

# LGNSW Draft Submission on IPART ECEC Review

MAY 2023

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

# OVERVIEW OF THE LOCAL GOVERNMENT SECTOR



Local government in NSW employs more than **55,000 people**



Local government in NSW looks after more than **\$136 billion of community assets**



Local government in NSW spends more than **\$1.9 billion each year on caring for the environment, including recycling and waste management, stormwater management and preserving and protecting native flora and fauna**



NSW has 450 council-run libraries that attract more than **34.8 million visits each year**



Local government in NSW is responsible for about **90% of the state's roads and bridges**



NSW councils manage an estimated **3.5 million tonnes of waste each year**



NSW councils own and manage more than **600 museums, galleries, theatres and art centres**

## Opening

Local Government NSW (LGNSW) welcomes the opportunity to provide feedback to the NSW IPART Review of Early Childhood Education and Care (ECEC) Issues Paper.

LGNSW is the peak body for local government in NSW, representing all NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the state.

To meet the consultation timeframe, this is a draft submission until it is reviewed and endorsed by LGNSW's Board at its next meeting, and any amendments will be forwarded in due course.

## 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. A resolution from the 2022 Special Conference was that Local Government NSW 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 resolution from 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<sup>1</sup>).

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

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<sup>1</sup> ACECQA NQF Snapshot Q1, 2023 - <https://www.acecqa.gov.au/nqf/snapshots>

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 thus critical that local government services be eligible for all state and Commonwealth funding support for the ECEC sector, on a level playing field with all other providers. In 2020 as the COVID-19 pandemic resulted in lockdowns, the decision of the then Australian Government to exclude council ECEC services from JobKeeper eligibility placed these services at risk of closure. This was a particular concern in many rural and regional areas where council-run services were the only provider, but the decision impacted council services across NSW. One Sydney council estimated it would lose \$3 million over a three-month period as a result of this decision and would struggle to keep its ECEC service's doors open.

Ultimately, the NSW Government was forced to intervene with an \$82 million support package for council run services. However, this highlights the importance of ensuring council-run ECEC services operate on a level playing field with other providers, to ensure the communities that rely on them are not unfairly disadvantaged.

The pressures on the current workforce and resourcing of the ECEC sector remains an urgent issue for not only local government but all ECEC providers and this needs to be reflected in the IPART recommendations.

This IPART review comes at a time when there are a number of similar inquiries taking place, particularly at a Commonwealth level. Any findings or recommendations should be provided with consideration of those other reviews in mind, particularly the National ECEC vision and National Early Years Strategy. A coordinated, collaborative approach between all levels of government across the ECEC sector is vital. This includes directly acknowledging the role of and investing in local government's role in early childhood education and care.

In response to the focus areas of the IPART inquiry:

### **3. Access to and choice of services**

#### **Inclusion**

ECEC in NSW local government cares for a high proportion of vulnerable families and children with disability and/or additional needs. Already councils are widely valued as affordable and high quality childcare providers, offering a critical service to families, including those in difficult circumstances. 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.

Another barrier to inclusion is the funding at both the Commonwealth and NSW level. Both the Commonwealth's Inclusion Support Program and the NSW Disability Inclusion Program do not cover the true cost of employing an additional worker above ratio requirements, building educator capacity to support children's specific developmental needs or engaging allied health professionals to help support the developmental needs of children with a disability. This in turn leads to a funding gap that families pay and less choice for families to enrol children from vulnerable backgrounds.

Local government ECEC service providers advocate that reforms to both programs need to take place to cover the wages of staff, support workforce increases to ensure there are sufficient educators to support children with additional needs, provide development opportunities for educators to support inclusion, and financially support the creation of additional services that specifically cater for children with diverse learning needs.

There are opportunities for the NSW Government to expand how it supports the inclusion of children with additional needs regardless of service type. Currently the preschool sector is managed by NSW and other services under the Commonwealth. With differences in funding criteria and hourly rates, this results in an inequity in which children receive funding.

Workforce issues also impact how local government ECEC can cater for and support inclusion. Successful inclusion requires consistency and continuity of trained educators, and this is difficult for services to invest in and maintain due to workforce shortages. ECEC providers report that it is challenging to recruit skilled and trained educators to meet staffing ratios to support inclusion, and challenging to support existing educators to participate in professional development which requires time away from the service. This results in a reduction of available placements and therefore reduces access for children with additional needs as services cannot support these placements due to these workforce challenges.

COVID-19 increased the need for placement and support of children with additional needs related to poor socialisation, poor access to health services during COVID-19 and ongoing long wait lists for specialist intervention. Furthermore, local government ECEC providers have reported that there is an increasing influx of children with additional inclusion needs transferring from private/corporate services to not for profit providers. This has a disproportionate impact on these services due to the funding gap that exists for providing inclusion to children with greater needs.

## **4. Affordability of services**

### **Parent perceptions of affordability**

Feedback from parents in council run ECEC services indicates that the affordability of child care and out of school hours care is still a concern given the continuing rises in costs of living. Currently funding is heavily focused on the preschool sector, which provides a disparity for families when choosing between services. Parents also report that other factors that may influence their perceptions of affordability such as the location of the service (if closer to home), community connections and quality of service.

Feedback from families also indicates that the current Child Care Subsidy (CCS) system is confusing and difficult to navigate. The current CCS system results in all families paying a 'gap fee' and depending on the location and type of service, these gap fees can be significant out of pocket costs. This impacts on families' perceptions of affordability. Subsidies may also be lower for certain services such as Family Day Care, which directly impacts the viability of these services. There is consensus among ECEC local government providers that the CCS system requires reform to ensure it is accessible, easy to navigate, flexible and more equitable.

