

Draft submission

Methodology paper: Early childhood education and care – Independent Market Monitoring Review

Local Government NSW (LGNSW) and the Local Government Children's Services Managers Group welcome the opportunity to provide feedback on the methodology paper for the Independent Market Monitoring Review of the early childhood education and care sector, currently being carried out by the Independent Pricing and Regulatory Tribunal (IPART).

LGNSW is the peak body for local government in NSW, representing all 128 general purpose councils and related entities across the state. By providing advocacy, representation and support, LGNSW helps member councils deliver improved services and better outcomes to their local communities.

The Local Government Children's Services Managers Group is an industry body of peers bringing together Children's Services Managers working in councils across NSW. The group meets regularly and provides a forum for colleagues to share ideas, ask questions, exchange observations and feedback and establish best practice in local government provision of early childhood education and care (ECEC).

Together, these bodies advocate on behalf of the thousands of staff, families and children for whom the local government provision of ECEC is of paramount importance, ensuring the role of local government in providing care is recognised, supported and appropriately funded and maintained.

Please note this submission remains in draft form until endorsed by the LGNSW Board.

Established LGNSW positions

The [LGNSW Policy Platform](#) sets out the policy positions of LGNSW and is established through motions voted on by councils at LGNSW Annual Conferences. The Policy Platform includes that LGNSW advocates for:

19.12 High quality, universally accessible and affordable early childhood education and care.

19.13 Adequate funding for council-run youth and children

services and recognition that councils are an essential provider of services to children and young people.

A resolution from the 2022 Special Conference called for LGNSW to strengthen its support for early childhood education and care across Australia, through its formal support of the 'Thrive by Five' campaign:

That Local Government NSW formalises its support of Thrive by Five on behalf of the local government sector and their campaign to advocate for high-quality, universally accessible and affordable early learning and childcare across Australia.

A similar resolution passed at the 2020 Annual Conference also called for the NSW Government to:

...recognise the essential role of local government in early childhood education and care, and fund it accordingly, particularly as council-run services often cater to vulnerable, low-income families, regional and rural communities and children with disability.

Introduction

With 128 councils in NSW, over 300 Early Childhood Care and Education (ECEC) services are operated or coordinated by local government, including pre-school, long day care, family day care (FDC), mobile care, occasional care, vacation care and outside of school hours care (OSHC).

Almost half of all NSW councils operate centre-based ECEC services, and council run ECEC services tend to be very high quality, with a greater proportion of services exceeding the National Quality Standards than for-profit services. Local government is often recognised as providing higher quality care than other providers and this is documented in rating information comparing different types of services (51% state/territory and local government managed services rated 'exceeding' compared to 15% of private for profit.¹)

Many of these ECEC services cater to a high number of vulnerable families and children with disability. Already councils are widely valued as affordable childcare providers, offering a critical service to disadvantaged families. In rural and regional NSW, councils are sometimes the only providers of childcare services. In an increasingly difficult economic environment, there is very real concern that some councils may be forced to withdraw from this space, leaving families without the excellent and affordable childcare services they need.

It is therefore welcomed that we have this opportunity to provide comment on the methodology to be used in IPART's independent market monitoring review. It is important that at the outset, the initial baseline is accurate, fair and robust and we are pleased to provide the following input.

¹ ACECQA NQF Snapshot Q1, 2023 - [NQF Snapshots | ACECQA](#)

