

OSHCA

OUTSIDE SCHOOL HOURS
COUNCIL OF AUSTRALIA

Submission to the Select Committee on the Early
Childhood Education and Care Sector in Victoria
Inquiry into the Early Childhood Education and
Care Sector in Victoria.

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1. Executive Summary

The Outside School Hours Council of Australia (OSHCA) welcomes the opportunity to contribute to the Parliamentary Inquiry into the Early Childhood Education and Care (ECEC) Sector in Victoria.

OSHCA represents providers that account for more than 30% of the national OSHC market, operating about one-third of the ~5,000 school-site services, employing 10,000+ educators, and supporting 350,000+ families.

Outside School Hours Care (OSHC) services are a critical enabler of workforce participation, particularly for dual-income families and working mothers, and are the fastest-growing care type in the ECEC system. In Victoria, 37% of all children attending ECEC services are enrolled in one of 1,497 OSHC services, with children spending an average of 11.5 hours per week in care.

OSHC provides essential social, developmental and wellbeing benefits to primary school-aged children (5–12 years), including structured and unstructured play, social connection, physical activity, and a safe environment for at-risk children. Many services also provide meals such as breakfast for children who might otherwise go without. However, parents' primary reason for using OSHC remains the need for safe, reliable care so they can work or study. For this reason, OSHC must be consistently available, affordable and high-quality throughout the primary school years.

The current regulatory environment – built primarily around long day care (LDC) and children aged 0–4 years old does not adequately reflect the distinct nature of OSHC. While OSHCA strongly supports the National Quality Framework (NQF) and strengthened child safety regulation, the framework's application to OSHC often creates unnecessary cost and administrative burden without demonstrable quality or safety gains. Differences in state-based regulations (qualifications, ratios and compliance requirements) increase complexity and costs for providers and can reduce service flexibility, workforce supply and, ultimately, access for families. In Victoria, higher minimum qualification requirements than other states have not translated into superior quality outcomes but have exacerbated workforce shortages and costs.

OSHCA is not seeking a reduction in quality standards, but an OSHC-specific, nationally harmonised regulatory model that recognises the realities of OSHC delivery: variable and occasional attendance, before and after school and vacation operations, activity-based recreational programming, and the use of shared or temporary spaces on school grounds.

Financial sustainability is a growing concern. Labour accounts for around three-quarters of OSHC service costs, in a sector characterised by split shifts, high turnover, and net margins typically in the 6–9% range – significantly lower than long day care (LDC). The Federal Government's Worker Retention Grant has delivered welcome pay rises that the sector could not otherwise have afforded, but accompanying fee caps (4.4% in year one and 4.2% in year two) combined with rising award wages, new child safety compliance costs and constrained pricing power are pushing many services towards a tipping point.

In Victoria, OSHC licence arrangements with schools further reduce flexibility: schools increasingly rely on licence fees as a revenue source and seek to control parent fee levels, and offer short-term contracts, all of which add cost and discourage investment. These pressures are already leading to some providers having to hand back licences, with serious implications for families' ability to access care.



Funding settings also fail to reflect the specific cost profile of OSHC, particularly in rural and remote areas and for children with complex disabilities or high support needs. While Commonwealth programs such as the Child Care Subsidy (CCS), Community Child Care Fund (CCCF) and the Inclusion Support Program (ISP) provide important support, they are largely designed around centre-based ECEC and capital works, not OSHC's staffing and program costs.

In addition, whilst the time-limited Victorian government OSHC Establishment Grants (2024–2028) are playing a vital role in addressing thin markets and supporting specialist schools, but there is currently no clear pathway to sustainable ongoing funding once these grants end.