## **5. Supply of services**

There are areas of NSW where there are shortages in ECEC particularly in regional, rural and remote communities in NSW, as well as areas of western Sydney<sup>2</sup>. Council analysis of future demand in parts of western Sydney has also shown that there will continue to be an undersupply as there is an increasing population of young families in the area. Local government ECEC providers have indicated that the age range of the local population may impact where certain ECEC service types are in greater demand and that these vary from area to area. This demonstrates that local government ECEC services need to be tailored and developed according to changing demographics within communities to understand the changing needs of the population.

ECEC local government providers also report that regulatory constraints linked to service approvals make it difficult for education and care providers to flexibly respond to changing community needs for childcare and OSHC. For example, a provider who holds a service approval to offer occasional care from a standalone facility will need to apply for a separate service approval to offer a funded preschool program (for the same facility), if they identify a need for preschool in the community. A service approval could be linked to a site rather than service type. Once a provider holds a service approval for a site, it would be beneficial to only apply for Commonwealth or NSW funding (i.e. preschool funding) to enable the provision of an additional service type without having to apply for an additional service approval for the same site. This will reduce regulatory administrative costs and burden and enable a more flexible provision of service which meets community needs.

The NSW Department of Education has more recently made direct contact with some local government ECEC providers seeking their interest in taking over OSHC services located on school premises where providers are not able to renew contracts or meet contractual requirements. To this point, the local government ECEC sector would suggest that IPART further explore the notion of co-location options for facilities where different care services are provided at the same facility – e.g. where long day care and preschool services are co-located. This directly relates to the affordability and accessibility of service provision for both the clients and providers, especially in rural and regional contexts. An exploration of co-location options would provide the NSW Government with an informed position for any required changes to legislation or regulations.

### **Cost**

The largest cost by far for local government in delivering early childhood education and care services is staffing costs. The rising cost of care, partially due to increased labour costs, has placed pressures on all ECEC providers including local government. This influences the operation of existing services and also consideration of new services. Costs include:

- high overheads,
- significant regulatory and reporting requirements,
- risk, safety and compliance actions,
- complex administration and assessment/rating procedures,

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<sup>2</sup> Mapping Australia's childcare blackspots - ABC News - <https://www.abc.net.au/news/2022-03-22/mapping-australia-s-childcare-blackspots>

- lack of funding from other spheres of government to support capital renewal, and
- insufficient offsets in areas of high cost of land/leases in metropolitan residential suburbs.

## **Workforce**

Workforce issues remain a significant challenge for the ECEC local government sector. Numerous studies have shown that access to high quality early learning supports better outcomes for children and families. A professional, qualified, sufficiently sized and quality workforce is necessary to the operation and sustainability of the ECEC sector.

Following the pandemic, the ECEC sector is facing issues in attracting and retaining a skilled workforce. 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.

The professional development of childhood education professionals would also benefit from further investment to ensure that providers can continue to offer high quality services. The new NSW Government has pledged to commit \$22m for early childhood workforce scholarships, professional development and research, and it is important that these opportunities be made available to employees of council services.

## **6. Provider costs and revenue in delivering services**

The current ECEC funding model is not equitable. Private providers tend to charge higher fees and receive the same government funding as not for profit, community based and local government services. These inequities were brought into stark focus during the pandemic. There was a huge demand for essential services during COVID-19 lockdowns and many large private providers either closed rooms or closed services entirely during this period, but these providers still received federal funding through JobKeeper aimed at retaining staff. This funding was not available to local councils, yet all local government ECEC services remained open. To this point, local government services are still recovering from financial losses during lockdown periods and this has had flow on impacts on council budgets.

### **Labour costs**

As noted above, workforce is the largest cost in the delivery of local government ECEC services. This includes not only wages for permanent, casual, and agency staff, but also oncosts, professional development and training support required to deliver quality teaching programs. Staffing costs can form over 80% of service expenses. This includes recruiting and maintaining qualified staff to meet regulatory staff-to-child ratios and where there are gaps, the additional challenge of sourcing casual educators to ensure ratios are met. Services often resort to accessing agency providers that charge large overheads and significantly increase the cost of staffing due to the administration and additional loading added onto the agency fee.

## **Administration and compliance costs**

Local government ECEC providers report that the administration costs have increased since the introduction of the National Quality Framework (NQF) and would welcome the IPART review exploring recommendations to reduce the administrative burden associated with the NQF. Providers report that costs have changed with the NQF due to:

- the introduction of the Educational Leader role (a qualified and experienced ECEC professional to provide educational leadership and direction to service educators) requiring time and resourcing to recruit to this role alongside existing workforce challenges,
- professional development and qualification requirements,
- developing comprehensive quality improvement plans and self-assessment documents, training and understanding on the implication of frameworks, and
- implementation and understanding of changes to the national regulations, policy and funded programs.

While these requirements have increased costs, LGNSW recognises that they are aimed at supporting high-quality services and so would welcome measures that reduce administrative burden without compromising the standard of ECEC.

## **Other costs**

Local government ECEC providers have provided feedback that building repairs and upkeep for ageing buildings and playgrounds increase costs. Councils also report significant increases in the cost of consumables and providing staples for meal and menu planning, and this is particularly the case when providing for children with allergies and intolerances.

## Conclusion

To summarise the key points raised in this submission:

- Local Government NSW on behalf of councils in NSW, advocates 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.
- 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.
- Reform is required to the Child Care Subsidy, Commonwealth Inclusion Support Program and the NSW Disability Inclusion Program to ensure they are more equitable and adequately cover both provider and family costs.
- 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.
- The review should explore measures to reduce administrative burden for ECEC services without compromising the standard of education and care.

For further information, please contact Karen Rae, Senior Policy Officer – Social and Community on [REDACTED].