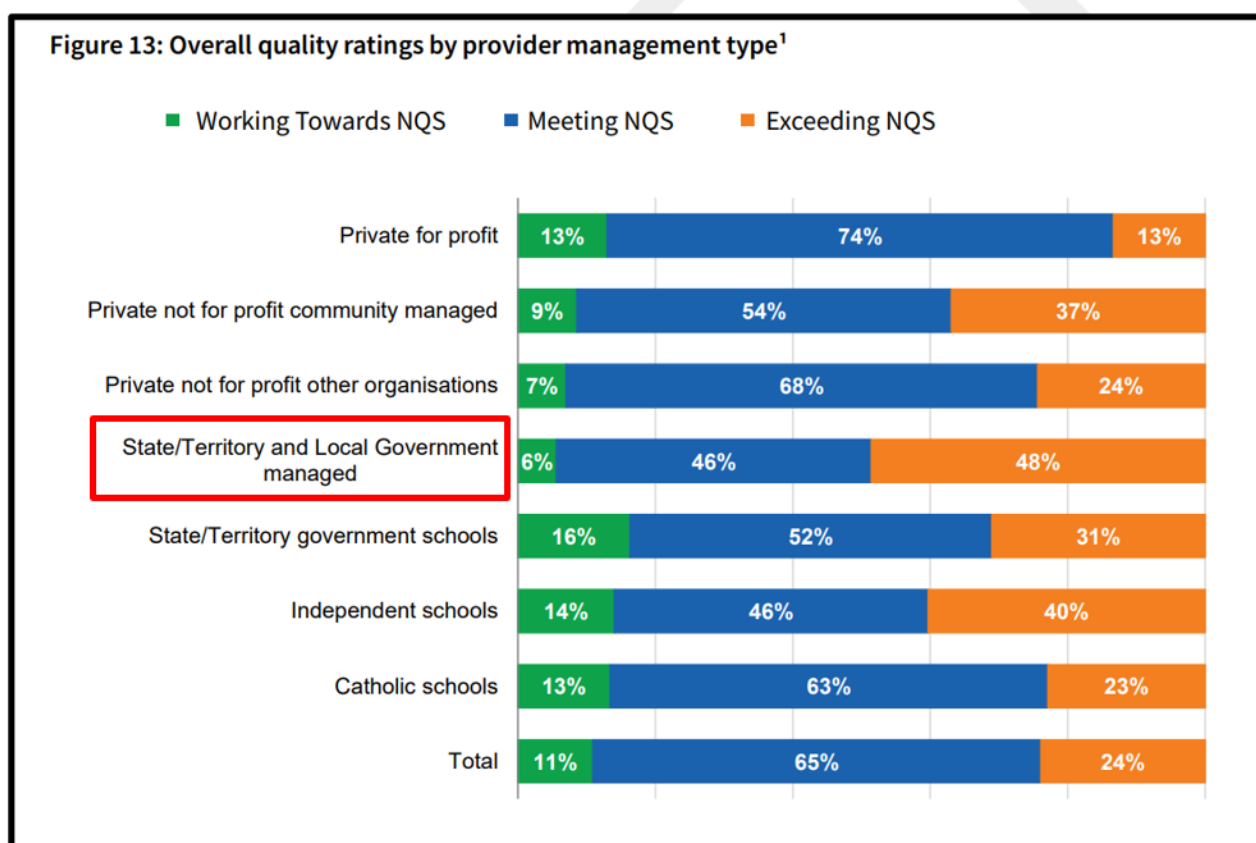
Proposed methodology

Recognising the 13 guidance questions that IPART has proposed, this submission focuses only on those where there is particular relevance to the local government sector:

Discussion Paper Question 1:

We seek your feedback on the dimensions proposed in Table 2.1 for reviewing aspects of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?

- “Table 2.1 Dimensions to review aspects of early childhood education and care” on page 6 of the methodology paper should also include Starting Blocks data to accurately capture a baseline that better reflects the ECEC sector (www.startingblocks.gov.au)
- Rather than the provider types listed in table 2.1, the provider types as defined by ACECQA may more accurately align with data. The below graph from the most recent ACECQA Snapshot report provides this alternative list of provider types, and highlights the role of local government as a provider of high-quality services².



² ACECQA NQF Snapshot Q1, 2023 - [NQF Snapshots | ACECQA](#)

Discussion Paper Question 2:

Are there gaps in the data collected for early childhood education and care services? If so, what are these and how can they be addressed?

Funding for children with additional inclusion rights and vulnerabilities.

