

Productivity Commission Early Childhood Education and Care Inquiry

Executive Summary

Early Childhood Educational and Care (ECEC) is important because it supports children's development, supports families, promotes gender equality, supports social inclusion, and supports economic growth. By investing in high-quality, accessible, and affordable education and care services, we can help to create a better future for children, families, and communities.

This submission outlines the City of Sydney's experiences in providing ECEC services within our City and the positive impacts we see within our communities and City from the provision of affordable, accessible and quality ECEC.

We see a clear need for leadership from Government to address issues of affordability, access and inclusion. Our key recommendations include:

- A simplification of the Child Care Subsidy (CCS) system to make it easier for all families to access the subsidies they need. Including the removal of the activity test, the 100 hour per fortnight on subsidised care and increased access to 100 per cent subsidised care for highly vulnerable groups and increased access to 90 per cent subsidised care for all other families, regardless of family circumstances;
- Greater focus on policy to make services affordable and accessible, particularly for priority groups, including children with a disability, single parent families, low-income families, Aboriginal and Torres Strait Islander families, refugees and people seeking asylum;
- Flexible funding that can provides appropriate support to priority groups and education and care providers requirements. Examples include enabling increased language support and appropriate training and capacity building for educators through knowledge and skills sharing;
- Extend eligibility criteria for inclusion support, to enable more children from priority groups to access increased funding and targeted support;
- Investment in a national workforce strategy that address not just work pay and conditions but supporting the continued investment in improving skills and training in the sector;
- Putting educational outcomes first when considering future investment, beyond the economic outcomes that often take centre stage and;
- All levels of Government to work together in a coordinated approach to a common agenda, with funding that aligns to common economic and educational goals.

Introduction

The City of Sydney (the City) welcomes the opportunity to provide a submission to the Productivity Commissions Inquiry into Early Childhood Education and Care (ECEC). The City has a long history of providing quality ECEC (Early Childhood Education and Care) services as well as facilitating key outcomes for ECEC in our community.

We have invested directly in early education and care for over 10 years, providing preschool, long day care, occasional care and Outside School Hours Care (OSHC) services. This includes the leasing of 20 City-owned buildings to education and care providers either through commercial leases or as part of our subsidised Accommodation Grants Program. In addition, the City currently operates a total of 10 ECEC services, comprising one long day care centre, two preschools, one occasional care, and six OSHC (Outside School Hours Care) services.

Through ongoing planning and monitoring of supply and demand for ECEC we have been able to proactively work with industry to facilitate an increased supply of early education and care through new private development in areas where it is projected that supply will not meet demand.¹

Continued monitoring of supply of places, population data, workforce trends and demands for care enables the City to target our efforts for increases of places where it is evident that there is an undersupply. The City has been successful in advocating for early education and care centres in a number of developments where the City is not the consent authority. For example, two centres included in the Central Park development in Chippendale. In addition, the City has negotiated for early education and care facilities through Voluntary Planning Agreements (VPAs).

Through the regular review of supply and demand, advocacy, planning, and direct investment, we have been able to successfully go from a projected shortage of space in 2005² to meeting demand for childcare places across the majority of our local government area (LGA) in 2019³. This has only been achievable through significant resource allocation that is not available to all LGAs. This includes internal resources to coordinate and deliver research, advocacy, leveraging of planning controls, through to direct investment in the building of or leasing of properties suitable for early education and care facilities.

As the City has demonstrated, local government can play a significant role in the supply of early education and care places and is well placed to meet this need. However, there needs to be adequate resource available to deliver on these outcomes. In addition, Local Government can play a key connector in provision of targeted programs and funds that support priority community groups.

Our submission outlines the role Local Government can play and the changes that need to happen to not only improve the supply of places where demand exceeds supply, but to improve accessibility, affordability and quality of education and care. We also address the changes we believe are needed across all levels of government and the need for the political outcome focus to shift beyond women's workforce participation, to the value of quality educational outcomes.

