

9. Funding, governance and stewardship

Key points

- ✳️ **A mixed approach to funding early childhood education and care (ECEC), comprising a mainstream instrument to support affordability and accessibility for all families, and additional expenditure targeted to enabling participation among those with higher needs, could underpin a universal system.**
 - Reforms to improve the efficiency and effectiveness of the Child Care Subsidy, Additional Child Care Subsidy, Inclusion Support Program and Community Child Care Fund would represent a significant improvement on the current funding model and contribute to achieving universal access.
 - These reforms should be complemented through a more coordinated approach between the Australian, state and territory governments to co-fund preschool, address availability gaps and support the establishment of integrated services where there is a need.
- ✳️ **Australian, state and territory governments should sign a new National Partnership Agreement on ECEC, which would outline their respective roles and responsibilities as stewards of the system, as well as the objectives all governments seek to achieve.**
 - The Australian Government should remain responsible for early childhood policies in the years before preschool and associated funding responsibilities and for the funding of outside school hours care through the Child Care Subsidy.
 - State and territory governments should remain responsible for preschool, school readiness and take on the responsibility of ensuring the delivery of outside school hours care in government schools.
 - Governments should build upon the Preschool Reform Agreement to ensure funding supports the desired outcomes, regardless of the preschool delivery model adopted in each jurisdiction.
- ✳️ **A new independent ECEC Commission should be created to embed an effective stewardship model.**
 - A stronger stewardship model would address some of the challenges observed in the market, coordinate a more cohesive policy response and steer the sector towards universal access.
 - An ECEC Commission should support governments to better coordinate and deliver ECEC policies by providing information and advice. It should also provide a mechanism to hold stewards accountable for achieving the objectives of the ECEC system, as defined in the proposed National Partnership Agreement.

The terms of reference for this inquiry asked the Productivity Commission to assess the efficiency and effectiveness of government investment in the early childhood education and care (ECEC) sector.

ECEC is one type of human service. Human services are essential for the wellbeing of individuals and their families, and underpin economic and social participation. Ensuring that everyone, regardless of their means or circumstances, has access to a minimum level of high-quality human services promotes equity and social cohesion, which in turn contributes to the welfare of the community as a whole (PC 2017, p. 3).

ECEC services are places where children play, form relationships, use their imagination and learn, and for many young children and their families, ECEC is a part of everyday life (paper 2). ECEC services are also critical to the wellbeing of families – many rely on them to participate in the labour force, access study and training opportunities, or volunteer (paper 4).

Human services, including ECEC, are typically funded through a combination of family and government contributions.

Governments invest in human services in different ways, designed to achieve efficiency, effectiveness and social objectives. The ambition in funding these services is to promote net community benefits; this in turn presents challenges for program design and in targeting those with the greatest need while at the same time balancing the administration of rules and processes to ensure funding integrity and policy outcomes. As such, a range of governance obligations and accountabilities are often used to oversee these investments.

In assessing the efficiency and effectiveness of government investment in ECEC, three questions need to be considered:

- Are individual programs such as the Child Care Subsidy (CCS), Additional Child Care Subsidy (ACCS) Inclusion Support Program (ISP) and Community Child Care Fund (CCCF) efficient and effective in achieving their objectives?
- Should these programs be improved and if so, how?
- What might be the most effective and efficient funding and governance structures for delivering the ECEC policy agenda proposed by the Commission?

Other supporting papers – specifically papers 2, 5, 6 and 7 – tackle the first two questions, and make draft recommendations to improve the functioning of the CCS, ACCS, ISP and CCCF.

This paper focuses on the third question. It considers whether significant progress towards universal access can be achieved using the current mix of funding instruments (including families' contributions), on the basis that all of the Commission's recommendations for improvement are adopted. The Commission also asks inquiry participants whether there are broader opportunities for funding reform.

This paper also considers how well governments are working together to achieve the broad objectives of ECEC policy, and whether further efforts to enhance collaboration and policy coordination are required through a stronger stewardship model.