- There is a need to ensure that the ECEC sector is holistically inclusive and it would be beneficial to be able to measure “accessibility” of each “provider type”.
- There is a gap in data showing where children who receive Inclusion Support Subsidy (ISS) funding are enrolled by provider type. This data would likely reveal an inequitable spread of children enrolled in not-for-profit services due to the substantial funding gap.
- As an example of this impact, the current Inclusion Development Fund Subsidy is \$23 per hour, funded by Department of Education to support inclusion of children with additional needs. This rate has remained static since 2017 despite rising costs. The gap between this funding and the amount staff are paid is growing, and ranges between 20 and 39%.
- At one council the rate deficit is \$13 per hour for a casual staff member or \$6 per hour for an entry level Certificate III.
- This inadequate inclusion support funding exacerbates inequity, and there is an increasing influx of children with additional inclusion needs transferring from private/corporate services to not-for-profit providers, including local government services. This has a disproportionate impact on these services due to the funding gap for children enrolling in a service based on the ‘loss’ of income to provide inclusion. This regularly results in these children being overrepresented in council, not-for-profit and community-based providers as catering for these children can impact profitability for corporate providers.
- Measuring this data is important to be able to increase funding for supporting children with additional needs and make sure it is targeted to the right places.

Discussion Paper Question 3:

We seek your feedback on the dimensions proposed in Table 2.2 for reviewing the supply and demand for early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?

- There is an inherent problem in using “licenced capacity” as an indicator. Across the ECEC sector there are well documented workforce shortages, meaning many service providers are operating under their licensed capacity/approved service levels. The impact of ‘closed’ rooms should be considered in understanding current availability levels.

- Similarly, reference to waiting list data is unreliable as there is often duplication and overlap with families joining waiting lists at various services run by different providers.
- An alternative method of looking purely at demographic figures for a geographic area, or at anticipated numbers for local primary schools, is also not ideal as this is based on the assumption that all families want to utilise ECEC. There are many reasons that some families make an active decision not to enrol their children in ECEC services – including cultural, financial, religious and geographic considerations. The methodologies employed to measure “demand” should not be based on the false assumption that all families wish to use ECEC services.
- An additional consideration for access to an affordable option would be proximity to access NSW Government-funded preschools. This is an attractive option for families seeking lower cost services.
- An additional data source to review supply and demand should be Starting Blocks data (if this would provide different data to Care for Kids).
- An additional dimension may be to consider services by Provider Type, to measure where parents have access to choice of early learning service.
- The five-year age bands suggested may not provide sufficient detail. Supply of places for children under the age of 3 years is impacted by cost barriers. This level of data could be captured to better understand demand for children by age group. For example, Family Day Care could meet an important need for this age group.
- An additional dimension may include children with a disability and the services they are enrolled in by provider type?

Discussion Paper Question 8:

We seek your feedback on the dimensions proposed in Table 2.4 for reviewing the affordability and accessibility of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?

- Table 2.4 is missing Starting Blocks as a Data Source. Fee increases for Child Care Subsidy (CCS) services are required to be uploaded within 14 days in the Australian Government’s PRODA system – which is then visible in Starting Blocks. This data should be measurable in the current system. For State-funded preschool services – this would be captured at least annually when the Census data is completed in August each year. Fees are also accessible in Starting Blocks.

Discussion Paper Question 9:

We seek your feedback on the proposed indicators and KPIs to address affordability and accessibility in Table 2.5.

- Table 2.5 should also indicate where children with ISS or High Learning Support Needs (HLSN) funding are enrolled by provider type.

- Affordability is a significant issue when considering the impact of enrolling children with inclusion needs. Refer to the response to question 2 for more detail. Including a disproportionate number of children with unfunded needs increases the financial and social impact on services who offer inclusive services. The ongoing stories of children with a disability being expelled from services not able to manage these needs is funnelling these children into a smaller number of services, which impacts financial, social and workforce pressures.
- Preschools are funded \$24.27 per hour for HLSN. CCS services are funded \$23 per hour for ISS. The Educator pay entry rate is \$29.49 without on-costs or casual loading. It would be ideal to fund the support staff directly. There is a current inequity of Preschool vs Long Day Care for the hourly funding rate and what is accepted for funding criteria. A child enrolled at preschool two days per week receives \$24.27 per hour and usually for the full opening hours. The same child attending long day care for 10 hours per day would regularly only receive 5-7 hours of funding at \$23 per hour. The social and financial inequity is illogical and impactful.
- This leads to less choice for families wanting to enrol children from vulnerable backgrounds
- Affordability of very low cost or free preschool and families needing the hours of long day care regularly results in children attending two services. This is particularly challenging for children from vulnerable backgrounds as children need to adapt to two physical premises, two sets of educators and two sets of peers.