OSHCA urges the Victorian Government to work with the Commonwealth and other states to move away from a "one size fits all" ECEC funding and regulatory model and to explicitly recognise OSHC as a distinct, essential component of the education and care system. In summary, we recommend that the Committee:

- Endorse the development of a nationally consistent, OSHC-specific regulatory framework within the NQF, including harmonised qualification requirements and educator-to-child ratios appropriate for school-aged children.
- Ensure that strengthened child safety measures are implemented in ways that are practical for OSHC settings and accompanied by adequate funding to avoid driving otherwise viable services from the sector.
- Advocate for reform of Commonwealth funding programs (including CCS, CCCF and ISP) so they better reflect OSHC's operating model, particularly in rural/remote areas and for children with complex disabilities.
- Support a transition in Victoria from time-limited OSHC Establishment Grants to ongoing, fit-for-purpose funding arrangements for thin markets and specialist schools, to prevent service closures and protect workforce participation.
- Recognise the role of both for-profit and not-for-profit providers, focusing policy on quality, access and outcomes rather than ownership type, and address escalating licence fees and restrictive school-based contracting practices that undermine viability.

With targeted regulatory reform and sustainable funding that reflects the distinct nature of OSHC, Victoria can secure and expand high-quality, affordable outside school hours care for primary school-aged children – supporting children's wellbeing and learning and underpinning workforce participation and productivity across the state.

2. Background

The Outside School Hours Council of Australia (OSHCA) encompasses providers who account for more than 30 per cent of the national OSHC market.

OSHCA members represent approximately a third of the 5,000 services that are operated on school sites throughout Australia, employing more than 10,000 people across all mainland states and territories.

Our sector provides affordable care for the children of over 350,000 Australian families who rely on our services to be able to work & support family needs. The view of OSHCA is that fundamentally, children require safe, engaging, age-appropriate programs delivered by a quality workforce.

OSHCA has been the fastest growing care type in the sector over the past five years and the largest in terms of the number of sessions of care delivered.

The latest June 2025 quarterly data¹ shows that out of all children attending a CCS approved service, 40.4% of those were in the outside school hours care sector, with the sector accounting for 9.7% of all CCS subsidies paid by the Australian government during the June 2025 quarter. Specifically in Victoria, 37% of all children attending ECEC services were in one of the 1497 OSHC services located across Victoria in the June 2025 quarter. It should be noted that children spent a weekly average of 11.5 hours in OSHC services.²

OSHCA is acutely aware of the need to support families and capitalise on the productivity of our entire workforce. We feel it is critical that we also keep OSHC services front and centre when considering the needs of families.

In Australia, the proportion of couple families with dependants in which one or both parents were employed was 95% (2.7 million) in June 2025³, while 73% (1.9 million) had both parents employed. This reinforces the enormous role parents play in Australia's workforce. Specifically, 78% of couple families with children under 15 have mothers who are employed.

We are also grateful for the Government's acknowledgement that Early Childhood Education and Care (ECEC) is an essential service, integral to Australia's economic prosperity and a powerful lever for increasing workforce participation.

¹ [Child Care Subsidy data report – June quarter 2025 - Department of Education, Australian Government](#)

² [June quarter 2025 data tables - Department of Education, Australian Government](#)

³ Labour Force Status of Families – June 2024, Australian Bureau of Statistics, [Link](#).

3. Terms of reference response

By way of background, outside school hours care (OSHC) services provide a range of critical benefits for children aged 5yo – 12yo who attend our services. Ranging from social, skills development, addressing isolation issues and providing a safe haven for at risk children.

OSHC services also provide breakfasts to those children who may otherwise go without and place a particular focus on physical activity which promotes a healthy lifestyle and importantly, helps keep children active.

However, we also highlight that there needs to be a recognition that parents with children in long day care and parents with children in OSHC services overwhelming seek care for the same reason. That is, so that they can undertake employment or study responsibilities. While there are also enormous education benefits of OSHC services, the fundamental need of families is care for their children so that they can support their families.

On that basis, ECEC services need to be high quality, affordable and consistently available until children reach an age where it is no longer required. The more consistent this support can be for parents, the easier it will be for them to engage in work or study and the more confident they will be that they will be able to do so, without facing affordability or access barriers down the track.

a) Sector regulation and oversight

OSHC providers are subject to national quality standards which apply across the childcare industry along with strict regulations which vary across jurisdictions. Our members continue to invest in their people, systems and infrastructure to ensure these requirements are met and then exceeded, to deliver best practice care, and the highest quality programs.