¹ City of Sydney Child Care Needs Analysis 2019 - <https://www.cityofsydney.nsw.gov.au/surveys-case-studies-reports/child-care-needs-analysis-2019>

² City of Sydney Child Care Needs Analysis 2013 - https://meetings.cityofsydney.nsw.gov.au/Data/Cultural%20and%20Community%20Committee/201311111402/Agenda/131111_CCC_ITEM08_ATTACHMENTA.pdf

³ City of Sydney Child Care Needs Analysis 2019 - <https://www.cityofsydney.nsw.gov.au/surveys-case-studies-reports/child-care-needs-analysis-2019>

1. Affordability of, and access to, quality ECEC services that meet the needs of families and children

Making education and care more accessible for all requires a multifaceted approach. Feedback from parents captured from our 2019 Childcare Needs Analysis⁴, indicated that 82 per cent of respondents were using their preferred type of childcare. However, survey findings indicated problems around affordability, flexibility and opening hours not matching the demands of some workers. In fact, the affordability of ECEC services was reported as a key concern for many respondents, with 59 per cent rating their fees as either 'Fairly expensive' or 'Prohibitive'.

Comments in the parents' survey also indicated many people were experiencing issues with the hours of childcare not meeting their employment needs; particularly shift workers, those working longer hours in an office, or those who had to commute to work.

Across our LGA we continue to see a need to have an improved focus on making services affordable especially for priority families including single parent families, low-income families, Aboriginal and Torres Strait Islander families, refugees and people seeking asylum.

The City has a strong commitment to supporting those families who may be experiencing vulnerability or disadvantage by providing free or low-cost access to services at Redfern Occasional Child Care, Redfern OSHC, Surry Hills OSHC and Woolloomooloo OSHC. These areas have increased numbers of families who are experiencing disadvantage.

In addition to reducing financial barriers, the City also prioritises their access to places across the City's 10 education and care services. These two mechanisms have enabled the City to provide quality care and education to a higher proportion of children from priority groups.

The City also supports education and care providers through our Accommodation Grant Program. The subsidised rent enables providers to provide reduced centre fees or scholarships for specific groups⁵.

Simplify the Childcare Subsidy System

The introduction of the Child Care Subsidy (CCS) by the previous Federal Government in 2018, replacing previous schemes, changed the way many people can access financial assistance for formal ECEC and OSHC.

The current system of childcare subsidies can be complex and difficult to navigate, especially for families with irregular work schedules or low incomes. There needs to be a simplification of the system to make it easier for families to access the subsidies they need.

One significant barrier includes income and work activity testing. Although the net result was that more people could access more financial assistance, it means that families that cannot meet the work activity test can now only access 24 hours of care each fortnight, which is a reduction from the 48 hours of care under the previous scheme. Although changes to the CCS to be implemented in July 2023 will enable more families to access subsidised care, the continued application of the work activity test unfairly disadvantages low-income families where no-one is employed or where

⁴ City of Sydney Child Care Needs Analysis 2019 - <https://www.cityofsydney.nsw.gov.au/surveys-case-studies-reports/child-care-needs-analysis-2019>

⁵ SDN Aboriginal and Torres Strait Islander scholarships fund - <https://www.sdn.org.au/aboriginal-and-torres-strait-islander-scholarships-fund/>

the main source of income is casual work or government benefits.⁶ There have been, and continues to be, sector wide concerns that those families who are low-income earners and do not meet the work activity test will find it increasingly difficult to access ECEC or OSHC services due to affordability; and it is these families that would benefit most from access to quality early learning and leisure environments.

Another barrier is the maximum number of hours of subsidised care being 100 hour per fortnight. Many long day care services and vacation care services operate for more than 10 hours per day which results in operating for over 100 hours across the fortnight. Families using full time care are subsequently paying a higher gap in fees as any fees above 100 hours are unsubsidised. This can become quite costly and in turn creates a barrier to accessing care.

Indeed, the Women's Economic Equality Taskforce⁷ and the Interim Economic Inclusion Advisory Committee⁸ have both recommended that the Federal Government scrap the childcare subsidy activity test altogether. Removing the work activity test and providing subsidised care to all children will not only improve workforce participation but also enable children to gain access to more days of care and in turn result in positive educational outcomes for all children.

Child Care Affordability

The NSW Government has commissioned the Independent Pricing and Regulatory Tribunal NSW (IPART) to conduct a review of the ECEC sector, specifically focusing on affordability, accessibility and consumer choice in NSW.

The IPART Issues Paper⁹ notes that "the average Australian family spends 16 per cent of their household income on early childhood education and care compared to the Organisation for Economic Co-operation and Development (OECD) average of nine per cent, suggesting that early childhood education and care affordability in Australia is low by international standards. Further, that "about 78 per cent of Australian parents surveyed say high early childhood education and care costs discourage parents from returning to work after having a baby. 77 per cent say they prevent parents from working as much as they want to".

