



AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

ALGA Submission to the Productivity Commission Childcare Inquiry

Via email to: childcare@pc.gov.au

The Australian Local Government Association (ALGA) welcomes the opportunity to make a submission to the Productivity Commission's Childcare Inquiry to examine and identify future options for childcare and early learning which:

- support workforce participation particularly for women;
- address children's learning and development needs;
- are more flexible, including flexibility to meet the needs of families with non-standard work hours, disadvantaged children and regional families; and
- are based on appropriate and fiscally sustainable funding arrangements that better support flexible, affordable and accessible quality care and learning.

ALGA is the voice of local government in Australia, representing around 560 councils across the nation. In structure, ALGA is a federation of state and territory local government associations. This submission has been prepared in consultation with ALGA's members, and should be read in conjunction with any separate submissions received from state and territory associations as well as individual councils. ALGA's submission draws heavily on material provided by the Local Government Association of Queensland, highlighting problems in the provision of childcare in rural and remote areas.

The Australian Local Government Association's priorities over several years have focused on the financial sustainability of local government, and cost and responsibility shifting from other levels of government.

The Australian Local Government Association welcomes the intention of the National Quality Framework for early Childhood Education and Care and the National Partnership on Early Childhood Education to ensure a national approach to the regulation and quality assessment of early childhood education and childcare services. As the Productivity Commission Discussion Paper points out, almost all children in Australia participate in some form of childcare or early learning service at some point before starting school, making childcare an issue which affects almost every family in Australia. In principle, ALGA believes that childcare of a nationally acceptable minimum standard, should be available to all parents at a reasonable price, with a range of options available to suit parents' needs. Those able to afford, and who choose to pay for a specialised service, should not rely on government subsidies for this. Government (Commonwealth and state) assistance should be carefully targeted at those parents who genuinely require financial support for childcare and early learning programs. In addition sufficient government financial support should be provided to ensure that these services are provided to all children and families - particularly vulnerable families, those in rural/remote locations and other areas of market failure.

The Productivity Commission has been asked to examine how access to affordable, high quality childcare can contribute to increased participation in the workforce, particularly for women. In many families, the financial reality of housing mortgage and cost of living pressures, means that both parents need to work for some of the time, prior to the children attending full time school. Balancing the cost, available options and suitability of childcare, and flexibility in the workplace and financial bottom line (ie the woman being financially worse off by returning to work), is critical in addressing the issue of more women returning to the workforce. Local government employs almost 10 per cent of the public sector nationwide as well as voluntary workers. In rural and regional areas local government is one of the largest employers. Retaining a skilled workforce in rural areas is a major challenge facing local government and provision of childcare options to allow parents, particularly women, to return to the workforce is particularly important for these councils.

As the PC Discussion Paper points out, there is evidence to suggest that childcare does play an enabling role in allowing parents to participate in the labour market and that increasing the level of female participation in Australia to that of Canada would increase GDP by about \$25 billion in a decade. There is then the potential for these revenue benefits to be shared or redistributed to provide further public childcare, particularly to address market failure.

The role and involvement of local government in childcare

The PC Childcare inquiry discussion paper describes the role of local government as follows:

"The role of local governments varies considerably from jurisdiction to jurisdiction, but support for ECEC services includes:

- *subsidised or free access to buildings for childcare services (either on a casual or permanent basis)*
- *direct provision of childcare services - particularly the operation of occasional care and mobile care services*
- *special services for children with special needs - eg Central Desert Shire Council (NT) manages several early childhood services in Indigenous communities*
- *support to childcare including toy and resource libraries and advice.*

In addition, some governments offer special allowances and other incentives to attract or retain workers in some rural and remote areas."

The PC's description of local government's role correctly summarises local government's role and involvement.

As highlighted in the Productivity Commission's March 2012 report *Performance Benchmarking of Australian Business Regulation: The Role of Local Government as a Regulator*, local government is answerable to its respective state or territory government and its regulatory activities are primarily to enforce state and territory laws. The PC benchmarking report acknowledges that local government is caught in a tug-of-war between strongly expressed local opinions and a growing list of responsibilities and requirements delegated by state government. The Commission also found that state governments are

giving insufficient attention to the capacities of local governments to fulfil the regulatory roles given to them, and that when state governments delegate a new regulatory role there is a need to ensure local governments have the resources, knowledge and skills to administer the new regulation.