At the outset, OSHCA fully supports government and regulator efforts to strengthen regulation to ensure quality provisions of ECEC services, including OSHC, and the safety of children in our member's care. OSHCA has advocated for some time for uniform regulations across all states and territories and therefore, OSHCA supports the continuation of a broader national based system for all ECEC services including OSHC.

OSHCA has been advocating for a simplified, nationally consistent OSHC specific regulation environment that reflects the needs of OSHC services and recognises the particular type of care being delivered for primary school aged children as being fundamentally different from the care of toddlers and babies in a long day care setting design.

OSHC and long day care are two very different sectors with very different operating models and it is essential that policy development reflects these differences.

The National Quality Framework (NQF) provides the national approach to regulation, assessment and quality requirements for OSHC services with the Australian Children's Education and Care Quality Authority (ACECQA) responsible of the implementation of the NQF. States jurisdictions are responsible for the approval, monitoring and quality assessment of services. The states and territories ultimately implement different requirements, including minimum mandatory qualifications, Working with Children Checks (WWCC) and staff-student ratios.

The regulations and frameworks governing OSHC services and their variation across jurisdictions, directly impact the efficiency, and effectiveness of the operation of services which contributes to higher costs and higher staff turnover.

As multijurisdictional providers, an inherent challenge faced by OSHC providers is that we are required to manage the complexity and incur the cost burden associated with the regulatory differences in the states we operate in. These variations, even in their current form create additional administrative burdens which ultimately adds to the costs of service delivery, in many instances they are also inappropriate for the age of children we support.

For a number of years OSHCA has noted the impacts of the lack of harmonisation of regulations across the jurisdictions as they pertain specifically to minimum workforce qualifications. This is an issue that severely affects our ability to attract staff into our services and therefore provide services to children. It should be noted that minimum standards are set by the National Quality Framework and therefore, even with differing (lower) minimum qualifications in New South Wales (compared to VIC), the quality of the service delivery is not impacted, and this is also confirmed by the ACECQA ratings.⁴

While consistency is generally important, when considering affordability, it is particularly important to consider educator to child ratios which typically vary from 1:10 to 1:15 - any movement with respect to ratios has a significant impact on costs. This issue can be directly linked back to OSHCA's request for more standards as part of the NQF that are appropriate for our sector. We acknowledge and appreciate that these issues are currently being examined as part of a review of the NQF.

In addition to ratios, there is variation in the qualification requirements across jurisdictions with some requiring a higher level of qualification once a certain number of children is reached. While some jurisdictions allow staff to be working towards a particular qualification, others require completion of that qualification before being able to work in a service. Queensland is currently OSHCA's preferred model in relation to qualification requirements because they strike a better balance between quality of care within an OSHC setting and workforce qualifications.

Comparing Australian jurisdictions, higher regulation or higher minimum employee qualifications does not have a direct impact on service quality or child safety outcomes i.e. while Victoria has significantly higher minimum qualification standards for staff, NSW has more services exceeding the national quality standards.⁵

OSHCA recognises the value of the National Quality Framework (NQF) in setting high standards for children's education and care. However, as we have outlined, the NQF is primarily tailored for early childhood settings (0-4yo) and might not fully encapsulate the distinct nature of OSHC, which caters to primary school-aged children with different developmental needs and interests. It is crucial that the framework be adaptable to the diverse and dynamic environment of OSHC. Examples of some of the practical ways that OSHC services differ from long day care centres include:

- **Operating Hours and Duration** - OSHC services typically operate outside standard school hours, including before and after school, as well as during school holidays. This results in a varying operational timeframe compared to typical early childhood settings.