Australia's childcare costs are already higher than elsewhere in the world.¹⁰ According to the Organisation for Economic Co-operation and Development (OECD), Australia has some of the highest childcare costs among its member countries. With the increased cost of living, we know families will continue to find it challenging to meet the costs of early education and care. While we welcome an increase to the rate of childcare subsidy for families with multiple children, often the cost can still remain a barrier for greater participation in the workforce.

The City welcomes increased funding for subsidised care to 90 per cent through the Child Care Subsidy Scheme for low income families and 95 per cent for families with multiple children in care, The City also welcomes the increase in hours of care from 24 per fortnight of subsidised care to 36 hours of subsidised care for Aboriginal and Torres Strait Islander children however, there is also a significant opportunity to increase access to child care for all children.

⁶ <https://womensagenda.com.au/latest/the-child-care-subsidy-activity-test-is-leaving-some-of-the-most-disadvantaged-children-worse-off/>

⁷ Letter to the Minister for Office of Women, from the Women's Economic Equality Taskforce - <https://www.pmc.gov.au/office-women/womens-economic-equality/womens-economic-equality-taskforce/letter-minister-office>

⁸ Interim Economic Inclusion Advisory Committee, 2023–24 Report to the Australian Government - <https://ministers.treasury.gov.au/sites/ministers.treasury.gov.au/files/2023-04/eiac-report.pdf>

⁹ IPART issues paper, Review of Early Childhood Education and Care - https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Issues-paper-Review-of-early-childhood-education-and-care-April-2023.PDF

¹⁰ Grattan Institute, Cheaper Childcare: A practical plan to boost female workforce participation, 2020 - <https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf>

The City recommends increasing subsidies to 100 per cent for vulnerable children and further increasing subsidies to 90 per cent to all other children, regardless of family circumstance as this will further reduce financial barriers to accessing care. These mechanisms will not only increase workforce participation but also increase participation of all children in quality education and care. Increased participation in high-quality care leads to positive educational outcomes for children and are long lasting right through to adulthood.

Providing increased funding for childcare centres in low-income areas or offering grants to providers that offer services to families facing financial hardship can also assist in targeting priority communities and increasing participation in education and care. Local Government is well placed to provide these targeted services, and through this approach, it also means those experiencing the greatest barriers to participation in ECEC can be supported.

Understanding childcare trends and spatial impacts

Since 2019, the Covid-19 pandemic has had a significant impact on the number of childcare vacancies within the City of Sydney and shifted the demand of child care away from the city centre to locations in closer proximity to home. This we believe is a result of more families working from home and using fewer days per week of centre-based care. This workforce flexibility has resulted in lower utilisation of childcare places, particularly in Sydney CBD and increased demand in residential areas.

The City is only able to know this through ongoing engagement with the sector, regular data capture and analysis of Development Applications (DAs), childcare facilities, vacancies and population projections. This is alongside regular community engagement to understand in more detail the decision making of families and the barriers they are experiencing.

This highlights the need for the importance of spatial data and analysis to track where childcare facilities are located, the take up of places and how that these align with the needs of the local community. Ongoing monitoring of supply and demand on a national and state level will enable education and care providers to have access to current data analysis and make informed decisions about where they choose to expand to meet demand.

The City notes and welcomes the introduction of the State Government's Childcare and Economic Opportunity Fund,¹¹ which will enable childcare providers to bid for funding through a competitive process to help deliver more accessible and affordable childcare in areas where demand exceeds supply or in regional and rural areas where there are child care deserts and a high proportion of vulnerable children.

There is, however, a gap in financial support to education and care providers who are located in areas of oversupply due to the challenges brought on by workforce flexibility since the pandemic. Ongoing low utilisation will eventually result in many services facing financial viability crises and in turn forced to close operations. This is of particular concern in the Sydney CBD, where many service providers have noted continual low utilisation over the last 12 months.

