

Draft submission to Independent Pricing and Regulatory Tribunal NSW (IPART)

Interim Report

Review of early childhood education and care affordability, accessibility and consumer choice

November 2023

Local Government NSW (LGNSW) and the Local Government Children's Services Managers Group welcome the opportunity to provide feedback to the [IPART Interim Report](#) into the review of early childhood education and care, published 20 October 2023.

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 a representative 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.

BACKGROUND

IPART has been asked to review the early childhood education and care (ECEC) sector in NSW, including community and mobile pre-school, family day care, long day care, NSW Department of Education preschool, occasional care and outside school hours care (OSHC). It is examining factors that drive the supply of ECEC as well as barriers in accessing services and affordability of services.

IPART released an Issues Paper in April 2023 and LGNSW provided a [submission to IPART](#) in May 2023.

IPART's Interim Report has identified four overarching draft findings on factors that drive affordability, accessibility and choice in NSW, and made three corresponding priority draft recommendations.

IPART has invited comment on this report and LGNSW and the Local Government Children's Services Managers Group welcome the opportunity to provide feedback. We note that the final report will be submitted to the Minister for Education and Early Learning in December 2023.

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

THE ROLE OF LOCAL GOVERNMENT IN THE PROVISION OF ECEC

With 128 councils in NSW, over 300 Early Childhood Education and Care (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. 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 service types (48% state/territory and local government managed services rated 'exceeding' compared to 13% of private for profit!).

Further, council-run services more often cater to vulnerable children, low-income families, regional and rural communities and children with a disability. Local government has an essential role in the provision of early childhood education and care across the State.

ESTABLISHED LGNSW POSITIONS

A resolution from the 2020 LGNSW Annual Conference² 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.

The [2023 LGNSW Advocacy Priorities](#) include a section on "Stronger Communities" which amongst other requests, includes:

#3. Commit to council-run early childhood education and care facilities being eligible for all new funding opportunities and grant programs for the early childhood education sector.

With councils as a key provider, particularly in rural and regional areas and particularly for more vulnerable cohorts, it is critical that council-run services be eligible for such funding.

¹ ACECQA NQF Snapshot Q2, 2023 - [NQF Snapshot Q2 2023 FINAL.PDF \(acecqa.gov.au\)](#) p15

² [Record-of-Decisions-LGNSW-2020-Annual-Conference-and-BOARD.pdf](#) page 29

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

#19 Strong and Inclusive Communities: *Local government is a significant provider and supporter of essential services to all members of the community including older people, people with disability, families, children, young people, Aboriginal people and people from all cultures and backgrounds. Councils fill the gaps in the provision of essential human services when there are no other providers, particularly in rural and remote areas, and advocate for equitable access to infrastructure and services.*

This is particularly relevant in respect of the provision of early childhood education and care.

In the current [Policy Platform](#), LGNSW specifically advocates for:

- High quality, universally accessible and affordable early childhood education and care. (#19.12)
- Adequate funding for council-run youth and children services and recognition that councils are an essential provider of services to children and young people. (#19.13)

Other position statements that support local government in their provision of childcare services in rural and regional communities in particular are:

- Recognition of the higher costs of infrastructure and service delivery faced by rural communities due to inherent and unavoidable economies of scale (#4.3)
- Incentives and measures to increase domestic and international migration to inland rural and regional communities, including for experienced and qualified staff (#4.6)
- Action to address difficulties meeting Continuing Professional Development requirements for professionals working in rural and remote NSW (#4.7).

FEEDBACK ON THE DRAFT RECOMMENDATIONS OF THE INTERIM REPORT

This submission provides feedback on the three priority draft recommendations from the IPART Interim Report. Feedback is also provided on the other recommendations relating to specific aspects of accessibility, affordability and choice through the lens of every council that provides these services throughout NSW.

Draft IPART priority recommendation 1 – An integrated approach between state, territory and Commonwealth governments is needed to address funding system complexity and fragmentation and support services that enable both workforce participation for parents and inclusive early learning for children.

Comment – LGNSW and the Local Government Children’s Services Managers Group strongly support this recommendation. Specifically, there needs to be a simpler system that supports a multi-purpose facility model of ECEC. Multi-purpose services operate in regional and remote centres to account for smaller numbers but with a demand for the full range of services including providing for inclusion and children with additional needs.