Despite there being no legislatively prescribed role for local government in childcare, local government is involved in implementing state legislation and the extent of involvement varies due to differences in state legislation and regulations, and also from council to council, depending on the resources and capacity of each council.

For example, Tasmania has only a few councils offering services beyond family day care, whereas in Victoria, local government is a major provider, planner and coordinator of services for children and their families. Victorian councils invest heavily in early childhood infrastructure - 18 of the 79 councils in Victoria directly operate child care centres. All councils in Victoria undertake early years planning for their municipalities and many undertake precinct planning which includes ensuring that there is adequate childcare infrastructure for local neighbourhoods. The Growth Areas Authority in Victoria is an independent statutory body which facilitates faster decisions, better coordination and greater certainty for all parties involved in the planning and development of growth areas.

Councils respond to the specific needs of their communities, and when planning for childcare services strive to ensure that there is access for all families (including families who are difficult to service) and that services remain in the community over time and develop in a planned way. Leichhardt Municipal Council's 2013 Review of early education and care service delivery for children under school age in the Leichhardt Local Government Area is an excellent example of the planning and research undertaken by councils to understand and respond to the childcare needs of their communities.

A range of historical practice, legislative requirements and state government policy direction have shaped the role of local government in each jurisdiction. The needs of each community and the capacity of each individual council are further determinants of local government's involvement in childcare. In particular, local government in Victoria has played a large role in the children's service system and in 2005 was the largest single provider of early years services in Australia. During the 1970s and 1980s Victorian councils were instrumental in setting up community-based non-profit centre-based child care services. (*Municipal Association of Victoria Community Child Care - Local Government supporting Child Care Across Victoria, A Discussion Document, 2005*). In contrast, local government in other states are much less actively involved. In rural and regional areas, the situation is different again as the additional challenges faced by these communities often mean that market failure necessitates local government intervention and provision of services (normally provided by the private sector or other levels of government). Where council is required to fill this gap in services, ALGA believes it should be adequately funded by the Commonwealth or State Government to do so.

From a practical perspective, local government's involvement in childcare falls into two main components: planning and regulatory enforcement (implementing state laws in respect of planning etc); and as a childcare provider (owning a childcare centre and as a service provider).

Planning -

From a planning perspective, local government's responsibilities in childcare are determined by Commonwealth and State Government legislation and regulations. The most stringent requirements which apply to child care centres are State Regulations which restrict the scale of centres, specify requirements on open space and amenity/health issues.

In its planning role, it is important to state that local governments must balance a range of priorities in planning for their communities - aged care facilities, youth centres, affordable housing, retail, etc - of which childcare facilities are one component of the picture. Local government state associations have advised ALGA that State Government land-use planning supports childcare centres in most development zones (residential, commercial and industrial), but that parking and traffic flow to ensure the safety of children were the main issues - safe drop off and pickup, traffic flow and speed issues, particularly in residential areas. Councils are positioned to assess each proposed development in the context of the surrounding demographic and physical environment. Councils' primary role in land-use planning for childcare is concerned with externalities of the site.

In residential zones, childcare must be balanced with traffic and parking requirements as well as the demands and expectations of residents, and councils have an obligation to consult with residents. Limits to the size of childcare facilities in residential zones is a council planning response to balance the needs of providing childcare and meeting the needs of the community (preserving the amenity of residential areas and managing noise and traffic flow). For example Sutherland Council in NSW imposes a maximum 45 place limit on the development of new childcare centres, but there is no limit on the size of childcare developments in industrial or commercial zones. The most significant issue affecting successful operation of childcare centres in residential areas is ensuring that child safety is addressed in the design of the facility. Planning requirements in NSW for example, specify 1 parking space per 4 child placements, but they are rarely complied with as developers often apply for dispensation for street parking where council and residents have no objection.