Recommendations

- A simplification of the childcare subsidy system to make it easier for all families to access the subsidies they need;
- Increased access to 100 per cent subsidised care for priority groups and increased access to 90 per cent subsidised care for all other families;
- Removal of the activity test which unfairly disadvantages low-income families where no-one is employed or where the main source of income is ad hoc casual work or government benefits;
- Greater focus of policy and targeted funding to make services affordable and accessible for priority groups – single parent families, low-income families, Aboriginal and Torres Strait Islander, refugees and people seeking asylum;

¹¹ NSW State Governments Childcare and Economic Opportunity Fund - <https://www.treasury.nsw.gov.au/childcare-fund>

- Ongoing investment to better track and understand the drivers for childcare and where geographically the greatest needs are so that responses can be targeted and;
- funding to services in areas of oversupply as a result of workforce flexibility, to enable services to remain open while the workforce continues to recover from the continued aftereffects of the pandemic.

2. Developmental and educational outcomes for Australian children, including preparation for school

Importance of educational outcomes

It is widely recognised that high quality ECEC can provide a strong foundation for children's education and help set them up for success in school and beyond. High quality ECEC can have a positive impact on a wide range of educational outcomes for children. These include supporting children's cognitive development, social and emotional development, school readiness and ongoing academic and educational achievements. Only when these outcomes are placed front and centre will we see a shift in how the sector is valued and funded.

To date the primary focus of investment has been seen through an economic lens, however this is narrow and does a disservice to those within the sector, in particular the education and care workforce, industry standards, but also the greatest impact of all, creating lifelong positive impacts for children.

The quality of education and care services is equally important to achieving good economic outcomes as is the quantity of supply of education and care services.

Aside from focusing on improving access to childcare, the Government should place equal value to maximising opportunities for all children accessing high quality education and care which is equally important to achieving good economic outcomes long term.

Providing high quality education and care requires a significant financial investment in the education and care workforce. This is needed to attract and retain highly skilled and trained educators who have thorough knowledge and understanding of children's development, curriculum development, education and care practice.

Improved standards and professionalisation

The introduction of National Quality Framework in 2012 has had a significant positive impact on the ECEC sector, requiring improved child-staff ratios, minimum qualifications, continuous improvement, and enhanced quality rating systems.

Australian Community Children's Services' (ACCS) Findings of the 2020/2021 Trends in Community Children's Services Survey report (May 2021)¹² notes that having more teachers and educators per child and having teachers and educators with higher qualifications are two key factors that most influence quality, and that not-for-profit providers have higher numbers of teachers and educators than they are legally required to. This comes at a cost to a service offering free or low-cost fees.

However, the ACCS survey found that the main issues and concerns for teachers and educators were: increased paper work to meet legal obligations and government regulations (50 per cent); insufficient paid time to complete tasks (37 per cent); lack of professional

¹² Australian Community Children's Service, The National Quality Framework and the voice of the Community Children's Services Sector Report - <https://ausccs.org.au/wp-content/uploads/2022/03/TICCSS-in-Context.pdf>

recognition for educators (34 per cent); inability to recruit suitably qualified educators (33 per cent) and inadequate wages for educators (25 per cent).¹³

A 2021 survey by the United Workers Union¹⁴ of 4,000 educators found that 73 per cent planned to leave the sector in the next three years, due to excessive stress, low pay and status, lack of professional development and career progression.

Since the pandemic, many long-standing educators have also chosen to leave the sector due to increase responsibilities with continued low salaries.

The National Children's Education and Care Workforce Strategy¹⁵ aims to foster a sustainable and high-quality workforce of teachers and educators. It recommended the provisions of ongoing professional development and training opportunities for early childhood educators. This would involve establishing a new National Centre for Early Childhood Education and Care to provide training and support for educators. It also talked to the need to increase the diversity of the workforce by encouraging more men and Indigenous Australians to pursue careers in the sector. This would involve working with schools, universities, and other organisations to promote early childhood education as a career option.

In their joint 2022 Six Point Plan for Education a& Care¹⁶, Community Child Care Association, Community Early Learning Australia and Early Learning Association Australia also supported the need for a workforce strategy and national centre for the sector noting: "This Strategy can be a powerful opportunity for much needed reform. However, the ten-year timeline for its implementation is far too slow. Priority actions in the Strategy need to be funded and delivered now".

Despite the important role that childcare workers play in society, they are often undervalued and underappreciated. This can lead to a lack of recognition and respect for the work that they do, which can be demoralizing for workers in the sector. A greater focus on the professionalisation of the industry and career pathways is one way to address this.