⁴ ACECQA, *Research and reports*, <https://www.acecqa.gov.au/resources/research>

⁵ ACECQA, *National Quality Standard*, <https://www.acecqa.gov.au/nqf/national-quality-standard>

- **Inconsistency of Attendance** - The nature of OSHC services involves a high degree of variability in attendance. Children may attend irregularly, depending on their parents' schedules, unlike the more consistent attendance seen in early childhood centres. This inconsistency affects the ability to implement certain NQF requirements, such as ongoing assessment and documentation of each child's learning journey, which is more feasible with regular attendance.
- **Vacation Care Dynamics** - During vacation care, OSHC services may cater to children who attend for just one day or sporadically throughout the holidays, including children from nearby schools who are not regular attendees. This transient nature of attendance makes it challenging to apply the NQF's continuous and consistent care and educational standards, which are designed for settings where children and educators build longer-term relationships.
- **Activity-Based Programming** - The programming in OSHC is often activity-based, focusing on recreation, and informal learning, in contrast to the more structured educational focus of early childhood settings. Adapting the NQF to acknowledge and support the unique educational and developmental value of these activities would better align with the operational reality of OSHC.
- **Inconsistent care environments** operating on school grounds, OSHC environments can be dedicated spaces, common areas and halls that require pack down and pack up, split environments between locations on school grounds, indoor and out, always with an invisible boundary between the license space and the rest of the school across which children have the freedom to roam during the school day. Commonly in some state there is no physical boundary on the perimeter of the school. This impacts the consistency of care and programming and has safety implications.

The NQF is extremely important and provides an excellent framework for quality and consistency in early childhood education. However, its application to OSHC requires reconsideration and adaptation. This would involve acknowledging the unique operational characteristics of OSHC services, such as variable attendance patterns, operating hours, and the activity-based nature of programs as well as the age and stage of children we care for.

In many instances as service providers, we are constrained from meeting the needs and preferences of families and children because of the framework and regulations we operate under which are primarily designed for long day care settings. In addition, providers are also constrained in the type and availability of the space that is provided by schools for OSHC services to be operated, which is determined at the discretion of the school. Providers are required to adapt their programs accordingly to fit within the allocated spaces.

The children cared for in OSHC settings are different than the children being cared for in a long day care setting. In addition to having already had a full day of learning, children in OSHC settings are older, have more agency and a broader range of interests.

Despite these clear differences, OSHC settings are required to operate and report under the same learning and outcomes frameworks that increase workload and stress for staff and restrict activity opportunities for children. These requirements remain the same, whether children attend a service daily or for a single day and despite the fact that children attending OSHC services have already completed a full day of learning.

Alternative care options would include children being at home unsupervised; in the care of a grandparent; a nanny, or; after school sport activities. None of these alternative scenarios are guided by a learning framework or require the regular reporting of student progress and outcomes as is required in the OSHC sector.

There are several unintended consequences for children that occur as a result of OSHC services being regulated under the same or similar frameworks to long day care settings. Examples include:

- Children are often prohibited from using equipment i.e., playgrounds despite being the same children in the same setting using them during the day at school.
- Qualification requirements mean children are unable to benefit from qualified and engaging staff such as sports or music professionals who despite regularly working with children do not have the relevant Certificate 3 qualification.
- Burdensome regulatory requirements, a reason staff regularly report being unable to continue their work in a service meaning children must regularly form new attachments.

As mentioned earlier, these issues are compounded by the fact that regulation and oversight of the NQF varies across jurisdictions and the fact that in an OSHC setting, the nature of the physical space is harder to control and may vary substantially in size and quality as they are not owned or primarily operated by service providers.

Furthermore, assessment officers who are required to approve OSHC spaces within schools have greater experience and knowledge in relation to the specifics of long day care settings, rather than OSHC. This reduced specialised OSHC skillset amongst assessment officers could lead to unintended consequences where spaces may not be properly assessed or are assessed in the same way as a long day care setting.

Ultimately, the level of oversight and regulation that providers are required to maintain, creates substantial overhead costs, detracts workers from working in the sector and is very often not required for primary school aged children. A more flexible, OSHC specific regulatory environment would reduce costs, decrease staff turnover and allow providers to deliver an improved customer experience for children.