More specifically, this paper:

- describes levels of government and families' expenditure on ECEC (9.1)
- sets out a framework for considering the ECEC funding model (9.2)
- considers opportunities to reform the funding model (9.3)
- assesses the current allocation of roles and responsibilities between governments (9.4)
- discusses why a stewardship model – underpinned by an ECEC Commission – could bring better funding and policy coordination to the system, and enhance transparency and accountability (9.5).

9.1 Expenditure on ECEC has grown significantly

In 2021-22, government and family contributions to the ECEC sector were in the order of \$19 billion.

Total Australian, state and territory government recurrent and capital expenditure was \$12.9 billion in 2021-22, an increase in real terms of 65% since 2012-13 (figure 9.1). Expenditure in 2021-22 comprised \$10.3 billion (about 80%) from the Australian Government, \$2.14 billion (17%) from state and territory governments, and \$470 million (4%) of preschool funding provided by the Australian Government to states and territories through the National Partnership on Universal Access to Early Childhood Education, which preceded the Preschool Reform Agreement (PRA) (SCRGSP 2023b, tables 3A.4 and 3A.7).

Families paid about \$6 billion in out-of-pocket expenses at CCS-approved services in 2021-22, representing about 40% of the total fees charged (Productivity Commission estimates based on DoE administrative data (unpublished)). Families may also pay out-of-pocket expenses at dedicated preschools (appendix E).

The Australian Government's principal ECEC funding instrument is the CCS, which is both means and activity tested (paper 6). Targeted funding is also provided via the Australian Government's Child Care Safety Net (Australian Government Department of Education, sub. 90, pp. 21–24).

- The ISP provides funding to ECEC services to support children with additional needs in mainstream services. Funding can be used for a range of supports, such as additional educators in a room or providing specialist training to increase staff capability (paper 2).
- The CCCF provides grants to address barriers to ECEC participation in regional and remote and Aboriginal and Torres Strait Islander communities (paper 5).
- The ACCS offers higher subsidy rates and longer hours of subsidised care for eligible families experiencing hardship (paper 6).

Total Australian Government expenditure on the CCS program (including the ACCS) was expected to be \$10.6 billion in 2022-23, up from \$9.8 billion in 2021-22. The estimated outlay for 2023-24 is \$12.7 billion (Australian Government Department of Education, sub. 90, p. 17). Additionally, the Australian Government anticipates providing \$575 million in CCCF funding over the four years to 2025-26 and \$133 million per year in ISP funding (Australian Government Department of Education, sub. 90, pp. 23–24).