These critical issues all impact heavily on developmental and educational outcomes for children and must be addressed if the sector isn't to suffer further from worker burnout and be able to attract and retain qualified staff.

Workforce pay and conditions

Optimal developmental and educational outcomes for children can only be achieved through the employment of qualified, well trained and adequately paid staff. The Children's Services Sector continues to experience ongoing workforce issues, with qualified people leaving in 12 to 24 months of starting in the sector to pursue better paid jobs. Educators are often paid low wages compared to other industries, despite the important and demanding nature of their work. This can make it difficult to attract and retain skilled workers, leading to high turnover rates and a lack of continuity in care for children. The sector, including the City, has therefore found it challenging to find suitably qualified and experienced educators to fill staff vacancies.

¹³ Australian Community Children's Service, The National Quality Framework and the voice of the Community Children's Services Sector Report - <https://ausccs.org.au/wp-content/uploads/2022/03/TICCSS-in-Context.pdf>

¹⁴ Royal Commission into Early Childhood Education and Care, Interim Report April 2023 -

<https://www.royalcommissionecec.sa.gov.au/publications/interim-report>

¹⁵ Australian Children's Education & Care Quality Authority, National Children's Education and Care Workforce Strategy, Shaping our Future - <https://www.acecqa.gov.au/sites/default/files/2021-10/ShapingOurFutureChildrensEducationandCareNationalWorkforceStrategy-September2021.pdf>

¹⁶ 6 Point Plan for Education & Care, April 2022 - <https://www.cccinc.org.au/sites/default/files/2022-07/20220325%20six%20point%20plan%20for%20education%20and%20care.pdf>

The Australian Institute report of March 2022 on the Economic Benefits of High Quality Universal Early Childhood Education¹⁷ found that there was a gender pay discrimination in ECEC as wages were lower than equivalently skilled workers in mostly male industries.

The Women's Economic Equality Taskforce recommends a pay increase for all early childhood educators. In their letter to the Minister for Office of Women of 23 March 2023,¹⁸ the Taskforce states: 'High quality universal, accessible, and affordable childcare delivered by highly skilled, properly paid and securely employed educators remains a significant core commitment that will benefit all Australian families', and they further recommend that government 'invest in an interim pay-rise for all early childhood educators and aged care workers in recognition of the historical undervaluation of their work and the urgent need to retain and attract workers to the sector'.

The National Children's Education and Care Workforce Strategy¹⁹ also recommended that there should be a focus in the sector on increasing wages for early childhood educators to attract and retain skilled workers in the sector and recognise the additional responsibilities which have been taken on by educators since the introduction of the National Quality Framework. This would involve working with the Fair Work Commission to review the industry award and increase minimum pay rates.

The City endorses this position. While there is general agreement in the sector that wages for education and care staff need to increase, without additional government investment to enable this to occur, there is a risk that the cost will be passed on to service users, through considerable fee increases. Alternately many providers may choose to exit the sector altogether resulting in a reduction of supply which will not meet demand.

Recommendations

- Putting educational outcomes first when considering future investment, beyond the economic outcomes that often take centre stage;
- A national workforce strategy that addresses not just work pay and conditions, but supporting the continued investment in improving skills and training in the sector;
- Invest in an interim pay-rise for all early childhood educators in recognition of the historical undervaluation of their work and the urgent need to retain and attract workers to the sector;
- There should be a focus of additional government investment to enable increased wages for early childhood educators to attract and retain skilled workers in the sector. This would involve working with the Fair Work Commission to review the industry award and increase minimum pay rates and;
- While government focus is on increasing workforce participation, placing focus on positive educational outcomes for children is equally important and should be the focus when making any changes to legislation, funding and salary increases.

¹⁷ The Australia Institute, The Economic Benefits of High Quality Universal Early Child Education, March 2022 - https://australiainstitute.org.au/wp-content/uploads/2022/04/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf

¹⁸ Letter to the Minister for Office of Women, from the Women's Economic Equality Taskforce - <https://www.pmc.gov.au/office-women/womens-economic-equality/womens-economic-equality-taskforce/letter-minister-office>

¹⁹ Australian Children's Education & Care Quality Authority, National Children's Education and Care Workforce Strategy, Shaping our Future - <https://www.acecqa.gov.au/sites/default/files/2021-10/ShapingOurFutureChildrensEducationandCareNationalWorkforceStrategy-September2021.pdf>

3. Economic growth, including through enabling workforce participation, particularly for women, and contributing to productivity

High-quality education and care is important for increasing productivity in the workplace because it allows parents to maintain consistent work schedules and to focus on their jobs without worrying about the well-being of their children. When parents have access to affordable and reliable education and care, they are more likely to be able to participate fully in the workforce, which can increase their earning potential and contribute to economic growth. The ABS report *Barriers and Incentives to Labour Force Participation*²⁰ found that in the financial year 2020-21, the main reason women were unavailable to start work was "caring for children" (25 per cent). This was higher for mothers with children under 15 years (56 per cent).

