

Submission to Productivity Commission Inquiry into Early Childhood Education and Care

Municipal Association of Victoria

May 2023



The MAV can provide this document in an alternative format upon request, including large print, Braille and audio.

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While this paper aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils.



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Executive summary

In Victoria, all councils plan for their children and families and are the major provider of the infrastructure for the delivery of kindergarten and maternal and child health services.

The MAV would like to see two key outcomes from this Inquiry:

- 1. A well-planned joined-up early years system that follows the child's journey (and not the services, programs, or funding); and
- 2. Services are affordable, accessible, equitable and high quality.

National policy must lead to improved understanding and coordination of joined-up planning by the three levels of government to optimise outcomes for all children.

Victorian councils remain critically interested and involved in improving the policies, practices and outcomes that impact the health, education, safety, wellbeing, and quality of life of young Australians.

Recommendations

We recommend that the Commonwealth Government commits to:

- i. Investing adequately in the quality reform process to ensure there is a reasonable cost sharing arrangement between government, services, and families.
- ii. Establish a Commonwealth/State/Local Government ECEC planning body to plan for current/future publicly funded ECEC service provision; foster a diverse range of ECEC options available for families; meet future supply and demand for services; and address the childcare deserts as outlined in *Deserts and oases: How accessible is childcare in Australia? Mitchell Institute: March 2022¹*.
- iii. Provide no cost access/fee relief for vulnerable children and their families to access ECEC services and provide increased, weighted subsidies for rural/remote services through a simplified, agreed Commonwealth/State funding arrangement that collapses the current fee support schemes.
- iv. Support the expansion of the current home-based models of care to provide increased, flexible options for families.
- v. Provide funding to Victorian local government to plan for and coordinate access for children and their families, including vulnerable/rural remote children to ECEC services through a locally based centralised approach.

¹ Deserts and oases: How accessible are childcare in Australia? Mitchell Institute: March 2022



Introduction

The Municipal Association of Victoria (MAV) is the peak representative and advocacy body for Victoria's 79 councils. The MAV was formed in 1879 and the Municipal Association Act 1907 appointed the MAV the official voice of local government in Victoria.

Today, the MAV is a driving and influential force behind a strong and strategically positioned local government sector. Our role is to represent and advocate the interests of local government; raise the sector's profile; ensure its long-term security; facilitate effective networks; support councillors; and provide advice, capacity building and insurance services to local government.

The MAV welcomes the opportunity to provide a submission in response to the Productivity Commission's Inquiry into Early Childhood Education and Care (the Inquiry).

In 2023, the three levels of government in Australia are more aligned than ever in their understanding of the need to recognise the early years of human development as a time of significant importance and opportunity to create, support and release the potential of individuals, families, and communities. How each level of government considers and responds to the early years life stage differs, but with these differences come opportunities to partner, strengthen and leverage overall capacity to amplify positive outcomes.

A key responsibility of Victorian councils is strategically planning for the health, wellbeing, safety, connection to culture, access and participation, and development of its youngest citizens. Councils take a whole-of-community, whole-of-system approach to building community strength and addressing the underlying causes of inequity and vulnerability of children and families. This approach is demonstrated through strategic planning processes such as the Health and Wellbeing and Municipal Early Years Plans. These plans describe a place-based focus on prevention, equity, health, and long-term social and educational outcomes for children.

The MAV recognises the important commitment, and potential of the partnership between the Federal, State, and local governments to respond to this opportunity to focus on the early years. As governments we have a social obligation to our children. It is in the context of this mutual commitment to children and families the MAV provides this submission.

A collaborative approach of the three levels of government should be re-invigorated in Victoria to ensure that access to affordable, high quality early childhood education and care remains a priority and is comparable to Australia's OECD counterparts.

Local government has the capacity and flexibility to build on, innovate and maximise the opportunities for the Early Childhood Education and Care (ECEC) sector through its role in the planning for and provision and management of a range of early childhood and family services.