The current funding system creates a huge administrative and regulatory burden to an already stretched workforce. For example, the ‘Start Strong for Families’ government subsidy childcare management software is built for a Federal approved system. Software providers have not adjusted their platforms for state funding and therefore providers need to manually manage this.

There are also numerous funding streams to manage, and in some instances, providers feel that the fee relief programs offer such small monetary benefit that it is simply not worth the administrative cost.

An example is from a regional council, in which its children’s services operate seven businesses across three licensed services. The seven businesses consist of:

- Long Day Care (LDC)
- Preschool
- Mobile Preschool
- Mobile Play sessions
- After School Care (OSHC)
- Vacation Care (OSHC)
- Toy Library.

Within each of these businesses various funding/revenue streams support delivery including:

1. NIAA – National Indigenous Australians Agency – Indigenous children support project
2. Disability and Inclusion programs – Preschool
3. Inclusion support programs – Long Day Care & OSHC
4. Community donations/Fundraising
5. NSW Government Education Grant opportunities that arise each calendar year: COVID-19, community grants, Quality & Participation grants, Flexible Initiatives trial
6. Childcare Subsidy
7. Workforce grants, Professional Development grants
8. User Fees (all different depending on age, equity, low income, Indigenous etc.)
9. Start Strong Long Day Care & Start Strong Preschool

10. Start Strong Pathways (for mobile play sessions)
11. Fee Relief Payments (Preschool, LDC, 3-year-olds)

At this particular council for the 2023-24 financial year, children's services currently manage 22 separate streams of funding to support their services. There is a lack of consistency between the various funding reporting and financial acquittals requirements and this is managed by fewer than three administration staff with reporting to all three levels of government. Limited access to financial expertise further adds to the stress of administration and reporting.

Despite these challenges on the ground, local government in NSW is well placed and very willing to work with the NSW and Commonwealth governments to inform funding system improvement.

Draft IPART priority recommendation 2 – *The NSW Government should develop an early childhood education and care workforce strategy that focuses on ensuring enough educators are available to provide the services that are needed, and that educators are enabled to deliver those services at high quality.*

Comment – This recommendation is supported and welcome, given the significant issues facing providers in attracting, maintaining and affording a quality early learning education and childcare workforce.

Consideration needs to be given to the workforce holistically to deal with the complexity of different care types, award jurisdictions, and provider types (private, NFP, local government, pre-school). this approach will assist in ensuring the sector avoids disparity and division.

It is important that qualifications in early childhood education equip educators with the requisite knowledge and skill level in order to provide a quality service in a complex and demanding environment. LGNSW and the Local Government Children's Services Managers Group support the current level of qualifications for staff.

There is a distinct challenge for many councils regarding insufficient numbers of Certificate III qualified educators. Being able to find and afford a home near where they would work is having a negative impact. In addition, some educators are choosing to work in less demanding sectors for the same pay. Some employers are abolishing roles or reducing daily children enrolment numbers in response to the lack of educators, demonstrating the urgency of this issue.

One possible solution would be consideration of a new 'hybrid' Certificate III qualification; giving the educator / care worker the ability and flexibility to work in ECEC, community services, youth services and/or disability sectors, many of which also face staff and skill shortages. This would facilitate movement across sectors and a potentially bigger pool of qualified staff who may not otherwise want to or be able to retrain from, for example, a Certificate III Aged Care Support to Certificate III ECEC. This

would not be an eroding of the level of qualification but rather providing greater flexibility and entry points.

The Australian Department of Education is conducting an ECEC workforce study, with the final report due in May 2024. This study is timely and we look forward to providing comments on its findings and recommendations. Results of the study could provide a platform for inter-governmental collaboration (particularly between state and Commonwealth governments) in addressing the ECEC workforce crisis.

We support the recommendation of a better alignment of the NSW workforce strategy with that of the Commonwealth government (see comment on draft recommendation 30 below).

We note that one of the regulatory priorities of the Fair Work Ombudsman for 2023 - 2024 is the care sector. While their work would not be finished by the time the final IPART report is released, it is recommended that IPART consider any early findings from this work in their formulation of workforce recommendations.