Access to affordable and high-quality early education and care and outside school hours care is therefore vitally important if we are to realise economic growth and increased participation, particularly for women.

Coordinated education and care with schools

In June 2019 there were 31 OSHC services providing a total of 2,475 places in the City of Sydney, including before school care, after school care and vacation care.

A parents' study undertaken for our 2019 Child Care Needs Analysis²¹ indicated that the lack of after school care was a concern for many families, with some families having to stretch the limits of their flexible work practices, and others not understanding why schools do not offer OSHC places that match the necessary demand. A number of schools, service providers and parents indicated that there was an undersupply of places for afterschool care.

Whilst not included within the terms of references for this inquiry, if we are to address women's participation in the workforce the challenges of OSHC need to be considered and how coordination between childcare and schools needs to be improved. The Grattan Institutes research paper, *Cheaper Childcare: A practical plan to boost female workforce participation, 2020*²² recommended improving coordination between childcare and schools to better support families with school-aged children and to provide more seamless transitions between services. It also noted that after-school and holiday care capacity are tight in Canberra and Sydney. Several Sydney suburbs have no vacancies in after-school care and in NSW, 14 per cent of after-school care services and 20 per cent of holiday care services are operating at more than 95 per cent capacity.

A major factor in the restriction of spaces is finding appropriate and affordable spaces to meet the growing demand for care. Additional Government funding to provide upgrades to schools and local social infrastructure would enable to facilities to better meet the needs of child care providers.

Additionally, the shift in focus to charging market rent on school properties has also contributed to many smaller non-profit operators closing long standing OSHC services as increased rents have contributed to decreased financial viability of services.

²⁰ Australian Bureau of Statistics - <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/barriers-and-incentives-labour-force-participation-australia/latest-release>

²¹ City of Sydney Child Care Needs Analysis 2019 - <https://www.cityofsydney.nsw.gov.au/surveys-case-studies-reports/child-care-needs-analysis-2019>

²² Grattan Institute, *Cheaper Childcare: A practical plan to boost female workforce participation, 2020* - <https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf>

Recommendations

- Funding for upgrades of public schools and local social infrastructure to enable facilities to better meet the needs of education and care providers and OSHC services
- Onsite OSHC provision in all possible instances and;
- Local schools, preschools and OSHC providers should work more closely together to make space available for outside school hours care.

4. Outcomes for children and families experiencing vulnerability and/or disadvantage, Aboriginal and Torres Strait Islander children and families, and children and families experiencing disability

It is a well-known fact that children experiencing vulnerability benefit greatly from accessing high quality early education and care. Access to early education and care can however be limiting when services are reluctant to enrol children who require additional support due to lack of capacity, resource or financial assistance to cover the additional costs associated with providing care to vulnerable children.

Children from priority groups, including children with language support needs, children with disabilities, children from low-income families, children at significant risk of harm and Aboriginal and Torres Strait Islander children all require additional support and resources to help them thrive.

Education and Care plays a pivotal role in supporting children and families and particularly those who are most vulnerable, however services require further financial support to enable the inclusion of children using a wholistic approach to care and education.

Improved Funding

Additional financial support through the Commonwealth government's Inclusion Support Program (ISP) and the State Government's Disability Inclusion Program (DIP) is required to enable services to build capacity in their teams, access specialist support through a range of allied support services and increase staffing within services to enable Educators to work closely with children.

The Australian Institute of Family Studies (AIFS) Evaluation of the Inclusion Support Program²³ found that the Additional Educator subsidy was the main ISP program funded element in 2020, accounting for almost 85 per cent of funding approvals. In 2019 around one in three Centre Based Day Care services and one in five OSHC services received support from this program.