OSHCA has consistently advocated for a revised approach within the NQF that respects the distinctiveness of OSHC settings, ensuring that our service delivery continues to meet the highest standards of quality and care tailored to the needs of school-aged children and their families.

Whilst we appreciate the structure the NQF provides, there is a necessity for modifications to better suit OSHC services. This would include:

- Tailoring quality areas and standards to reflect the context of school-aged care.
- Adjusting quality standards to reflect the developmental needs of school-aged children.
- Integrating flexible and age-appropriate learning and recreational activities into the framework.
- Providing OSHC-specific training and resources to meet these unique standards.

OSCHA are not advocating for a reduction in quality of services but rather that Victoria considers examples of other jurisdictions where minimum qualification requirements can be altered to also help alleviate the workforce shortage issue.

To put this into perspective, OSHCA is seeking harmonisation of qualification requirements across all states. There are no national qualification requirements for educators at centre-based services educating and caring for school-age children in OSHC services. State and territory-specific qualification requirements apply in:

- Australian Capital Territory
- Queensland
- South Australia
- Victoria
- Western Australia
- Northern Territory

- **VIC** - the only state where **all Educators** have to hold or be working towards a Cert III or Diploma level qualification or higher.
- **QLD** – **50% of Educators** must hold or be working towards a Cert III or Diplomas level qualification or higher.
- **NSW** – **There are no qualification requirements**

OSHCA is also seeking harmonisation of educator to child ratios across all jurisdictions. The ratios currently differ, with 1:15 being widely accepted by most states.

Educator to child ratios

Age of children	Educator to child ratio	Applies
Over preschool age	1:15	NT, QLD, SA, TAS, VIC, NSW
	1:11	ACT
	1:13 (or 1:10 if kindergarten children are in attendance)	WA

In addition, OSCHA is fully supportive of the measures being implemented to strengthen child safety. However, we are concerned about the implementation of these measures, the impact on cost, educator wellbeing and the systems that providers will need to put in place to comply. Providers are already operating on low margins and this has been verified through analysis previously undertaken by the Federal Department of Education and separately through the ACCC's Child Care Inquiry. The cost burden is being further exacerbated by the fee cap as part of the federal government's worker retention grant program. The implementation of that program has already cost providers collectively, millions of dollars in out of pocket implementation costs.

Coupled with this, our sector is also facing potential further pay increases as a result of current Fair Work processes which, it would appear would have to be borne by providers.

The roll out of many of these measures, will place a further extreme cost burden on a sector. We are very concerned that the cost of these measures will place many providers at a tipping point, resulting in providers exiting the sector and leaving working parents without care options for their school aged children. The changes will also place increased compliance burden and in turn pressure, on educators, many of whom are new to the sector and who are already under intense regulatory scrutiny. These pressures draw educator focus away from what they love most in caring for children and are having an adverse impact on wellbeing.

It is the view of OSCHA that a nationally consistent regulatory framework that is designed with OSCHC specific parameters (including areas such as flexible learning, recreational activities, and age-appropriate engagement), rather than for long day care services in mind would be universally beneficial and could be designed without compromising the quality of care expected by parents, children, and school communities and would in fact result in an enhanced fit for purpose, sustainable service model that would allow OSCHC services to grow and meet the needs of working Australian families and their children.

Furthermore, as the changes are implemented, it is critical that the narrative supporting change does not undermine the confidence in the sector. Whilst the incidents that have been reported are egregious and unacceptable, there are thousands of educators (including male educators) who deliver millions of care sessions per year, with care and commitment, to families who need and value the care.

b) Workforce compensation and pay

OSCHA supports our workers receiving higher incomes as a recognition for the critical role they play in caring for our children. However, there is a general misconception that OSCHC providers are very profitable and have the ability to absorb additional costs – this could not be further from the truth.

Labour is the main driver of cost for supplying childcare, accounting for 69% of the total costs for centre-based day care services and 77% of total costs for outside school hours care services. Therefore, the balance between fair staff compensation and service affordability is crucial for the ECEC sector's sustainability.