Draft IPART priority recommendation 3 – *The NSW Government should develop a digital service and data strategy for the early childhood and education care sector, so families can more easily find, choose and use services that meet their needs, and providers and governments can make better informed decisions.*

Comment – Recognising the shortcomings of the current StartingBlocks digital service, we suggest that investment would be better served in improving and adding to StartingBlocks, rather than creating yet another new digital data service. State funded services could be added to this existing platform through agreement between the jurisdictions. We also recommend greater promotion of StartingBlocks to families to increase awareness and uptake.

It would be beneficial for StartingBlocks to have the capacity to extract fee information directly from the Childcare Management System software provider to enable currency and accuracy of fee information for families.

A data strategy that would aim to reduce the administrative burden on staff through smarter capture of data would be supported.

Draft IPART recommendations:

- **Accessibility – availability and choice (Recommendations 4-9),**
- **Accessibility - inclusion (Recommendations 10-15)**

Comment – It is noted that for vulnerable families whose child(ren) requires more than 15 hours ECEC per week, the current funding shortfall poses a barrier to accessibility.

Disparity of funding for vulnerable children in long day care versus pre-school also needs to be addressed.

Draft IPART recommendations:

Accessibility – information (Recommendations 16-21)

Draft IPART Recommendation 18. – *The NSW Government should advocate for enhancement of the National Quality Standard to highlight areas of expertise and excellence in inclusion within service quality ratings, to help families identify inclusive services and to provide incentives for services to provide inclusive education and care.*

Comment – There needs to be a more equitable regulatory framework that enforces that both private and community-run services provide services for children with additional needs. This is unlikely to be achieved unless the full cost recovery of inclusion costs is met by the government. Providers should not have to fill a gap in delivering services to children with additional needs. Community-run services currently provide the majority of services for children with additional needs.

Draft IPART recommendations;

Accessibility – funding arrangements (Recommendation 22)

– *The NSW Government should:*

- *Review NSW funding programs and grants that support accessibility and inclusion to ensure that:*
 - *All services are aware of funding opportunities and how to apply for them*
 - *The number of programs and grants are minimised (e.g., by combining programs that target the same priority groups)*
 - *Services are provided with appropriate flexibility in service delivery.*
- *Consider trials of integrated service provision ('wrap-around services') models in areas of greatest need.*

Comment – As noted in our comments to Draft Recommendation 1, funding programs and grants need to be streamlined to reduce the administrative burden on staff.

As part of integrated service provision, we advocate for providing suitably qualified educators as an additional staffing resource, rather than funding for staff. This would enable children with specific inclusion needs to access the required support to enhance inclusion in all ECEC settings, regardless of service type.

A pilot program is underway on integrated service provision in six trial areas, 'Brighter Beginnings'. We recommend that the NSW Government considers the results of the pilot and, if successful, roll it out universally and not just in areas of greatest need. This program would then assist in identifying children with potential additional needs and fast track referral pathways to access allied health professionals as required. A holistic approach delivered in ECEC settings could then offer wrap around services to support children and families with best practice options.

Draft IPART Recommendations

Affordability of services (Recommendations 23-28)

Draft IPART recommendations

Supply of services (Recommendations 29-36)

Comment - LGNSW and Local Government Children's Services Managers Group support Recommendation 30 that calls for an updated workforce strategy, complementing the national strategy and articulates action on recruitment, qualifications, retention, financial and other supports and for Aboriginal and Torres Strait Islander, rural and regional and CALD students and Educators.

Draft IPART Recommendation 33. – *The NSW Government should review the process and criteria for applying for capital grant funding under the Start Strong Capital Works Grants Program and newly established Childcare and Economic Opportunity Fund to ensure the requirements are less onerous and time consuming.*

Comment - Many local government services were developed in the 1970s. The ageing hard infrastructure is one of the largest costs associated with service delivery. Maintaining buildings and playgrounds at a standard that is fit for purpose and is aesthetically pleasing for families is a significant investment. The NSW Government could support councils to maintain councils' engagement in service delivery through funding the infrastructure backlog.