Overall, this program stream was seen as effective, although there were issues around the adequacy of the rate of subsidy, and inflexibility of the program with regard to the number of hours a child was in care. AIFS recommends that attention should be given to the introduction of more flexibility in the hours per week of support for the Additional Educator and Immediate/Time Limited Support Inclusion Development Funding streams.

ISP funding should allow Inclusion Development Fund Subsidy (IDFS), alongside state Disability and Inclusion Program (DIP) funding, to ensure those without NDIS can use the funding to get occupational and speech therapy provided in centres in an integrated inclusive manner. Services require increased flexibility to deploy funds in order to meet individual needs.

²³ Australian Institute of Family Studies, Evaluation of the Inclusion Support Program, November 2021 - https://aifs.gov.au/sites/default/files/2022-10/2021_Inclusion%20Support%20Program%20Report.pdf

IDFS/DIP funding only minimally funds external support services (e.g., occupational therapist, speech therapist etc.) and training for staff. IDFS not only does not cover the full cost of an additional worker but also often an additional worker with the skills and capabilities to support needs cannot be found (often the existing service staff don't have these skills/capabilities to begin with). Services and staff need upskilling and on the ground support.

While services can apply for funding through the Federal Government's Inclusion Support Program and the State Government's Disability Inclusion Program to support the inclusion of children with a disability, the funding has limitations and does not enable services to support children using a holistic approach.

The main purpose of the funding is to enable education and care services to engage an extra educator, above the educator to child ratio requirement to enable the inclusion of the child with a disability. While the intent of the funding is positive, the costs associated with engaging additional staff to support the needs of a child with a disability are not fully covered by the funding received through the program. Capping funding to five hours per day per child funded, does not provide enough financial support or time to support children effectively and inevitably impacts educational and developmental outcomes of children.

While Inclusion Agencies have been appointed by the Commonwealth and State government to support the sector through the application process and the implementation of inclusion strategies as outlined in each child's Inclusion Support Plans, the support for capacity building of educators is limited.

Early Childhood Australia (ECA) in their 2022–23 Federal Budget Pre-Budget Submission²⁴ also identified the ISP is under pressure from these challenges of increased demand not aligned with investment, the gap between funding and costs of providing additional educators as well as not covering the true total costs.

A holistic approach to inclusion involves, educators working side by side with allied health professionals who have specialist skills in supporting children with a range of disabilities. Providing further financial assistance to services could enable the implementation of this approach and provide positive educational outcomes for children.

Additionally, removing the cap on hours and increasing funding to cover the true costs of additional educators will also enable services to increase support to children with disabilities and additional needs.

Children not eligible for Inclusion Support Funding

Inclusion Support Funding heavily relies on a diagnosis which can be problematic and exclude children who may be experiencing behavioural and emotional challenges that may not be easily diagnosed or do not have a diagnosis. It also excludes and does not consider the range of challenges faced by Aboriginal and Torres Strait Islander children or children of families who are seeking asylum or are refugees.

These children also require additional support to meet their individual needs. As a formal diagnosis cannot be obtained, these children miss out on much needed funding and are therefore at a disadvantage.

Education and care services are well placed to support the needs of these children however require further financial assistance to do so holistically.

Opportunities for more flexible funding could enable increased language support for families from non-English speaking backgrounds. Language barriers can be a major obstacle to accessing

²⁴ Early Childhood Australia (ECA) 2022–23 Federal Budget Pre-Budget Submission - https://treasury.gov.au/sites/default/files/2022-03/258735_early_childhood_australia.pdf

education and care services. Additional funding could also assist services in engaging specific cultural support for Aboriginal and Torres Strait Islander children or children seeking asylum and can work closely with educators to build their capacity to support the specific cultural and language needs of children.

Flexible funding could also enable greater investment in professional development for educators, who may need additional training and support to effectively serve priority groups. Alternatively, government could offer or fund more specific professional development opportunities for educators to build their cultural competence and better serve the diverse needs of vulnerable families.

The City notes that the Commonwealth Government is in the process of reviewing the Inclusion Support Program and urges this feedback be taken into consideration.

Fee relief for families

While there is some fee relief available to families whose children meet eligibility criteria through the State Government's Start Strong for Long Day Care and Start Strong for Community Preschool programs, families who do not meet eligibility criteria continue to pay high fees.