Discussion Paper Question 10:

We seek your feedback on the dimensions proposed in Table 2.6 for reviewing the early childhood education and care workforce in NSW. Are there others that should be considered? What are your views on the level of detail?

- Table 2.6 would also benefit by including an addition dimension based on a local government area's:
 - Cost of living
 - Housing affordability for key workers
 - Access to public transport
- Table 2.6 refers to 'Award' but it is notable that there is a National Award as well as a Local Government Award which differ from each other. It is important that this detail is considered.

Additional comments

- Workforce issues remain a significant challenge for the ECEC local government sector.
- A professional, qualified, sufficiently sized and quality workforce is necessary to the operation and sustainability of the ECEC sector.

- The ECEC sector is facing issues in attracting and retaining a skilled workforce and salaries are a contributor to this.
- Workforce shortages have impacted service continuity and quality and also increased costs as providers compete for the limited supply of available educators.
- Councils also report that high staff turnover has reduced continuity of care and reduced confidence in services.
- Quality early learning requires quality funding to achieve a professional qualified sector.
- Workforce shortages are driving cost increases as providers compete for the limited supply.
- High quality early learning supports better outcomes for children and families.
- Qualification requirements support quality early learning for children and there is broad support across the sector for these. Attempts to dilute or water down these hard fought for requirements will diminish the profession.
- Lowering current qualification requirements will further impact Australian Early Development Census (AEDC) outcomes for children
- Quality should be valued over cost cutting or the impact of the current workforce crisis.
- The existence of a National Quality Framework suggest it would be more sensible for states and territories to agree on a common standard.
- Burn out is increasingly common and heavily influenced by increased workload as a result of shortages.
- Many services are reducing enrolment numbers to mirror the staffing shortage, this results in fewer places for families to access. It also impacts financial viability for services.

Discussion Paper Question 11:

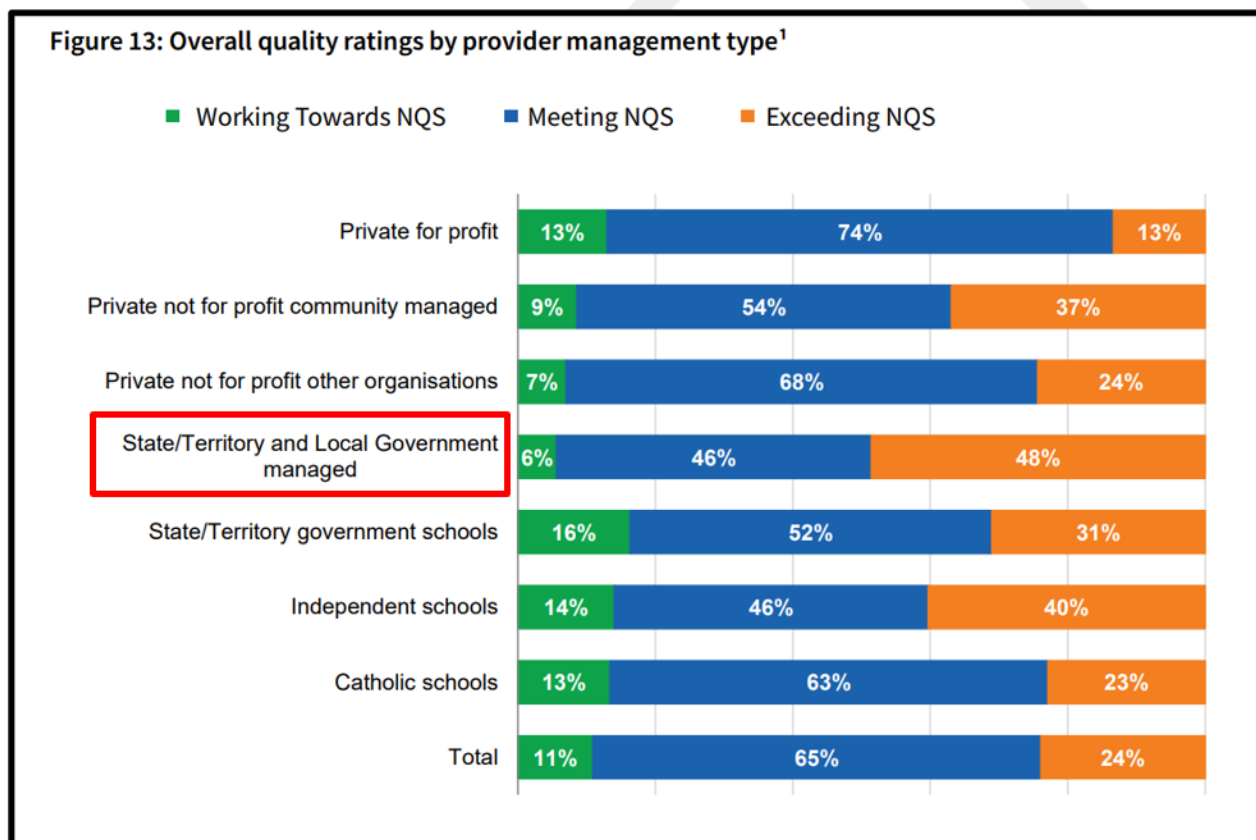
We seek your feedback on the proposed indicators and KPIs related to the early childhood education and care workforce in Table 2.7.