Background

Over many years, the MAV has participated in a number of early childhood education and care campaigns and provided submissions to various government inquiries on early childhood education and care. These include the most recent ACCC Inquiry, the Commonwealth's Early Years Strategy and the Early Years draft Vision developed by the National Council of Education and Early Childhood Ministers.

The MAV has been consistent in its position, which is underpinned by the following:

- All levels of government planning and funding be reviewed to ensure greater collaboration and strategic application, particularly across the areas of workforce, service delivery, change management and infrastructure.
- All families should be supported by ensuring affordable and flexibility of choice in high quality early childhood education and care options that optimise children's learning and development.
- Maintain public investment in a universal approach to early childhood education and care with a priority focus on vulnerable families.
- Provide infrastructure support for capital, workforce, planning and integration, and regulatory requirements.

In addition, there is a need to undertake this joined-up planning to drive better outcomes regardless of a child's location, culture, or family circumstance. To do this the MAV proposes the following:

- better use of evidence and evaluation to continuously improve the planning, delivery, and practice of services to drive stronger outcomes;
- that the three levels of government and other partners work together to build a more coherent and empowering system that responds to families' and children's health and wellbeing needs;
- stronger place-based governance and planning that responds to the needs of local communities and Australia's changing population;
- raising family, business, and community awareness about the importance of early childhood to a nation's future; and
- more inclusive services through improvement of early identification and support for all children, including children at risk; vulnerable children and families; and children with health, disability, and developmental needs.

Snapshot of Victorian Local Government involvement in ECEC

Local government in Victoria has a statutory role to plan for its communities and does so through its Municipal Health and Wellbeing Plans and its non-statutory Municipal Early Years Plans. All Victorian councils are also required to follow up on each birth notification and provide/coordinate maternal and child health (MCH) services for local parents, with targeted support for vulnerable families. Historical practice, legislative requirements and Victorian state government policy directions have influenced the role of local government which has led to councils playing a significant and active role in the ECEC service delivery system.



All councils provide a MCH service, 50 councils provide one or more direct ECEC services, 26 are Early Year Managers delivering 3 or more services that operate a kindergarten program, and 28 councils continue to operate Family Day Care. Approximately 60 councils also deliver a ratepayer-funded Central Registration and Enrolment Scheme (CRES) for some or all services in their municipality. A CRES goes someway to providing information regarding the demand for kindergarten (and some Long Day Care) places in a municipality. This is in addition to providing and/or supporting a range of other ECEC services including Supported Playgroups and Community Playgroups, Vacation and Occasional Care, and Outside School Hours Care. Across the combined ECEC sector, including the universal services of MCH and kindergarten, it is estimated that Victorian councils employ over 3,000 staff.

MAV response to the areas for consideration by the Inquiry

Recommendation One

Investing adequately in the quality reform process to ensure there is a reasonable cost sharing arrangement between government, services, and families.

According to the Australia Institute (2022), Australia spends less than the average for OECD nations on ECEC, but Australian households pay more. Of Australia's total spending on ECEC (0.59 per cent of GDP), households pay over one-third (or 0.22 per cent of GDP). Australia's overall GDP investment in education still lags its OECD counterparts in ECEC investment. Australia ranks 21st: spending just 0.59 per cent of national GDP on ECEC (from all sources), barely two-thirds of the OECD average (0.83 per cent). Given the irrefutable evidence that investment in the early years reaps substantial economic, human, and social capital the MAV supports continued and greater investment in ECEC by all levels of government.

The complexities presented by the range of jurisdictionally based funding along with separate program-based funding and differing eligibility requirements need to be addressed. There is confusion and gaps, which often result in the most vulnerable children missing out. By way of example, the Child Care Benefit/Child Care Rebate for very low income/vulnerable families does not always result in affordable fees. Evidence from councils in Victoria is that often they are covering the gaps in fees and costs to ensure that vulnerable children have a continuity of attendance at long day care.