Including a definition of "equity" in the Start Strong for Long Day Care funding program to align with the definition included in the Start Strong for Community Preschool funding program and extending fee relief to those families enrolled in long day care who meet the equity criteria will reduce out of pocket costs for vulnerable families. This includes children with a disability.

Recommendations

- Increase funding to cover the true cost of engaging additional educators to meet the needs of priority groups;
- Flexible funding options to enable services to engage allied health professionals and other professionals to support specific needs and build staff capacity through knowledge and skills sharing and;
- Extend funding for additional support and fee relief to priority families who do not meet the diagnosis threshold or eligibility criteria.

5. The efficiency and effectiveness of government investment in the sector

Coordination across all levels of Government

Overall, improving funding for childcare requires a coordinated approach across different levels of government, as well as collaboration with the private and community sectors. Only by working together, will we be able to ensure that education and care services are adequately resourced and accessible to all families.

There is a need for all levels of government to work together in a coordinated approach to a common agenda. Funding should align to common economic and educational goals. Currently funding is available from multiple sources as identified within the National Children's Education and Care Workforce Strategy²⁵ and is often complex to navigate. Through a simpler and coordinated approach, funding could be more effectively accessed and targeted to ensure adequate supply of

²⁵ Australian Children's Education & Care Quality Authority, National Children's Education and Care Workforce Strategy, Shaping our Future - <https://www.acecqa.gov.au/sites/default/files/2021-10/ShapingOurFutureChildrensEducationandCareNationalWorkforceStrategy-September2021.pdf>

high-quality childcare in locations where it is most needed. There is a real opportunity for Federal and State Government to work more closely with Local Government who are well placed to deliver outcomes in the community, but who are also able to provide insights into community needs.

Explore mixed model funding

Mixed funding models for education and care refer to funding arrangements that involve contributions from multiple sources, such as government funding, private sector investment, and community contributions. These models can be effective in addressing the complex and multifaceted challenges associated with delivering high-quality, accessible, and affordable childcare services.

Mixed model funding could enable a mix of activity-based funding to families with block operational funding to services. This would then enable fixed operational costs to be met and ensure investment could be directed the development of staff or new services for example that focus on priority groups.

Mixed funding models can also help to ensure the sustainability of education and care services over the long term. By diversifying funding sources, providers are less reliant on any one source of funding, which can help to mitigate against the risks associated with changes in government policy or fluctuations in demand.

Public Private Partnerships (PPPs)

Direct investment by the City, as a local government authority, has ensured an adequate supply of early education and care services in our local government area. Not all councils are in a financial position to do the same, and a substantial, ongoing investment in the sector at both Commonwealth, State and Territory level is required.

Public Private Partnerships (PPPs) can play an important role in supporting improved childcare by combining the strengths of the public and private sectors to deliver high-quality and affordable services. It can bring in additional funding to support the development of new childcare facilities, the expansion of existing services, or the upgrading of infrastructure and equipment. This can help to improve the quality and availability of childcare services.

The largest cost for childcare centres is often rent. One way in which the Commonwealth could improve the availability of affordable, quality education and care would be to look at opportunities to utilise PPPs where operators are offered low-cost long-term leases in government owned buildings. PPPs can also improve accountability, as clear performance targets and monitoring outcomes can be established as part of the agreement to ensure that services are delivering high-quality care.

Recommendations

- There is a need for all levels of Government to work together in a coordinated approach to a common agenda. Funding should align to common economic and educational goals;
- There is a real opportunity for Federal and State Government to work more closely with Local Government who are well placed to deliver outcomes in the community, but who are also able to provide insights into community needs;
- Mixed funding models should be explored which could then enable a mix of activity-based funding to families with block operational funding to services and;
- Look at opportunities to utilise PPPs where operators are offered low-cost long-term leases in government owned buildings.

6. Conclusion

The City of Sydney thanks the Commission for establishing this important inquiry into Childhood Education and Care. We welcome the renewed consideration of the importance of Early Years Education and Care by governments throughout Australia and the emphasis on the importance of developmental and educational outcomes for children, including those experiencing vulnerability and/or disadvantage, Aboriginal and Torres Strait Islander families, and families with additional needs.

The evidence from our submission demonstrates the important role Local Government already plays in delivering high quality educational outcomes. However, through improved funding, investment in the workforce, a focus on educational outcomes, and improved coordination across all levels of government, we believe there is an opportunity for the sector to better meet the needs of children and families across the country.