OSHC services are indispensable for Australian families, contributing significantly to national productivity. Therefore, dealing with workforce issues is vital for our sector and pivotal for the socio-economic well-being of hundreds of thousands of Australian families.

Despite our sector's significance, we encounter inherent challenges in attracting and retaining staff, often compounded by the perception of OSHC as a transient step towards other care sector roles. This leads to a continual staff drain to long day care services and teaching professions due to more regular working hours.

The average duration of employment for an educator amongst OSHCA member services is just over 1.6 years. The OSHC sector has a high number of female employees. Amongst OSHCA members, around 82 per cent of staff are female with 18 per cent being male.

The average employee age across the sector is under 30 years of age, with OSHC services providing an important opportunity for youth employment. OSHC services are currently significantly constrained in attracting and retaining staff, partly due to the split shift nature of the service provision.

In effect, the OSHC sector is seen as a feeder sector for employees to begin their careers in the OSHC sector and then move onto more full time employment in other parts of the ECEC sector. OSHCA is seeing a strong trend of employees with greater qualifications and experience moving onto more full-time positions in other parts of the caring sector. The cost of recruitment and training of new employees is much higher, substantially adding to the cost pressures facing the industry.

Prior to the implementation of the federal government's Worker Retention Plan, OSHC providers required price flexibility to address the impact of wage inflation and the increasing cost of doing business. Unlike in long day care, OSHC providers cannot unilaterally increase prices, but in many instances need to seek the approval of "partner" schools, which places an inherent constraint of the timing and magnitude of price adjustments needed to cover costs.

The pay rise delivered through the Australian Government's worker retention grant would not have otherwise been able to be delivered by the OSHC sector due to the ongoing financial constraints on the sector.

However, the 4.4% price cap imposed on providers during the first year of the grant and 4.2% in the second year will have a material impact on individual service viability and the capacity to invest in growth and product quality.

c) OSHC Sector funding and access to OSHC services

Childcare, including OSHC services, and government subsidies are vital for family support and children's well-being. The necessity for quality care and subsidisation extends beyond early childhood into primary school years. Continuous, easily accessible support is crucial for families to maintain their work engagement, ensuring a seamless transition from early childhood learning to primary school years.

Parents and carers of children, where applicable, receive co-funding support through the child care subsidy (CCS).

OSHCA also believes that children and young people and their families living in rural and remote communities and those with complex needs, especially those attending school in specialist settings, could still be prohibited from accessing OSHC that is convenient, appropriate and meets their specific needs due to the complexities of providing services in rural and remote communities.

Moreover, the overhead costs of delivering OSCHC in rural and remote settings can often be higher, with the need to relocate staff or offer higher than award pay rates to attract quality staff to work in these programs and a smaller number of activities available and/or higher transportation costs to access activities etc.

Whilst there are some federal government grants available, for example through the Community Child Care Fund (CCCF), they are not necessarily fit-for-purpose, designed largely to facilitate access to ECEC rather than OSCHC services, and offering grant funding largely for capital works (e.g. building new centres), which are not typically required for OSCHC, rather than for staffing and resource costs etc. that would support the delivery of OSCHC in rural and remote communities.

Unfortunately, the current funding model (the CCS), fails to adequately support these increased costs. This discrepancy leaves a substantial gap in service provision.

In addition, we are seeing a high degree of inadequate funding and support through the federal government's inclusion support program. The intent of the inclusion support program (ISP) is to support all ECEC services to deliver tailored and additional support to those children requiring assistance, to ensure that barriers to inclusion are addressed. To effectively support children and young people with complex needs within OSCHC services, it's crucial to recognise the significantly higher costs associated with delivering safe and appropriate care. These children often require a staffing ratio far more intensive than the standard, leading to a 400% to 1000% increase in staffing costs alone, not to mention the additional resources necessary for their care.

