



SDN Children's Services

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Submission to the Senate Education and Employment Legislation  
Committee:

*Family Assistance Legislation Amendment (Building on the Child Care  
Package) Bill 2019*

September 2019

## **SUBMISSION TO THE SENATE EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE: *FAMILY ASSISTANCE LEGISLATION AMENDMENT (BUILDING ON THE CHILD CARE PACKAGE) BILL 2019***

### **About this submission**

SDN Children's Services is grateful for the opportunity to provide advice to the Senate Committee on the proposed Family Assistance Legislation Amendment (Building on the Child Care Package) Bill 2019 specifically in relation to third party contributions to childcare fees. We largely support the amendments in the Bill, which address some of the issues we have raised since the implementation of the new Child Care Package.

This submission will explain how the amendments will allow us to maximise the value of support from private philanthropy to support vulnerable children to access early education, and how the current system shifts costs from government to private donors and families.

As a member of the Early Learning and Care Council of Australia (ELACCA) we also fully support the position on the proposed amendments as outlined in the ELACCA submission.

### **About the SDN Group (SDN)**

SDN Children's Services is a not-for-profit organisation established in 1905 and is one of Australia's most experienced and trusted leaders in mainstream early education and child care, disability services for children, and family support. The SDN Group includes a wholly owned subsidiary, SDN Child and Family Services Pty Ltd, which has charitable status.

Our purpose is to promote and enhance children's wellbeing, learning and development in inclusive environments. We provide high-quality children's therapies and inclusive early childhood education and ensure our services are safe, affordable, inclusive and as inspiring as possible. We build strong connections within communities, challenge discrimination and help remove barriers to full inclusion.

SDN began as Sydney Day Nursery when our founders opened the first long day care for children in NSW. SDN continues our work in early learning and care, with 23 long day care centres and preschools in NSW and ACT.

We believe in the rights of children as articulated in the United Nations Convention on the Rights of the Child and are committed to social and educational inclusion. Through our strategy we seek to enhance the wellbeing of children and to make sure that children facing challenges have a place in the services we operate, support and advocate for.

In all, around 5,000 children, families and other service providers benefit from SDN's work each year. More information about SDN is available at: [www.sdn.org.au](http://www.sdn.org.au)

### **SDN's Scholarships Program**

At SDN we know that access to quality early education is essential for children to have the best chance to succeed in education, especially for children from disadvantaged or vulnerable families, and that is why we turn to private donors to fund scholarships for

vulnerable children to access early education. Since 2007 SDN has sourced donations from private donors, staff giving, family foundations and other sources to fund scholarships for disadvantaged families, focusing on children with a disability and Aboriginal and Torres Strait Islander families. The scholarships help to ensure that children can participate in a high-quality education program in the year before school and support their wellbeing, learning and development.

Our donors know that investing in early education is among the most cost-effective methods for reducing long term disadvantage and reliance on social welfare, and that is why they donate each year to help families facing multiple challenges including housing insecurity, mental health and disability, domestic violence and poverty.

While the scholarships are a cost-effective method to support children to succeed, SDN and our donors are aware that the rules for administration of the child care package undermine the effectiveness of private philanthropy by effectively shifting costs from the government to the donor and still requiring a co-contribution from families in severe financial hardship.

Donors currently contribute up to \$60 per day for SDN scholarships for disadvantaged and vulnerable children with disability or from Aboriginal and Torres Strait Islander communities. In order to provide high quality learning and care SDN charges fees which are above the cap of \$11.98 per hour and most of our services are based on a ten-hour session of care per day.

Under the current CCS rules a parent co-payment is required to cover the gap between the fee that the parent is eligible for plus the scholarship and the usual early learning service fee. However, for some families who are receiving our scholarships this co-payment can be the difference between providing a meal for their family and accessing early learning, and so their children may miss out on the opportunity for learning and development in quality childcare.

SDN believes that, where possible, it is important for scholarship families to contribute to the costs of their child's education, so that they can have a sense of pride and independence, and control over their future. Ideally, the family contribution fee would vary depending on the circumstances of each family receiving a scholarship, and could be adjusted if required, in negotiation with the family and any community services involved with the family.