- Attracting Cert III and trainees are two significant challenges. In indicator on better synergies between schools and the ECEC sector to attract potential educators to the workforce could be considered.

Discussion Paper Question 12:

We seek your feedback on the dimensions proposed in Table 2.8 for reviewing the distribution of quality early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?

- As per ACECQA snapshot reports, council-delivered ECEC is the highest provider of quality services. The public good this provides should be considered as part of any recommendations or findings.
- Table 2.8 should consider quality by provider type as per the ACECQA categorisations³:



Discussion Paper Question 13:

We seek your feedback on the proposed indicators and KPIs related to the quality of early childhood education and care services in Table 2.9.

- Table 2.9 in the methodology paper could also include ECEC services delivering to priority groups by provider type – this would assist with understanding where funding should be targeted.

³³ ACECQA NQF Snapshot Q1, 2023 - [NQF Snapshots | ACECQA](#)

Consultation fatigue

Finally, as acknowledged in the Methodology Paper, there is a significant number of concurrent reviews and inquiries currently taking place into ECEC, including:

- [IPART's ECEC Review into affordability, accessibility and consumer choice](#)
- [The Australian Competition and Consumer Commission's Childcare Inquiry 2023](#)
- [The Australian Government Productivity Commission's inquiry into ECEC 2023-2024](#)

These important reviews and inquiries are a welcome opportunity to provide feedback and commentary but running concurrently they do lead to "consultation fatigue" – particularly amongst local government providers who often face a heightened level of reporting and accountability than some commercial and even not-for-profit providers. IPART's acknowledgement of this and commitment to work with those other agencies to share information and minimise repetition and duplication is greatly welcomed by our members.

Conclusion

On behalf of councils in NSW, Local Government NSW and the Local Government Children's Services Managers group advocate for high-quality, universally accessible and affordable early learning and childcare across Australia.

Local government has an essential role in early childhood education and care, and must be funded accordingly, particularly as council-run services more often cater to vulnerable children, low-income families, regional and rural communities and children with disability.

The ECEC sector is facing significant issues attracting and retaining a skilled workforce and there needs to be a coordinated approach across all levels of government to ensure funding aligns with common economic and educational goals for the ECEC sector.

Local government ECEC services are as diverse as the communities they serve - there should not be one-size-fits-all approaches when it comes to policies and regulation. Different barriers and opportunities in metropolitan, regional, rural and remote areas require flexibility in the funding and regulatory system to support varying models of ECEC services.

We thank IPART for providing the opportunity to comment at this early stage to ensure the methodology is accurate and fair and that the outcome of the review will see improvements to the ECEC sector.

For further information, please contact Bronwen Regan, LGNSW Government Relations Manager at bronwen.regan@lgnsw.org.au or Renae Giles, Local Government Children's Services Managers Group at rgiles@ssc.nsw.gov.au.