

# Submission

## Issues paper - review of early childhood education and care – April 2023

Prepared by: Blacktown City Council  
22 May 2023

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## Introduction

Blacktown City Council provides this submission in response to the Independent Pricing and Regulatory Tribunal (IPART) - Issues paper - review of early childhood education and care – April 2023.

Blacktown City has 54 suburbs covering an area of 247 sq. km and is located in western Sydney. Blacktown City Council is the largest Council in NSW, with a resident population of more than 415,000 people and some 25,000 businesses. Council's budget for the forthcoming year is \$787m and Council employs some 2,200 staff. The City's population is forecast to grow to over 600,000 people.

Blacktown City Council is the largest owner and operator of child care education and care services in the Blacktown local government area. We operate 28 services including long day, preschool, before and after school, vacation and family day care

Council's Centres cover a vast range of socio-economic profiles as measured by the Socio-Economic Indexes for Areas (SEIFA). Newer housing estates located in the north west growth area contrast with the historical 'housing commission' areas of Blacktown west. This diversity results in areas of the City being inconsistently supplied by the for-profit sector. This places Council in a position of being obligated to provide Centres in lower SEIFA areas to meet demand.

Our child care service employs in excess of 300 staff and cares for over 1,700 children per week. Council employs fully qualified staff across all service types and has been operating for over 40 years.

Council notes the specificity of the review as a response to the NSW Government's Early Years Commitment. A \$15.9 billion investment over 10 years in the NSW early childhood education and care sector.

## Our Submission

Council recognises the Issues Paper provides background analysis to facilitate feedback from families, Providers and other interested parties regarding the early childhood sector.

Council supports this approach as a good basis of market and customer insight to drive future strategy development.

However, there are a few areas of the Issues Paper where Council believes it's prudent to provide its perspective.

These areas are as follows:

- Demand drivers - Issues Paper Q10, Q14
- Precedents for location of current services - Issues Paper Q11
- Council's commitment to provide local child care services - Issues Paper Q12
- Council's future supply of child care services - Issues Paper Q12
- Workforce shortages - Issues Paper Q15
- Relativity of cost and quality in providing a child care service - Issues Paper Q16
- Award variations - Issues Paper Q16
- An 'open book' approach to cost assessment - Issues Paper Q17
- Inclusion and diversity issues - Issues Paper Q17
- Fee benchmarking - Issues Paper Q20.



In addition to our submission, Council has also encouraged our child care Educators to complete the IPART survey.

We have also asked our families to complete the survey and share their experiences of using our early childhood services. This includes families who plan to, or currently use, our services and families who have used them in the past.

## **COUNCIL PERSPECTIVE ON AREAS OF THE ISSUES PAPER**

### **Demand drivers - Issues Paper Q10, Q14**

Council market research indicates that suburban location is a primary driver in a family's choice of child care Centre (>70% of respondents). A preferred location is based on proximity to home and or travel to work location.

In regard to supply ratio measures as suggested in the Issues Paper, Council contends that the sector is too complex for a simplified approach.

Simplicity doesn't consider the motivations of families wanting to place their child into care. Council market research indicates that over the past 10 years, less than 50% of families in the City with children aged 0 to 6 years old actually seek to place their child in care.

This choice is usually based on a combination of a child's social skills, family set-up and cultural issues.

Council would recommend a suburb based, demand measurement approach based on Provider waiting list numbers as compared to the available supply of places on a suburb basis. For example, a suburb with 3,000 children on wait lists with 2,400 available places would have a 125% demand rate.

This is a truer indication of actual demand.

The Issues Paper also identifies how demand is driven by population trends and housing supply in growth centre areas of Sydney. In Blacktown, this analysis is supported by what is actually occurring in growth centre areas such as Riverstone and Marsden Park.

However, in established areas like Seven Hills and Prospect, demand fluctuates between Centres in line with children 0 to 6-year-old population trends and socio-economic status. These fluctuations see a requirement for a clear policy on the multi-purposing of Centre licences to support the demand within a particular suburb.

For example, a predominance of 3 to 5-year-old children in a lower socio-economic area, would benefit from more preschool places than long day places.

### **Precedents for location of current services - Issues Paper Q11**

The review needs to consider the historical precedence of previous Commonwealth government policy when determining the suitability and or practicality of current service locations.

### **Council's commitment to provide local child care services - Issues Paper Q12**

It is noted in the issues paper that of total centre day care Providers, less than 7% of services are operated by government with the exception of NSW Department of Education preschools.

Council's acknowledges that it operates slightly above this level within Blacktown City.

Customer insight from Council market research indicates that the presence of local government child care Providers is viewed positively by families.

The basis of this positivity is a perceived high level of integrity. Specifically, a clear pathway of accountability for customers to pursue in response to problems.

Council's remains committed to continue to operate its current services to support the education and care of children within our local communities.

## **Council's future supply of child care services - Issues Paper Q12**

Following a review of child care service in 2014, Council committed to the continued operation of its existing 27 child care services.