However, the current rules regarding payments mean that SDN is required to charge a higher fee than many of the families who turn to our scholarships can afford and we are unable to reduce this fee in extenuating circumstances, meaning that children may have to drop out of early education because of the costs.

### **Treatment of third-party payments in calculating CCS**

SDN supports the amendment that would allow the Minister for Education to prescribe circumstances in which a third party may contribute to meeting the cost of an individual's child care fees without affecting that individual's entitlement to Commonwealth child care subsidies. This amendment would allow SDN to maximise our donor's contributions to each family and to support more children by preventing cost shifting from government to private donors.

SDN strongly recommends that this amendment apply to payment of the gap between the level of Child Care Subsidy (CCS) for which the family is eligible and the service’s usual fee, when donors and philanthropic sources seek to sponsor a child who is vulnerable or disadvantaged to attend early learning. In order to be eligible for our scholarship program, families are not eligible to Additional Child Care Subsidy and only receive CCS.

This amendment will ensure that the cost is not a barrier to the child’s access to quality early learning by decreasing the co-payment required to be paid by the parents and/or increasing the number of hours of early learning per week. The change to calculation of the rate of CCS means that the government would pay the same contribution towards the cost of childcare regardless of whether a child receives philanthropic assistance, therefore maximising the value of donations to support more children.

### SDN case examples

#### Example 1

Young indigenous single mother who is unable to work because she suffers from severe epilepsy. Her child attends one of our centres for education and care to help address his learning needs and prepare for school.

The centre charges \$126 for a 10-hour session, and the family receives a philanthropic payment of \$120 for two sessions each week paid directly to SDN. Although the child attends 20 hours per week their CCS exemption only covers 18 hours per week.

In order to calculate CCS, SDN must subtract this \$120 philanthropic payment from the fee charged, and therefore the calculation of the families CCS entitlement will be based on a \$66 daily fee, instead of \$126 per day. The calculation occurs as follows (for the purpose of illustrating this provision the example excludes withholding amounts):

- $(\$126 \text{ fee} - \$60 \text{ philanthropic payment}) \times 2 \text{ days}/20 \text{ hours} = \$6.60 \text{ hourly session fee}$
- Assuming the family’s applicable percentage is 85 per cent, CCS entitlement for the session would be:
  - $\$6.60 \text{ hour session fee} \times 85 \text{ per cent} \times 18 \text{ hours} = \$100.98$
- This means the family has a co-contribution of \$31.02 to pay their child care service for two days
- The sum of CCS (\$100.98), philanthropic payment (\$120) and parent co-contribution (\$31.02) is equal to the \$252.00 fees charged each week.

The table below compares the contributions of government, donor and family depending on how the rate of CCS support is calculated, revealing that most of the donation goes towards subsidising the government contribution – rather than helping families in need.

	Current rules with no scholarship	Current rules with scholarship	Amendment with scholarship
Total fee for 2 days	\$252.00	\$252.00	\$252.00
Government contribution (CCS)	\$183.30	\$100.98	\$183.30
Donor contribution	N/A	\$120.00	\$120.00
Family contribution	\$68.70	\$31.02	-\$51.30*

\*The negative balance after accounting for scholarship donation means that SDN could support more children to receive scholarships. NB this balance does not take into account the family contribution fee which would vary depending on circumstances.

## Example 2

Single indigenous mother who suffers from mental health problems and has been ‘couch surfing’ with her children due to housing difficulties.

Her child attends an SDN early education centre which charges \$129 for a 10-hour session. The family receives a philanthropic payment of \$120 for two sessions per week paid directly to SDN.

SDN must subtract this \$120 philanthropic payment from the full fee charged before the CCS can be calculated. Therefore, the calculation of the family’s CCS entitlement will be based on a \$69 daily fee, instead of \$129. As previously, although the child attends 20 hours per week their CCS exemption only covers 18 hours per week.