In our 2003 submission to the Commonwealth on Child Care Support Broadband Redevelopment, the MAV proposed a three-tiered funding model in which the existing component services are supported. This model aimed to achieve the primary goal of accessible, affordable, and high-quality childcare (as it was known then), which interestingly remain the goals of today. Arguably this innovative model is still relevant to some degree as it proposed:

1. Program core/programmatic funding which build in escalators for adequate funding around disadvantage – this would now extend to the relevant hours of Universal Access to Education and Care

2. Infrastructure support including workforce development, resource and advisory agencies and capital infrastructure



3. Innovation funding for flexible ECEC models that respond to emerging needs including location and disadvantage.

The MAV wants to see a clear, comprehensive, coordinated system of Commonwealth/state/local government planning and investment (including investment from private sources and philanthropy) in ECEC services, which results in equity of access and affordability for families whether they are attending childcare, preschool and/or integrated ECEC services.

Investment must also be committed for the life of the reform. For Victorian councils, short term, ad hoc reform funding is creating a stop start approach to vital reform activities (such as CALD outreach and workforce supply) and preventing the planning and implementation of stable long-term interventions essential to embed sector transformation.

A focus on *outcome*-based funding for sector initiatives is also required. For example, a recent *output* focussed grant offered by the Victorian State government to councils for ECEC workforce development could not be accepted by several councils because they were unable to produce the product required for grant acquittal (a five-year municipal ECEC workforce plan). An outcome-based approach would have allowed these councils to progress an activity to develop their local ECEC workforce relevant to their local context.

Planning, flexibility and availability of Early Childhood Education and Care

The flexibility of the ECEC sector to provide services is directly linked to the current funding arrangements; the need for a needs-based planning system; the need to bridge the child-care preschool divide; and a need to refocus the services system based on the needs of the child.

Victorian local government leads in the provision of flexible service delivery. There are over 60 integrated centres built by local government that provide a range of flexible ECEC options for families. In addition, many Victorian councils offer family day care/in-home care, vacation and occasional care services that add to the flexibility of services available to families.

The need for flexibility is not confined to infrastructure and services. Greater flexibility in the structuring of funding arrangements for ECEC services is also needed, with barriers removed. The MAV recommends that current funding arrangements be reviewed and collapsed to ensure cost is not a barrier to families wanting to access more flexible ECEC services. Funding arrangements need to be realigned to ensure they work together seamlessly and reduce the administrative burden on providers and families.

Victorian councils strongly support a review of the use of CCB and the need to extend it to all ECEC centre-based services, not just the long-day care component. For example, the ability to provide before and after kindergarten care in a stand-alone kindergarten with the ability to use CCB for the duration of the kindergarten year i.e., 40 weeks rather than the current 48 weeks would significantly increase flexibility for parents.

Over the past three decades there has been an increasing move towards a 'market-based' approach. In Victoria, local government continues to plan for a mixed economy of ECEC service provision across their municipalities that provide choice and diverse options for families. When local government directly delivers services, they often provide a benchmark for flexibility, quality, accessibility, and affordability. They also offer attractive, well supported employment opportunities for those qualified to work in ECEC.



There is evidence to say that the current market-based ECEC economy has clear shortcomings in quality, accessibility and affordability and is failing to deliver on the expectations of both parents and government.

It is well documented that lack of access to childcare places in particular geographic locations and for infant and additional-needs places, and continuing increases in the price of childcare services, is creating affordability pressure on families and an increasing cost burden for government. 'These challenges are symptomatic of a system that is poorly designed for the contemporary needs of Australian families; they make a case for significant reform of the sector's funding and quality arrangements' (Mitchell Institute 2022).

Working parents should not be expected to make trade-offs in relation to their demand for ECEC. In addition, there is a distinct lack of diversity of services and providers, particularly long day care providers, to enable families to have choice of ECEC in rural/remote areas. The services available also struggle to balance viability and affordability.