It is vital that all levels of government work together to deliver the best childcare options for each community. Utilising local government's knowledge of its community and population projections can inform a timely response to future childcare demand. Victoria's Growth Areas Authority, which facilitates faster decisions, better coordination and greater certainty for all parties involved in the planning and development of growth areas, provides a useful model in the context of planning future childcare requirements. Partnerships Victoria in schools have two community-based long day care centres as part of the partnership and may have lessons for childcare.

Councils as service providers -

Some councils provide council-run childcare centres, although the overall number of councils which provide such services has dropped in recent years. In Victoria, where councils are most actively involved in childcare, 18 of the 79 councils now directly operate child care centres.

In Western Australia, 34 of the 940 Licensed Childcare Services (excluding Family Day Care) were licensed to Local Government according to the WA Department of Local Government and Communities' December 2013 figures. Of those 34, 17 are licensed to metropolitan Local Governments and 17 to regional Local Governments. The West Australian Local Government Association advises that the reason these centres remain Local Government licensed is due to commitments made by councils, or a lack of alternative child care available in the area.

Council-run services often fill a gap for children with complex needs and those families on low incomes. Councils have high demand for their services as they often pass on significant subsidies to users. Local Government New South Wales advises that nearby private centres do not have the same level of demand as council-owned facilities.

Private providers can refuse to take on children with challenging behaviours and there is a relatively good return on investment in inner metropolitan areas, where demand is higher due to the larger workforce, compared to outer less-affluent areas. Consequently, there is a lack of interest by developers in low socioeconomic areas, or greenfields sites in outer areas, regional or remote areas, as they do not consider the return on investment to be sufficient. However, councils cannot afford to establish new centres in these areas without increased resources, even if they already have significant investment in children's services.

Local government resources often rely significantly on rate revenue from the local community. The capacity for local government to maintain and upgrade ageing infrastructure in keeping with quality and regulatory requirements, without considerable government financial support, is a major issue for councils.

Local Government New South Wales also raised the issue of the price differentiation between care for 0-2 year olds, compared with 3-5 year olds, resulting in reports of a greater demand for the 0-2 age group, due in part to the lower supply because of higher staff ratios and greater service costs.

Regulatory variations between states

The variations between state government legislative requirements result in the role of local government being different from one state to another, and there are also differing requirements depending on whether it is a greenfield site or a retrofit of an existing building. A major challenge, in addition to land acquisition for childcare centres, is the regulation and cost involved in retrofitting existing buildings to make them suitable for childcare (e.g. access issues, safety, lead, asbestos, air traffic). In NSW, for example, developers are encouraged to go through a pre-DA process to ensure the quality of the facility proposed.

The differences in state government legislative requirements may in itself create duplication and inconsistency for developers of childcare centres wishing to establish centres in more than one state and lead to perceived regulatory barriers to the establishment of new childcare centres. More clarity surrounding the differences between states, possibly through a summary of the policy context and differences across jurisdictions, may be useful in ameliorating this.

The particular challenges facing rural and remote councils

Rural and remote councils face many more challenges than their urban counterparts. These communities can also be disadvantaged by having fewer council staff, resources and expertise. ALGA has consistently advocated for greater assistance for rural and remote councils in terms of resources and capacity building. The skill shortages in rural and remote communities is well documented, with councils often unable to offer suitable rates of pay in order to attract and retain qualified staff, as well as the lack of services and lifestyle options to induce people to relocate from larger cities. Councils often fill the gap in delivering a range of social and other services normally provided by the private sector in larger and more urbanised areas.

The Australian Centre for Excellence in Local Government (ACELG) outlined the problem that "rural-remote councils are commonly expected to provide a greater range of services than their regional and urban counterparts...[and] often assumed a 'provider of last resort' role in order to ensure the sustainability of small communities. These findings were highlighted in a March 2011 paper by the ACELG, *A Capacity Building Strategy for Rural-Remote and Indigenous Local Government*.