The ISP is currently suffering due to lack of action by government, and this is having a detrimental impact on OSCHC providers, educators and families of children that require inclusion support and neurotypical families in the same services. The ISP has not been indexed in close to ten years, whilst the demand for ISP assistance has dramatically increased over that time, with the need accelerating post the COVID-19 pandemic.

There is a serious and substantial gap in funding which means that providers are continuing to fund a government program to the tune of millions of dollars per year which has now become unsustainable and unviable.

Victorian Government specific funding

Separately, without the Victorian Government's OSCHC Establishment Grants (funding over 2024-2028), OSCHC services – particularly in 'thin markets' would not be financially viable. The OSCHC Establishment Grants play a critical role in ensuring the significant and persistent gap in access to OSCHC for children and young people in smaller, mainly regional and remote communities has been met.

These grants play a critical role in ensuring access to services for children with a complex disability, where they attend school in a specialist setting. Without government support, providing care for those cohorts is not financially viable.

OSHCA is concerned that as the establishment grants expire, in the absence of further, more sustainable funding, the provision of care to many of the communities currently benefiting from an establishment grant will no longer be viable.

- This will compromise the availability of care to those communities and leave families without critical support on which they have come to rely and wish to continue to access.

However, where decisions are made to extend the grants or to replace the current scheme, the opportunity should be made available equally to all providers. Furthermore, communities where needs are more acute and where there are additional barriers to accessing care is not only unviable without government support, but often also more costly to provide.

- In some instances, delivering safe appropriate care requires substantially higher staff ratios, leading to a 400% to 1000% increase in staffing costs alone, not to mention the additional resources necessary for their care.
- Whilst initiatives like the High-Intensity OSCHC Program are welcomed, there are other Specialist Schools that will not be covered by the program.
- OSCHCA seek a consideration by government on how services these specialist or acute needs can be adequately funded in a way that ensures their ongoing viability.

While current programs have merit, they do not adequately support the ongoing viability of these services. It is necessary for the Government to transition from temporary grant programs to established, ongoing funding models that reflect the actual costs of providing high-quality OSCHC services to all children, including those with complex disabilities.

- This approach should include adequate support for both staffing and resources, ensuring services are financially viable without placing undue burden on families.

Young people with complex disabilities, particularly in rural and remote areas, remain at a significant disadvantage without substantial reform and targeted investment, this leads to:

- long-term implications on their health, well-being, and educational outcomes; and
- substantial barriers to workforce participation for their families, exacerbating socio-economic challenges.

OSCHCA believes that without substantial reform and targeted investment, children and young people, including those with complex disabilities, particularly those in rural and remote areas, remain at a significant disadvantage. This not only affects their immediate access to quality care but also has long-term implications on their health, well-being, and educational outcomes.

Furthermore, the lack of accessible OSCHC services poses substantial barriers to workforce participation for their families, exacerbating socio-economic challenges.

In the current climate where ECEC regulation and overall sector funding is under active consideration by governments, OSCHCA is of the strong belief that we now have a unique opportunity to reassess the sector's overall funding (as a whole) to ensure that it is meeting the needs and requirements of the OSCHC sector; the age of the children in our care, and; the unique environment that we care for those children in.

The existing one size fits all funding mechanism for the ECEC sector as a whole has proven not to be workable and we look forward to continuing to work with all levels of government on these crucial reforms.

d) Role of for-profit provider incentives

OSHCA believes that narratives that focus on the ownership structure and financial status of providers is not helpful and is a misdirection. For profit providers tend to derive lower margins than not for profit providers who require some surplus to ensure financial viability. For profit providers play a major part in the delivery of ECEC services across Australia, including in the OSHC sector.

These providers have demonstrated a commitment to innovation and the ability and willingness to invest in training, systems and processes which will benefit the children in our care.

Providers have invested in innovative programming partnerships, enrichment activities, bespoke technology systems to support workforce managements, compliance and programming, inclusion support, and training and development in a manner that goes beyond the same in not-for-profit providers; there is a place for all regardless of characterisation.