The MAV continues to work with councils and to advocate to the State Government that a state-wide consistent approach to managing the supply and demand for kindergarten places in participating ECEC settings in their municipalities needs to be developed. This is for planning. Together with M&CH it provides a way of directly linking all children, including vulnerable children into the services they need. While there is now a small amount of funding provided to 55 of the 79 Victorian councils to adopt some form of centralised approach, it doesn't go far enough.

Appropriate, coordinated, flexible funding models should be redesigned through a collective planning approach between the three tiers of government. Victorian councils are strongly advocating for all actors in the ECEC sector to move together in reform. The Four-Year-Old Kindergarten transition to Pre-Prep over the next decade was announced without consultation and before councils and ECEC service providers could successfully implement the three-year old kindergarten reform. This has significantly amplified existing workforce and infrastructure supply issues leading some councils to review their role in ECEC service delivery. The MAV recommends the Commonwealth Government lead a coordinated and systematic approach to ECEC reform.

Recommendation Two

Establish a Commonwealth/State/Local Government ECEC planning body to plan for current/future publicly funded ECEC service provision; foster a diverse range of ECEC options available for families; meet future supply and demand for services; and address the childcare deserts as outlined in *Deserts and oases: How accessible is childcare in Australia? Mitchell Institute: March 2022.*

The availability of quality, affordable and accessible ECEC is critical to supporting workforce participation and children's development. The supply and demand for places must be planned for. The Commonwealth Government should establish a Commonwealth/State/Local Government ECEC planning body to plan for current/future publicly funded ECEC service provision to foster a diverse range of ECEC options available for families and address the market failure of the long day care sector where this may occur.



Such a collective approach could further be the foundation for a whole-of-ECEC-system review and redesign identifying the ideal participation and contribution of each system actor to achieve the agreed vision and outcomes for the sector. A joined-up approach to begin evaluating sector responsibility could reflect the approach of the Victorian Early Years Compact between the Department of Education (DE), the Department of Health and Human Services (DHHS) and local government (LG) – represented by the Municipal Association of Victoria (MAV) as outlined in the Victorian Governments *Early Childhood Reform Plan: Ready for kinder, Ready for school, Ready for life, Victoria State Government: May 2017*²

Within this approach, tools such as non-statutory Municipal Early Years Plans prepared by Victorian councils could be elevated to integrate the State and Commonwealth influence on the ECEC landscape and translate it in actionable responses in the local context. A coordinated commitment to data sharing is also vital to a joined-up approach to ensuring children's access to ECEC services.

Rural/remote service provision

There continues to be evidence that the key issues facing services and families in rural/remote localities - access, affordability and being able to attract and retain a qualified workforce - have not changed or been resolved. All children, regardless of location, should have equal access to quality, affordable ECEC services.

A coordinated, multi government response is again required. The focus of such a response should be by way of a weighted Commonwealth/State ECEC funding model that enables a mixed economy of service provision, access to support services such a transport, housing, and information technology, and increasing flexible model provision. Local government in Victoria is best placed to support services in rural and remote areas and should be funded accordingly through the model discussed in the previous section.

A system wide approach to ECEC workforce development

It is becoming increasingly challenging to address the ECEC sector workforce requirements within current Commonwealth, state, and territory initiatives. Current workforce planning strategies, including incentives, free training, and upskilling programs, ignore the realities of what is required to support a workforce on the ground. For example, incentives are offered for hard-to-staff locations, without adequate housing being available. Incentives are offered for Diploma staff to upskill, thus leaving a gap at the Diploma level. The MAV is aware that recent changes to the Certificate III Educator and Diploma Educator training packages mean that existing Cert III staff cannot easily upskill as their current Cert III qualification is not suitable to upskill to the Diploma level. Anecdotally MAV has heard that Cert III Educators are being advised to do the whole Cert III again to then upskill to the Diploma.