The paper concluded:

"In addition to the pressures of community expectations and withdrawal of services, the capacity of rural-remote and Indigenous councils is also challenged by unrealistic policies and demands of the other levels of government. The scoping studies in WA and Queensland particularly noted concern about 'one-size-fits-all' approaches taken by government agencies without due consideration of the appropriateness of the functions expected or the requests made of different rural-remote and Indigenous councils."

In many rural council areas, the council-run childcare centre is the only childcare centre in the area, where council steps in to fill the gap, or has to step in when other providers withdraw. This was demonstrated through the ABC failure, but more recently in Victoria where four rural councils have had to expend considerable resources to keep the only childcare centres in the towns going after a large provider pulled out of childcare provision in the region.

The Local Government Association of Queensland is of the view that consideration of the impacts of the National Quality Framework for Early Childhood Education did not adequately address the impacts it would have on rural and remote councils and communities when the policy was being formulated. The LGAQ wrote to all Queensland Senators in December 2012 to outline specific issues faced by rural and remote areas in the delivery of quality care for young children, requesting a review of the NQF to allow a more flexible approach in these communities with the possibility of permanent exemptions in certain circumstances for council-run centres in these locations. The LGAQ provided two examples of council-run centres struggling to replace or recruit staff with the required higher qualifications - Etheridge Shire Council (1400km from Brisbane, population 930) and Croydon Shire Council (2200km from Brisbane, population 270, 30% Indigenous). Unable to

recruit appropriately qualified staff to meet the requirements of the NQF, Croydon's 21 place child care centre and outside school hours program have both recently closed, leaving the community without childcare.

Closure of the childcare centre will impact the community, and is an example of workforce resource pressures being experienced by remote communities. It raises the need for an appropriate balance in providing much needed childcare, appropriate financial assistance to such councils, and regulatory requirements.

The Queensland Government has acknowledged the challenges which may be experienced in rural and remote communities and has initiated specific strategies to help rural and remote services recruit and up-skill staff (www.dete.qld.gov.au/earlychildhood/workforce/assistance-incentives.html) and allow a degree of flexibility around staffing (www.dete.qld.gov.au/earlychildhood/workforce/staffing-waiver.html).

Additionally, the COAG Standing Council on School Education and Early Childhood agreed at its meeting of 29 November 2013, to request senior officials undertaking work on transitional provisions to deal with workforce shortages, especially with early childhood teachers and educators, in rural and remote locations.

ALGA welcomes the Queensland Government initiatives and senior officials' work to deal with rural workforce shortages, and encourages the development of a national, more flexible policy solution which can assist rural councils across Australia.

Implementing the National Quality Framework

While the Australian Local Government Association welcomes the NQF reforms, which were designed to deliver a national standard of quality childcare, the implementation of new requirements has put increased pressure on council services in areas of compliance and policy review, without commensurate increase in support.

Councils providing childcare services will require more specialist support to ensure policies and procedures are NQF compliant and to ensure services are well placed to receive high quality ratings under the ratings system. ALGA understands that no additional State or Federal Government funding has been made available to services to alleviate the costs in making services NQF compliant.

Changes resulting from the introduction of the NQF are having impacts in many areas of childcare provision, including the interpretation of the regulations by developers, according to feedback for LGNSW. Councils in NSW have identified an increasing drop-out rate from Family Day Care Providers due to the requirements under the NQF.

Results of a recent (June 2013) survey conducted by the WA Local Government Association (WALGA) found some confusion across the sector, particularly in relation to Family Day Care, surrounding the legislative requirements and local planning and building requirements. This confusion may mean additional restrictions are being placed on Family Day Care

providers. WALGA's survey highlighted the need to further educate the sector about Family Day Care.

The Local Government Association of Queensland (LGAQ) has provided the example of Croydon Shire Council in Queensland having to close its childcare centre and outside school care program, despite trying for months to recruit an appropriately qualified childcare educator. The LGAQ has requested that its letter to all Queensland Senators in December 2012, outlining concerns regarding the difficulty of providing childcare services in and meeting NQF requirements in rural and remote areas, be attached to this submission (Attachment 1).

In order for councils to implement the additional requirements of the NQF, ALGA believes that councils should be given adequate assistance by the Commonwealth Government.

ALGA

3 February 2014