



Children's Services

educating and caring for our children

SDN Children's Services

Response to the Senate Education and Employment Reference Committee Inquiry:

Family Assistance Legislation Amendment Bill No 2

2014

1. Introduction

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 early childhood education and care.

SDN provides mainstream early childhood education and care services in NSW and the ACT through our long day care centres and pre-schools, in addition to our services for children with disabilities and families facing challenges, and our support services for other children's services providers.

Our mission is to:

- provide high-quality, inclusive early childhood education and care. This means our services are safe, affordable, inclusive and as inspiring as possible
- strengthen families and communities. This means we build strong connections within communities
- address inequalities faced by children. This means we challenge discrimination and help remove barriers to full inclusion.

SDN is pleased to have the opportunity to make a submission to the Senate Education and Employment Reference Committee Inquiry into the Family Assistance Legislation Amendment, and makes the following comments.

2. SDN's integrated services

SDN operates 23 long day care centres for children from birth to six years that also deliver a pre-school program, and two stand-alone pre-schools, in total educating and caring for more than 3,300 children each year.

An additional 3,200 children in our other children's services benefit from the advisory and support work we do. Without our services, these children would likely have been excluded from care. SDN works with more than 1,700 services in addition to our own, with the aim of reducing inequalities for children and families.

Our annual revenue from child care fees is approximately \$31 million, representing 64.5% of our total revenue of \$48 million.

3. Discussion

SDN believes the review of any policy for the early childhood sector needs to be tested against the outcomes achieved for three 'communities of interest': children, families, and society as a whole.

Good early childhood education and care, that is delivered well, will provide benefits for children and their families and the community. A good public policy solution delivers benefits for all three of these audiences.

From a 'whole of society' point of view, our society is advanced when those families not already in the workforce are given the most support to be a part of and contribute to society. Access to affordable quality early childhood education and care is essential to achieving this.

Evidence shows that children who access quality early education and care perform better academically at school, and that it is particularly effective in ameliorating educational and economic disadvantage. Studies of early childhood education and care interventions for disadvantaged children show very clearly that there are both short and long term positive effects on the outcomes for those children who access high quality early education and care.

SDN is concerned that the legislation already passed to freeze the Child Care Rebate and the proposal to freeze the income thresholds for the Child Care Benefit are not supported by economic modeling nor have as their aim the achievement of any public policy outcomes. It is purely cost cutting, to the short term detriment of children and families and the long term detriment of the community.

SDN is also concerned that the proposed changes are independent of the draft recommendations of the Productivity Commission inquiry into early childhood

education, which is proposing that the Child Care Rebate and Child Care Benefit be combined into a single means-tested subsidy.

The proposal pre-empted the recommendations of the Productivity Commission to make any systematic changes that improve the efficiency of funding for families to support their access to early childhood education and care.

This is in addition to the fact that the increase to CCB for 2014-15 has already been implemented.

Families, CCB and CCR

Cost is a major barrier that families face in accessing early childhood education.

The Child Care Benefit and the Child Care Rebate can significantly reduce the cost pressure on families. A family who qualifies for 100% of CCB must have a combined family income of only \$41,902. If the upper and lower levels of CCB are not indexed, then as family income increases in line with CPI, the family creeps down the sliding scale of CCB rebates, and the percentage of CCB they receive reduces, while costs and therefore fees inevitably increase.

The maximum combined income for a family with one child in an early education and care service is \$145,642. Above this income, a family receives no CCB payment. With no indexation of the upper income level, more and more families will likewise exceed this upper limit and receive no CCB at all.

The only support for families who do not receive CCB is the Child Care Rebate. The Rebate is currently frozen at \$7,500 per annum, on the assumption that this supports 50% of out of pocket costs. However, for a family with a child in care five days per week, this means they would need to be in a service with a daily fee of \$60 in order for this to represent 50% of out of pocket costs. In the current market, particularly in Sydney, this is completely unrealistic. SDN's lowest cost service is in Lithgow, at \$74 per day for our pre-school room. Our lowest cost service in the Sydney area is at Riverwood, at \$84 per day for our pre-school room.

For a child in care for four days per week, the daily fee would need to be \$75 for CCR to represent 50% of costs, and for three days per week, the fee would need to be \$100.

Service operating costs

As a service provider, the largest proportion of our costs are staff-related, with overheads including rent and maintenance costs as the second highest element. While we can control costs, it is extremely difficult to reduce them such that we could reduce fees, without direct funding support.

Our wages costs increase each year thanks to our Enterprise Agreement with our staff, and to reduce costs would be difficult. Evidence shows that the quality of a service is positively correlated with the level of qualification of the educators. It is also linked to the ratio of educators and carers to children, and these standards are embedded in the National Quality Framework.

Reducing staff costs either means reducing wages, which we can't do; or reducing the number of staff or the qualification level of educators, both of which will negatively impact on the quality of education and care for the child.

The other option is to reduce overheads, the main one of which is rent. As with many other not-for-profit and community providers, SDN either owns its own properties or pays ongoing rent at a very low rate. There is considerable pressure on rents to increase to commercial levels, restricting our ability to reduce this element of our costs.

SDN's proposal for CCB and CCR

SDN supports the proposal in the draft Productivity Commission report to combine CCB and CCR into one means tested amount, and to provide block funding to disadvantaged communities. The combination of these two payments alone will reduce an administrative burden on services. The administrative burden would be further reduced by streamlining the payments, for example making the calculation of the benefit more transparent and less changeable so families' fees can be more easily calculated.

Payments directly to services on a regular schedule will give a more secure cash flow for services, particularly smaller services. One of the benefits for all families is that their cash outlay for fees is reduced (rather than, for example, claiming back CCR on tax). This is a particular benefit for families where the parents are not working and need the immediate reduction in cash outlays.

SDN believes the focus of public policy and the subsequent government funding should be on supporting early childhood education and care services to increase the participation of families experiencing disadvantage, by improving the affordability of services for families and increasing the number and location of services.

This continues to be SDN's position.

4. Conclusion

SDN does not support the proposed amendment to freeze the indexing of the CCB income thresholds. This change will impact families from disadvantaged backgrounds. These are exactly the families whose children will benefit most from accessing quality early childhood education and care, yet will increasingly be unable to afford it.

Funding support for early childhood education and care is not a cost, it is an investment in the future.

No changes to CCB should be considered until the Productivity Commission has handed down its final report, so decisions can be made in the context of the research undertaken by that Inquiry, and based on a coherent public policy position.

5. For more information

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