The Commonwealth has several levers at its disposal to support better planning, pay and conditions, workforce participation and increased productivity. One lever is the Modern Awards. Currently there are at least three Modern Awards covering the ECEC sector. In

² Early Childhood Reform Plan: Ready for kinder, Ready for school, Ready for life, Victoria State Government: May 2017



Victoria there are also two key industrial agreements – the VECTEA covering a large part of the not-for-profit sector delivering kindergarten; and the EEEA covering the majority of councils delivering kindergartens. There are also a range of other Enterprise Agreements including Goodstart (a major not-for-profit employer) and G8 (a private employer). Several employers spruik that they pay staff above the Awards, but arguably when the Awards are set so low, this does not mean they are great wages and conditions. The Commonwealth has the lever to set new Awards rates that in turn become the benchmark for the sector.

A further complication in the delivery of ECEC from an industrial perspective is that the wages and conditions for workers in child-care vary from those workers with the same qualifications in kindergarten. These wages and conditions are not reflective of the qualification, but rather of the setting and are further impacted based on which level of government is providing the majority of funding for the delivery of the service.

MAV recommends a full review of the funding, incentives, and industrial arrangements both at the Commonwealth and State levels for workforce be undertaken to determine a baseline of wages and conditions linked to the qualifications of the workforce, not the setting. In addition, considered and informed workforce planning should be undertaken to support Commonwealth and State workforce strategies.

A system wide approach to plan for and manage ECEC infrastructure.

All Victorian councils provide early years infrastructure. Key findings from a 2022 MAV survey of councils include:

- Councils own 45% of early years infrastructure across Victoria.
- Over 70% of council's standalone buildings are more than 40 years old. 58% of rural and 31.7% of metropolitan standalone buildings are over 55 years old.
- The total market value for all council early years infrastructure is estimated to be \$3.18 billion (in September 2022). This illustrates the huge investment councils make.
- The ongoing maintenance costs to councils is significant, estimated at more than \$36 million per year.

Recent announcements about the Victorian Government's "Best Start, Best Life" reform have further exacerbated councils' infrastructure challenges.

In a rate-capped environment, with escalating construction costs, contractor shortages and apparent cost shifting, councils now also face issues of:

- Limited lead times to analyse and identify infrastructure needs and determine through proper process if they have the capacity to prioritise this infrastructure.
- Impacts of renewal and refurbishment activities on service provision and access throughout the life of the reform.
- Long-term financial impact of quantum increases to lifecycle costs of an aging, infrastructure portfolio.
- Impacts of the reforms on existing ageing infrastructure and its ability to meet modern requirements and expectations around design, accessibility, amenity, and sustainability, as well as broader impacts on the local area including increased traffic.
- Fluctuating and unpredictable community choice about kindergarten service settings throughout the implementation of the life of the reform. For example, free kindergarten



has commenced at a time of serious financial stress for families across Victoria. Councils report an emerging trend in some communities of moving away from childcare to sessional kindergarten settings.

• Alternative service provision plans if current infrastructure for local government cannot support both 3-year-old and Pre-Prep kindergarten to match the implementation timeframes set by the State Government.

A system wide approach to ECEC infrastructure planning must consider how and where families access services and how to make it easier for families to access services. Infrastructure funding to support co-location and integration must also be made a priority.

Recommendation Three

Provide no cost access/fee relief for vulnerable children and their families to access ECEC services and provide increased, weighted subsidies for rural/remote services through a simplified, agreed Commonwealth/State funding arrangement that collapses the current fee support schemes.

The MAV advocates for a targeted Commonwealth/State funding response for vulnerable children to access ECEC services. This would require a Commonwealth/State model of ECEC funding to provide vulnerable families with free, universal access to the services that best meet their needs. It is further proposed the Commonwealth Government analyse the childcare subsidy activity level as a potential barrier to vulnerable children accessing ECEC services.

