needs to grow, additional educators may not be available
5. Federal funding model will change. Election dependent.

Assessment Criteria

Options were assessed using the following weighted assessment criteria:

- Cost to Council – 20%
- Cost to Service User – 20%
- Size of Service – 10%
- Quality of Service Provided – 20%
- Impact on Staff and Educators - 15%
- Impact on Council Business – 10%
- Community Response / Council Reputation – 5%

Impact of Fee Increases

			Cost Neutral – no growth		Cost Neutral – growth	
			\$1.90 Admin Levy		\$1.40 Admin Levy	
Hours per Week of Care	Government Assistance Eligibility	\$0.42 Admin Levy Out of Pocket Cost per Week	% Total Increase	Out of Pocket Cost Impact per Week	% Total Increase	Out of Pocket Cost Impact per Week
43	High	\$49.68	14%	\$6.90	9%	\$4.57
26.75	Low	\$133.16	15%	\$19.87	10%	\$13.15
24	Moderate	\$108.03	14%	\$14.91	9%	\$9.88
14	High	\$39.12	14%	\$5.56	9%	\$3.68
15	Low	\$81.52	15%	\$12.41	10%	\$8.22
7	Low	\$34.02	15%	\$5.18	10%	\$3.43

Average care (across 126 children) is 11.2 hours per week
 Note: Those in most need receive most Government Assistance

Assessment Scores

No Change	Council Retains Service		Council Exit Service
	Cost Neutral No Growth	Cost Neutral Growth to 15 educators	
2.95	3.13	3.25	3.00

- Preferred option is to retain the service but deliver it as a cost neutral service
- Need to consider the benefits and risks from pursuing growth

Preferred Option: Retain Service

Remain in the service and utilise all three levers to return a cost neutral result:

- Achieve expense reduction, although opportunity is modest (~\$2.5k p.a).
- Increase administration levy to recoup all service costs, with a phased implementation based on the pursuit of growth (see below).
- Pursue growth and as realised this will contain necessary levy increase. If not realised then second levy increase will be required.

The implementation of this should be staged as follows:

- Actively recruit educators to grow the service.
- Increase levy to \$1.40 per hour in January 2017.
- Review service finances in mid-2017, including any growth impacts or funding changes, to identify if a second levy increase is required.
- Increase levy in January 2018 if necessary to achieve cost neutral result.

Benefits of Preferred Option

- Community engagement clearly identified that the service users want Council to remain involved.
- Council continues to be responsible for service size and quality.
- Identifies the path toward a fully cost recovered service.
- Provides a transition period for service users.
- Identifies the path toward meeting Competitive Neutrality requirements.
- Encourages service growth to improve use of the service and reduce the size of any second levy increase.
- Any second levy increase will be subject to review and Council approval.

Recommendation

It is recommended that Council adopt the following:

- Increase the administration levy, in a staged manner, to fully recover all costs associated with the service.
- Increase the administration levy to \$1.40 as at 1 January 2017.
- Actively pursue growth in the service to contain the level of a subsequent levy increase.
- Review in mid-2017 the service finances with a further report to Council to recommend the setting of any subsequent levy increase to achieve a cost-neutral result.

Budget Impact

Year	Saving	Comments
2016/17	\$22,900	Assume no growth. Allows for \$5,000 in recruitment costs.
2017/18	\$70,100	Assume a second levy increase occurs according to growth achieved
2018/19	\$84,300	Total cost neutral.