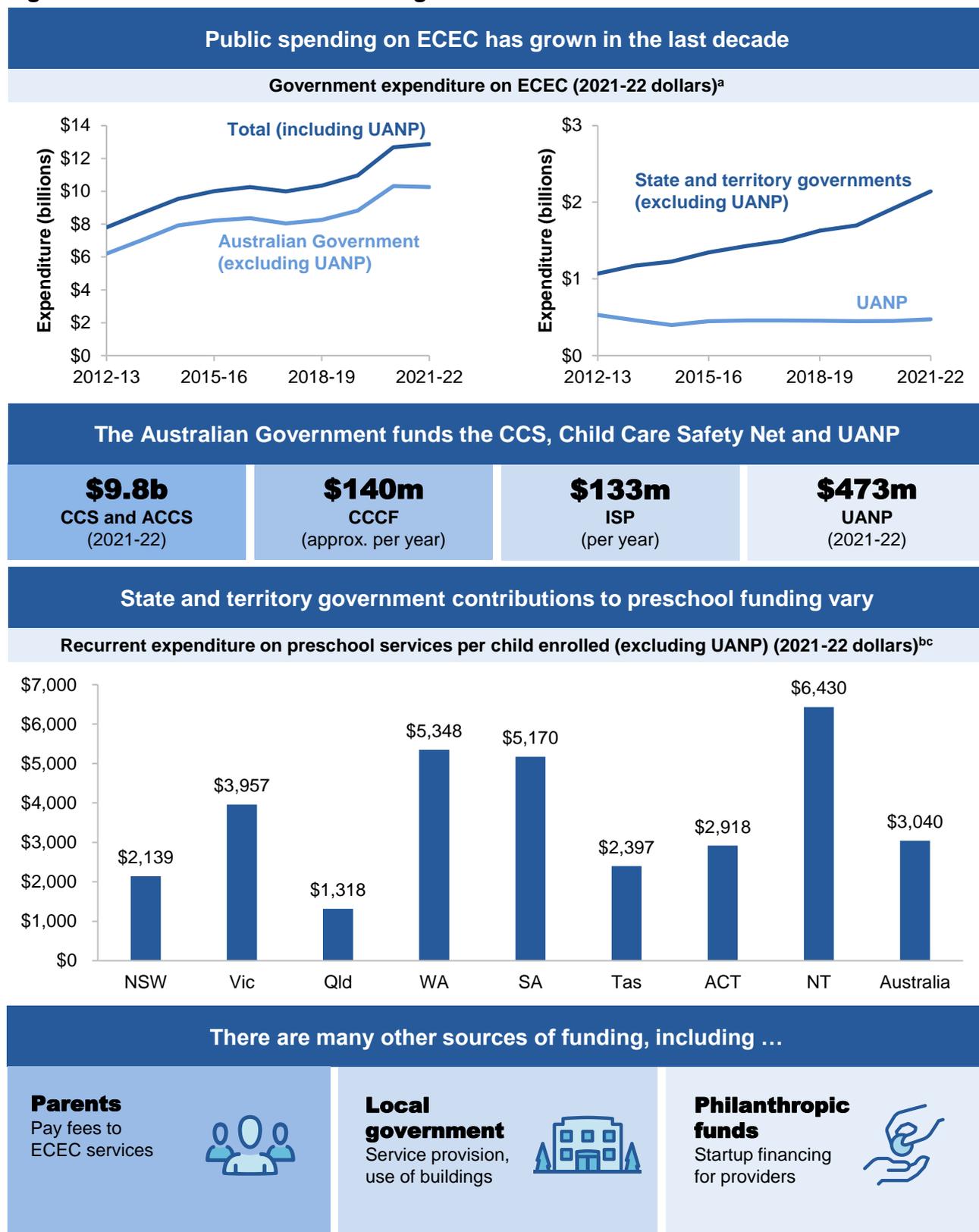
The Australian Government's contribution to ECEC funding as a proportion of its total budgetary expenses rose from 1.4% in 2012-13 to 1.6% in 2021-22 (Australian Government 2013, table 5, 2022, table A.1; SCRGSP 2023a, table 2A.26, 2023b, table 3A.4).

State and territory governments – with assistance from the Australian Government via the PRA – fund preschool programs (appendix E). The Australian Government expects to provide about \$1.84 billion to state and territory governments through the PRA 2022–25. The PRA total budget was estimated to increase from \$453 million in the 2022 program year to \$467 million in the 2025 program year (Australian Government 2021, table 1A).

State and territory governments are also involved in the provision of integrated services (for example, assisting in the development of Doveton College in Victoria (2013, p. 15) and early learning centres (paper 5)).

Some local governments operate services and some provide support to community run services, such as discounted use of council buildings. Philanthropic organisations also contribute funds to ECEC in certain circumstances. For example, philanthropic contributions helped to establish Children's Ground (2022, p. 7) and Doveton College (2013, p. 14).

Figure 9.1 – ECEC is funded via a range of instruments and from a number of sources



a. From 2013-14 onwards, data labelled UANP relates to the Universal Access to Early Education National Partnership (UANP), which began from July 2013. For 2012-13, data labelled UANP relates to the National Partnership on Early Childhood Education. Although it is not shown in this data, the Preschool Reform Agreement 2022–25 replaced the

UANP. **b.** Recurrent expenditure is calculated on an accrual basis and includes administration expenses, employee expenses (excluding payroll tax, overheads, recurrent grants and other expenditure on service provision), financial support to families, and umbrella department costs. **c.** Preschool enrolment by jurisdiction for 2021-22 was calculated by averaging the number of enrolments at all ages for 2021 and 2022 reported in SCRGSP (2023b, table 3A.18).

