



EFT Gap Fee Myth Busters

In the family day care sector, both centralised and decentralised models, or a combination of the two, are used by services to manage the collection of Child Care Subsidy (CCS) gap fees:

- *A centralised model is one in which services/providers are responsible for collecting the CCS gap fees from families.*
- *A decentralised model is one in which educators collect the CCS gap fees on behalf of the provider.*

While the Department of Education considers the centralised collection of CCS gap fees ‘best practice’, it is important to note that both models have their pros and cons, and service providers should determine what the most suitable approach is for their specific circumstances. Family Day Care Australia (FDCA) has developed a [Guide for Approved Services](#) which outlines in depth the key considerations and options available to services as well as the associated advantages and disadvantages with each.

In this myth busting factsheet, we address some misconceptions circulating in some parts of the sector surrounding the collection of CCS gap fees via Electronic Funds Transfer (EFT) from 1 July 2023. We respond to these myths below so that family day care providers can fully understand their obligations and implement effective and compliant EFT CCS fee collection practices within their services.

Myth 1: “Adequate oversight for the CCS gap fee collection is another new requirement that the Government is imposing on family day care services and their educators”.

FACT: Ensuring adequate oversight for CCS gap fee collection has always been a responsibility of service providers under Family Assistance Law and

is therefore not a new requirement. However, it is a new requirement to have the gap fees collected by EFT. It is crucial for service providers to establish robust systems and processes to monitor fee collection, track payments and ensure compliance with relevant regulations. Adequate oversight is required for ensuring financial integrity and protecting both the service providers, educators and their families.

The Department will be conducting audits on providers to enforce the new measure. They will examine various aspects of fee collection, including EFT payments. They may cross reference EFT transactions with bank statements and receipts from service providers or educators to verify the accuracy and legitimacy of the fees charged.

Myth 2: “One gap fee collection model is definitively superior to another in reducing administrative burden”.

FACT: The administrative burden associated with CCS gap fee collection can vary depending on whether a centralised or decentralised payment model is





implemented and is a key consideration for services. It is important for each service to assess their specific circumstances and consider the potential impact on administrative burden when deciding between a centralised or decentralised approach to gap fee collection. Other key considerations services must navigate include the overall risk of non-compliance and the consequences of that for the service and its educators. FDCA's consultation with services that are currently using a centralised model has revealed that the administrative burden associated with that model may be equal to, or less than, the burden required to providing actual adequate oversight in a decentralised model. Indeed, over time it can streamline the service's fee collection processes and reduce some administration complexities.

Myth 3: "Service providers are not legally responsible if an educator fails to collect CCS gap fees by EFT from 1 July 2023".

FACT: Service providers should be acutely aware that they ultimately carry the obligation of ensuring compliance with Family Assistance Law and, as such, if educators are found to be non-compliant, any relevant liability (in terms of sanctions) will sit with the provider.

As a service provider you have a legal responsibility to ensure adequate oversight and compliance with all regulations. Therefore, if an educator is non-compliant in any way, the service provider is accountable for the financial or compliance consequences that arise. It is therefore essential for service providers to establish effective systems and processes to manage the risks of intentional or unintentional non-compliance by educators or families.

If services are found to have failed to meet their obligations the Department may take compliance action. Compliance action could include:

- issuing a warning letter
- issuing an infringement
- putting conditions on your approval
- suspending or cancelling your approval.

Myth 4: "Family day care educators can make the choice about who collects the gap fee".

FACT: The decision regarding who collects the gap fee in family day care is a business decision typically determined by the family day care provider. However, it is good practice that policies are developed in consultation with educators.

While it is legal and permissible for educators to collect the gap fee on behalf of the service provider, there are many factors that the service must consider. The service provider carries the ultimate obligation of ensuring compliance with Family Assistance Law and may therefore have policies and guidelines in place regarding CCS gap fee collection that educators must follow. It is important for educators to understand and comply with the policies and guidelines set out by their service provider, which will generally prescribe the service's approach to gap fee collection.

Myth 5: "Since EFT is used to collect gap fees, receipts are no longer required".

FACT: Receipts are still necessary to ensure transparency, accountability and compliance in financial transactions. They serve as evidence of fees being paid, facilitate financial reconciliation and are required for record-keeping purposes. Receipts also provide a necessary paper trail for reconciling financial records, detecting any discrepancies and ensuring that the gap fee charges are in accordance with the required legislation and regulations. They will contribute to the overall accountability and integrity of the fee collection process within family day care services.

In the proposed audits on the new EFT gap fee requirement, the Department may also examine EFT transactions, receipts and bank statements to verify the accuracy and legitimacy of CCS gap fee charges.





Myth 6: “A centralised method of collecting CCS gap fees will threaten the independent contractor model of family day care”.

FACT: There are many factors that impact a determination of an independent contractor vs an employee relationship. Any risks presented by a service adopting a practice of centralised gap fee collection can be minimised by shoring up the terms of engagement with their educators.

On behalf of our members, FDCA sought Legal Counsel advice to clarify the effects that a centralised system of CCS gap fee collection would have on the independent contractor model of family day care, with particular focus on any particular drawbacks. See our [Guide for Approved Services](#) for further information.

As part of your services review and transition process to the new EFT gap fee collection model, FDCA implores you to comprehensively set out your educator agreements to protect your service and strengthen the independent contractor model. Visit the [FDCA Member Zone](#) to access updated educator agreement templates and independent contractor guidance factsheets.

Myth 7: “There are fewer business risks for the service if educators collect the CCS gap fees, acting as an agent on behalf of the provider”.

FACT: By its very nature, a decentralised approach can increase the risk of errors, inconsistencies and non-compliance as there can often be variances in educators’ business practices. Without proper oversight and control measures, there is a much higher risk of errors in fee collection, potential financial losses, and regulatory non-compliance. To manage the risks of intentional or unintentional non-compliance by educators or families, services must have robust internal checking processes in place, which can present significant additional administration burden for the service and another layer of risk. However, while a decentralised model

can present certain business risks, it is possible for services to manage and lessen these risks by:

- services having robust internal checking processes in place
- establishing clear expectations and guidelines on fee collection processes as well as providing educators with relevant training and support
- communicating regularly with educators to address any issues that may arise.

Adopting a centralised model can be another method for reducing the risk of non-compliance and business risks because:

- centralised gap fee collection enables better financial oversight and control. Service providers can readily track and reconcile payments, minimising the risk of financial discrepancies
- with a centralised model, it becomes easier to ensure compliance with relevant regulations and clear guidelines. It provides a standardised approach to fee collection, potentially reducing the risk of noncompliance and the accompanying fines and consequences
- a centralised model promotes transparency for both service providers and families.

For the above reasons, the Department regards the centralised model as “best practice”.

Ultimately, the choice between a centralised or decentralised model should consider the specific circumstances and capabilities of the service, whilst prioritising compliance, transparent and effective financial management.





Myth 8: “It is illegal for educators to collect the gap fee”.

FACT: Educators are legally allowed to collect the gap fee on behalf of the family day care service provider. The amendment to [Section 201B \(1\) of the Administration Act](#), requires CCS gap fees to be paid ‘using an electronic funds transfer system’ and that that ‘providers are to take all reasonable steps to ensure that the individual pays the gap fee to the provider’.

FDCA has received confirmation from the Department that the amendment does not change an educator’s ability to collect the gap fee, acting as an agent on behalf of the provider, so long as the provider has appropriate oversight that the gap fee has been paid, and that this agent may be an educator.

Some services may choose to transition to a centralised CCS gap fee collection model, but this is not mandatory.