SDN must subtract the \$120 philanthropic payment from the full fees charged before the CCS can be calculated. Therefore, the calculation of the family’s CCS entitlement will be based on a \$69 daily fee, instead of \$129. The calculation occurs as follows (for the purpose of illustrating this provision the example excludes withholding amounts):

- $(\$129 \text{ total fees for two days} - \$60 \text{ philanthropic payment}) \times 2 \text{ days} / 20 \text{ hours} = \$6.90 \text{ hourly fee}$
- Assuming the family’s applicable percentage is 85 per cent, CCS entitlement for the session would be:
  - $\$6.90 \text{ hour session fee} \times 85 \text{ per cent} \times 18 \text{ hours} = \$105.57$
- This means the family has a co-contribution of \$32.43 to pay their child care service each week
  - $\$258 \text{ weekly child care fee} - \$105.57 \text{ CCS} - \$120 \text{ donation} = \$32.43$
- The sum of CCS (\$105.57), philanthropic payment (\$120.00) and parent co-contribution (\$32.43) is equal to the \$258.00 fee charged each week.

The table below compares the contributions of government, donor and family depending on how the rate of CCS support is calculated, revealing that under the current system most of the donation goes towards subsidising the government contribution – rather than helping families in need.

	Current rules with no scholarship	Current rules with scholarship	Amendment to CCS with scholarship
Total fee for 2 days	\$258.00	\$258.00	\$258.00
Government contribution (CCS)	\$183.30	\$105.57	\$183.30
Donor contribution	N/A	\$120.00	\$120.00
Family contribution	\$74.70	\$32.43	-\$45.30*

\*The negative balance after accounting for scholarship donation means that SDN could support more children to receive scholarships. NB this balance does not take into account the family contribution fee which would vary depending on circumstances.

### Example 3

SDN supports a family with three children with Autism Spectrum Disorder. The family are unable to work as they care for the children. Access to early intervention is imperative for these children in order to prepare for school and develop essential social and communication skills.

One of the children currently receives a scholarship to attend an SDN early education centre twice a week. The centre charges \$120 for each 10-hour session of care. Due to their circumstances this family receives CCS for 20 hours instead of the usual 18 hours of care based on the preschool exemption.

The family receive a philanthropic payment of \$60 for each session that is paid directly to SDN as their child care provider. SDN must subtract this philanthropic payment from the fee charged before the CCS can be calculated. Therefore, the calculation of the families CCS entitlement will be based on a \$60 fee, instead of \$120. The calculation occurs as follows (for the purpose of illustrating this provision the example excludes withholding amounts):

- $(\$120 \text{ fee} - \$60 \text{ philanthropic payment}) \times 2 \text{ days}/20 \text{ hours} = \$6.00 \text{ hourly fee}$
- Assuming the family’s applicable percentage is 85 per cent, CCS entitlement for the two sessions would be:
  - $\$6.00 \text{ hour session fee} \times 85 \text{ per cent} \times 20 \text{ hours} = \$102.00$
- This means the family has a weekly co-contribution of \$18.00 to pay their child care service for both sessions
  - $\$240 \text{ child care fee} - \$102.00 \text{ CCS} - \$120 \text{ donation} = \$18.00$
- The sum of CCS (\$102.00), philanthropic payment (\$120.00) and parent co-contribution (\$18.00) is equal to the \$240.00 fee charged each week for both sessions.

The table below compares the contributions of government, donor and family depending on how the rate of CCS support is calculated, revealing that most of the donation goes towards subsidising the government contribution – rather than helping families in need.

	Current rules with no scholarship	Current rules with scholarship	Amendment to CCS with scholarship
Total fee for 2 days	\$240.00	\$240.00	\$240.00
Government contribution (CCS)	\$203.66	\$102.00	\$203.66
Donor contribution	N/A	\$120.00	\$120.00
Family contribution	\$36.34	\$18.00	-\$83.66*

\*The negative balance after accounting for scholarship donation means that SDN could support more children to receive scholarships. NB this balance does not take into account the family contribution fee which would vary depending on circumstances.