At a minimum, all families' access to 15 hours of ECEC in the year before children start school should be at no cost to them. Such a model would require joint funding of kindergarten/childcare so that regardless of service type, vulnerable children have free access. The model would also require coordination of supported playgroups for families, which are currently both federally and state funded initiatives. As part of this overall model local government could be funded to support access for these children locally.

Recommendation Four

Support the expansion of the current home-based models of care to provide increased, flexible options for families.

Family Day Care and In Home Care are delivered by many Victorian councils. If supported, strengthened, and expanded, these existing models have the potential to provide unique, low cost, flexible options for vulnerable families that could meet both standard and out-of-corehours ECEC needs. They are already in place across Australia and provide significant social, economic, and human capital benefits to local communities. Flexible home-based care services, such as in home care, overnight care and seasonal care in farming communities are already in place and working and need to be considered as an integral part of the ECEC landscape and explored further as part of a broader response.



Recommendation Five

Provide funding to Victorian local government to plan for and coordinate access for children and their families, including vulnerable/rural remote children to ECEC services through a locally based centralised approach.

A multi-level government response is required to address the issue of services for children with additional needs and/or children living in regional and remote areas trying to access ECEC services.

The MAV proposes a two-pronged approach:

- 1. A Commonwealth/State/Local Government Planning Body be established for overseeing the planning and coordination of equitable service provision for vulnerable families and for those living in rural/remote areas.
- 2. Development of an agreed Commonwealth/State funding arrangement for coordinated weighted funding for ECEC service delivery in rural/remote areas.

The MAV believes that local government is in the best position to coordinate access for these families and proposes each council be funded to take on this role. Such a position could be charged with a range of responsibilities and outcome measures to ensure children with additional needs and/or those living in rural and remote areas have access to high quality ECEC. This measure has been used in the past with a high degree of success.

Councils could further be funded to undertake deliberative engagement with their communities to truly understand the ECEC needs of their local families, including barriers to participation, preferred service models and opportunities for integrated early years services.

The MAV strongly supports the evidence base that the best outcomes for children, particularly vulnerable children, occur when support services are built onto the universal platforms. In Victoria this is primarily MCH and State/Commonwealth funded kindergarten. The evidence is that almost 100% of children attend each of these two universal services, as well as centre-based care, home based care, and playgroups.

There are opportunities to build on the current system and improve the interface with the broader range of services vulnerable children and families use that may not be well supported by informal care arrangements. A proven approach to supporting vulnerable families is the funding of council-based outreach workers.

In 2021 the Victorian Department of Education provided funding to eight councils to employ a CALD Outreach Worker. Following the initial success of the CALD Outreach Initiative funding has now been extended and supports 22 councils. The initiative has supported around 3000 children to enrol in and attend kindergarten. In 2022, there was exceptional growth in Early Start Kindergarten and Access to Early Learning enrolments, particularly among children from refugee and asylum seeker backgrounds, with enrolments increasing from 399 to 947. This success can be attributed to the CALD outreach initiative's expansion.

There is a clear need for outreach to engage with families and children from all vulnerable and disadvantaged communities. A lack of genuine engagement and outreach with vulnerable families and children results in their further disconnection from the community. Local government is well placed to support the access and participation of vulnerable children in ECEC services vital to their health and development.



Conclusion

In Australia there is a history of coordinated, flexible ECEC service delivery models that should be built on, strengthened, and expanded, to meet the ECEC needs of working families and including those for vulnerable and/or rural and remote families.

There is a critical and opportune planning role for all levels of government to collaboratively support the ECEC sector to deliver services that balance workforce participation with the provision of high quality ECEC services, particularly in disadvantaged areas.

Finally, it is important that this Inquiry keeps in sight the wealth of evidence on the long-term social and economic benefits of public investment in early childhood education and care to improve a child's outcomes and life trajectory.