In making this commitment Council determined that the future supply of child care services in the Blacktown local government area would be driven by private sector investment.

This determination recognised the need for Council to efficiently operate its own services. Future Council expansion would be focussed on opportunities involving minimal asset investment like the NSW Government's out of school hours expansion program.

This focus was reinforced in recent years with the NSW Government Section 7.11 funding mechanisms precluding Council's ability to deliver child care centres.

Council reports indicate that population growth in the north west growth centre of the City is forecast to grow to a population of 256,000 by 2041.

The need for funding support through Section 7.11 is paramount if local government child care Centres are available to families and their children in these new residential areas.

## **Workforce shortages - Issues Paper Q15**

It has been widely reported that acute workforce shortages are currently impacting the early childhood education and care sector.

Despite the current challenges, Council has continued to operate at full licence capacity and employ professional and highly qualified Educators to deliver high quality education to all children and families.

Council has had to compete with for-profit Providers who are remunerating staff with increased salaries, bonuses and benefits. This has made it difficult to attract and retain qualified and experienced staff.

The workforce shortage has parlayed into a large amount of recruitment in 2023 and increased administrative costs. Importantly, we have seen a rise in stress and additional responsibility on management and Educators.

## **Relativity of cost and quality in providing a child care service - Issues Paper Q16**

The Issues Paper has a significant focus on the 'cost' of providing child care services.

The review needs to identify the relativity between 'cost of' and 'quality of' service.

Specifically, the National Quality Framework measures quality of service across a 4-level scale and over 7 areas of competency. The Framework encourages Providers to adopt a higher costs basis in order to achieve a higher quality rating.

To be recognised as a higher quality provider, there is no option but to have a higher cost investment, both initially and on-going.

Investment in staff competency development, salaries, resources, administration time, indoor and outdoor facilities capital, all drive higher quality and in turn higher costs.

Council would advocate analysis of cost is correlated with the quality rating of the Centre.

### **Award variations - Issues Paper Q16**

The review needs to recognise that local government provided Centres are salaried under the Local Government State Award 2020.

We submit a recommendation that any sector-based award is equitable to the local government award.

Furthermore, that if a single award for the entire sector is recommended that it has minimum and maximum levels. This approach would recognise the operational size and quality mix of Providers, establish expectations of the major cost to Providers, salary to workers and justify fees to families.

### **An 'open book' approach to cost assessment - Issues Paper Q17**

Council recommends that IPART adopts an 'open book' approach to the task of assessing costs.

This will require a selection size of statistical relevance across a range of service Providers in size, revenue, location and quality.

Under an 'open book' approach each centre would provide IPART access to its operational costs including – borrowing costs, salaries, salary on-costs, cleaning, catering, insurances, administrative allocations, uniforms, resources, building and playground maintenance and capital investment programs.

### **Inclusion and diversity issues - Issues Paper Q17**

Council prides itself on reflecting families' cultures, values and aspirations through the daily curriculum and planned special events.

Over the past 12 months we have seen an increase in the number of children presenting with complex needs. We currently have around 7% of children enrolled in care with a diagnosed disability.

Family feedback indicates that for-profit operators are increasingly reluctant to accept enrolment of children with complex needs.

The level of support that is required for additional needs children is varied and, in some cases, requires an individualised support plan.

The current Inclusion Support Program (ISP) model doesn't support approved Providers with the funding required for additional workers. The ISP currently pays \$24.27 per hour and Providers are required to 'top up' the amount to employ the additional staff members required to support inclusion.

Despite the funding shortfall, Council continues to offer all families the opportunity to place their child in care.

Council recommends a review of the ISP funding model along with greater training and support to ensure inclusion is embedded into all Providers.

### **Fee benchmarking - Issues Paper Q20**

Council undertakes an annual benchmark process with local service Providers prior to setting fees and charges for the following year.

The benchmarking process produces a fact-based platform on which to base fees.

Council's approach to fee setting is determined by a need to cover costs against a forecast utilisation and provide a sufficient operating surplus to maintain facilities, resources and maintenance requirements.

In the past 2 years, we have been continuously challenged by for-profit Providers recruitment strategies in the area of staffing costs.

For Council 85% of total costs are associated with staffing.

In some Centres, this percentage is greater given our commitment to providing care for complex needs and 0 to 3-year-old children, where the staff to child ratio is greater.

Currently, 95% of all families enrolled across all of our service types are eligible for the Commonwealth Government Child Care Subsidy (CCS), which reduces the cost to families.

Our 3 preschools are currently receiving the NSW Department of Education Start Strong and preschool fee-relief, meaning families are paying no fee for their children to attend 2 days of preschool.

### **Summary**

In summary, Blacktown City Council welcomes the review of NSW early childhood education and care sector.

It's a timely initiative for a sector that's vitally important to a community's future well-being, but one that is currently under significant workforce supply pressures and operating costs.

If there are any questions with regard to this submission, please direct them to the Contact Officer indicated on the submission cover page.