The ability to invest and specialise in outcomes dedicated to the quality and professionalism of outside school hours delivery is evident in management disciplines and diversity that are robust and well-developed within the for-profit sector. This part of the sector has led the way in systems development, proprietary training, workforce attraction and retention initiatives. This part of the sector responded decisively to community needs into, through and coming out of the Covid-19 pandemic. This part of the sector has contributed to the development of sophisticated operating models that is essential to ensure the best outcomes for children and families and the best utilisation of taxpayer's money.

Incentives are not just confined to for profit delivery structure, and incentives come in many varying shapes and forms, including in the Not for profit sector.

It is time to move away from a baseless bifurcation of the sector based on ownership or financial structure and to consider the sector as a whole, focussed on optimising capacity, capability and outcomes.

While OSHC is a part of the broader care sector, there are several key differences between OSHC and its adjacent sectors. OSHC services typically have lower margins when compared with long day care providers, less flexibility when setting prices and greater volatility in revenue. It is well established through various previous reviews that OSHC providers operate on net margins of 6-9% (significantly lower than long daycare in most instances).

Unlike long daycare services, OSHC services, due to the nature of the contractual relationships with schools and State governments, are only able to raise fees once a year (and normally at the start of the school calendar year). The normal annual fee increase considers the rate of costs rises over the preceding 12 months.

An ongoing challenge for the OSHC sector is that policy and regulation intended for long-day care services are applied to OSHC services by default. These policy settings which often do not take into account the unique nature of OSHC services cause unintended consequences that negatively impact viability.

e) Licence Fees

OSHC services across Australia operate primarily on school sites (public and independent schools). In Victoria (unlike other jurisdictions), OSHC services hold contracts directly with the school that locks in fees for extended terms and in other State jurisdictions, those contracts are held directly with the relevant Education Departments, with contractual constraints on fees.

This was also noted by the ACCC as part of its 2023 inquiry into the ECEC sector:

- a. *As observed in our September interim report and discussed in chapter 2, the market for outside school hours care operates very differently compared to other care types. Providers typically operate under a license agreement with a school, which usually include provisions about fee changes. The need to recontract and tender to operate a service may also encourage more competitive pricing.⁶*

OSHCA members are observing a worrying trend, with Victorian schools in particular becoming more and more reliant on other revenue sources (in particular, OSHC licence fees). As a result, we are seeing a continual increase in the dollar value of licence fees year on year. In addition, the variability in the dollar amount of the licence fee between schools is becoming difficult to navigate and also impacting overall service viability.

Alongside this, the granting of short-term licences (eg. two years) does not deliver certainty to providers to also have the confidence to undertake investments/upgrades in the spaces allocated within schools. This is unlike other jurisdictions, where licences are issued for multiple years, therefore providing certainty to providers. This longer term certainty also provides confidence to providers to undertake upgrade investments in the school spaces being utilised, also benefitting the wider school community.

It is important to note that where providers negotiate directly with schools, in the majority of instances, schools will also expect to approve the amount providers can charge parents and carers. On the one hand, we are seeing upward pressure on licence fee costs and downward pressure on fees which is impacting sector viability.

Coupled with price caps on fees because of the federal government's worker retention grant, the concerning ongoing upward trend in licence fees being charged is continuing to place considerable pressure on providers and is too regularly resulting in providers being forced to hand back licences as services become unviable. This is resulting in adverse outcome for parents in terms of their ability to access care for their children.

Outside the constraint of the fee caps associated with the Worker Retention Program, parent fees for care are directly correlated to license fees and, as license fees have increases, so to have the fees parents pay for care. Parent fees in Victoria are now considerably higher than fees in, for example, New South Wales. There is a significant concern that without a holistic funding solution, once the Worker Retention Program concludes, parent fees will need to increase considerable to support sustainability.

OSHCA is seeking alignment across jurisdictions in the way that licence fees are granted and are of the strong view that the model in place in New South Wales and Queensland, whereby licences are granted through the Education Department is more transparent, consistent and viable for providers.

[ENDS]

⁶ ACCC Childcare Inquiry Final Report (Page 103), December 2023