Draft IPART Recommendations

Provider costs and revenue (Recommendations 37 and 38)

Draft IPART Recommendation 37. – *Pending a national review of the funding system for early childhood education and care, in the short term the NSW Government should:*

a. Review all NSW funding programs and grants for the early childhood education and care sector, to ensure that:

- programs are consolidated to be less fragmented, reduce administrative burdens, and promote long-term planning*
- the number of programs and grants are minimised – administrative burdens associated with application, reporting and acquittal are minimised and the cost of these activities is covered by the program or grant*
- periods of funding are designed to provide services with security, to allow for service planning and investment in their workforce*
- services are provided with appropriate flexibility in service delivery – aspects of existing programs are improved to better support services to meet their inclusion responsibilities.*

b. Advocate for the Commonwealth Government to undertake a similar review of its funding programs and grants for the early childhood education and care sector to improve funding design while a more comprehensive review of the funding system occurs

Comment - LGNSW and the Local Government Children's Services Managers group strongly supports this recommendation. Reducing administrative burden by overhauling NSW (and Commonwealth) funding programs is a priority.

Inconsistencies between capital programs need to be reviewed.

For example, an extension to a multi-purpose centre in a regional council area had long been identified as a positive step in allowing increased offerings of preschool places and bringing all their ECEC services under one roof. The current guidelines for Capital Grants Works were found to be too complex and onerous. The council had to reduce its workforce and capacity dealing with the grants and funding to enable them to run their services. This resulted in limited resources to plan, apply, project manage, report and acquit a capital works program. The council was further stymied by the fact that the funds could only be used for preschool places, when the existing building is for both preschool and long day care. The timing to apply and to commence the project was also unrealistic and although there was support available from Community Connections Solutions Australia to assist with the grant application process, the council did not meet the eligibility guidelines for this support.

Conversely, \$4 million was awarded to a service for capital works in another council, however the funds were granted late, hindering the project. The relevant government department has been very supportive, however, in adjusting the scope of the works and approving expenditure on related capital works.

We note that many councils are reviewing their application of competitive neutrality. The application of competitive neutrality principles is aimed at eliminating any net competitive advantages accruing to government businesses as a result of their public sector ownership. Such action removes

Although council run ECEC services receive Child Care Subsidy from the Commonwealth Government at the same rate as ECEC services run by other providers, unfortunately council run ECEC services were not eligible for the full range of financial support offered to businesses and employees by the state and federal governments during the stay-at-home orders during the COVID pandemic.

LGNSW advocates that councils do not receive a competitive financial advantage in their running of ECEC services, but rather provide a significant public good in catering to more vulnerable cohorts of children, (and do so with higher quality services and lower costs).

LGNSW strongly supports the proposition that a council or government entity should apply a public interest test where the council or government entity suspects that charging the competitively neutral price, or removing a non-cost advantage, would not be in the public interest. This is a critical factor for many council activities.

Draft IPART Recommendation 38. - *The NSW Government, as part of its digital strategy, should work to improve data transparency, collection and sharing arrangements, including with the Commonwealth Government. We recommend improving how data on costs, fees, and funding is collected, organised, and shared,*

particularly for areas that are directly managed by the NSW Department of Education, such as funding programs. Data sharing between government agencies could also be streamlined to improve turnaround and quality of data collection.

This would help to improve data transparency and the evidence base for decision-making by providers, families and the NSW Government.

Comment - Current data collection places an unnecessary administrative burden on services. This could be largely minimised through streamlining processes, better designed online forms and eliminating collecting the same data multiple times. For example, the 'Start Strong' declaration and consent forms currently need to be combined and set up in the CCMS systems where the funding is passed to families (to lower the weekly fee).

As an example of inefficiency, the current process for the Start Strong declaration is manual, as the Preschool form is not completely interactive in the *For Office Use* section. The Long Day Care form combines the declaration and consent forms into one; however, the *For Office Use* section is also not interactive, placing the onus on the service to complete this section on behalf of the family. This has been raised in the past with the relevant department; however, this simple change has not been made.

CONCLUSION

The provision of quality early learning services requires quality teachers, quality facilities and overall quality funding. High quality early learning services facilitate better outcomes for children and families and therefore better outcomes for our communities.

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 approach 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.

The digital age provides opportunities for government to deal with a complex but flexible system. Appropriate investment by government would result in reduced administrative burden and greater capacity for services to plan and deliver quality ECEC services and for families to be better informed on services' availability, quality and cost.

We thank IPART for providing the opportunity to provide feedback and commentary ahead of its final report in December 2023.

For further information, please contact Jane Robertson, Senior Policy Officer at LGNSW at [REDACTED]