Source: Real total government expenditure from Productivity Commission estimates using SCRGSP (2023b, tables 3A.4 and 3A.7); CCS, ACCS, CCCF and ISP expenditure from DoE (sub. 90, p. 17, 23–24); PRA expenditure from SCRGSP (2023b, table 3A.7); real total recurrent expenditure on preschool services from Productivity Commission estimates using SCRGSP (2023b, tables 3A.6 and 3A.18).

9.2 A framework for considering ECEC funding models

How do governments intervene in human services?

In considering the potential nature and form of intervention in a human service, governments face two critical questions:

- What should be the balance between market versus public provision? In considering this, governments also decide the specific ways in which public provision should occur.
- What should be the balance between private versus public funding? In considering this, governments decide the specific instruments used to deliver public funding.

Consideration of government intervention in ECEC, like almost all human services, is not a binary debate about whether the sector should be supported by solely government funding or private funding (family contributions). Rather there are justifications for varying the allocation between those funding sources, including for different cohorts, depending on the net benefits to children and families from participation. These benefits need not necessarily be solely economic – they could stem from equity or social reasons, or relate to the relative costs of administering different funding models.

The extent to which a service delivers private or public benefits is therefore important in considering the balance between funding sources and modes of provision. As private benefits are larger, the balance tends towards private funding and more market provision. As public benefits are larger, the balance shifts towards some public funding and more public provision.

ECEC has elements of both private and public benefits. Children typically develop a range of social, cognitive and emotional skills during the period of their lives when they attend ECEC. These skills provide a foundation for future learning, employment and life outside work. Many of the benefits that children experience later in life can also have broader benefits to society. Improved labour market, health and criminal justice outcomes, for example, can translate into higher tax revenues and reduced government expenditure on social support systems (paper 1).

Families also benefit from having children attend ECEC, as this frees up parents and carers to pursue work, study or volunteering activities. This can confer benefits to parents in the form of higher income, greater career progression and the satisfaction that can come from working, for example. From a societal perspective, greater parental labour force participation can contribute to breaking the cycle of intergenerational disadvantage.

Precisely quantifying the private and public benefits associated with a human service is often difficult. ECEC is no exception. This is in part because many of the benefits cannot be measured until children who attended ECEC reach adulthood, and because some benefits related to wellbeing can be difficult to measure. Without longitudinal studies, impacts such as higher income, reduced welfare dependency and lower involvement in

crime cannot be fully assessed. Further, these and other life outcomes are a product of many other factors. Isolating the contribution of ECEC is challenging (paper 1).

Ultimately, decisions about the balance between market and public provision, and between private and public funding, for any human service are at the discretion of governments.

In the ECEC sector, the majority of activity is delivered by private organisations and, as outlined in the section above, paid for by one funding instrument, the CCS. Family contributions (out-of-pocket expenses), are the balance of fees charged by services less subsidies via the CCS (paper 6).

In some circumstances, the private market will not deliver a service because the expected costs exceed the expected revenue generated from private contributions and government subsidies – for this reason, the Australian Government provides additional support through the CCCF (paper 5), and some state and territory governments provide additional funding to build ECEC centres and integrated services.

Different funding approaches are used in Australia's human services sectors

Other human services sectors in Australia utilise a variety of funding types (box 9.1), often including some form of base payment with additional support targeted to areas or individuals with higher needs.

Box 9.1 – Funding of other human services

Schools

Like ECEC services, primary and secondary schools are jointly funded by the Australian Government, state and territory governments, and parental or other private contributions (such as fees).

The Australian Government provides funding to schools based on each school's Schooling Resource Standard (SRS). As of 2023, the Australian Government provides at least 20% of each government school's SRS and 80% of each non-government school's SRS. State and territory governments also provide funding for government and non-government schools as per the National School Reform Agreement.

A school's SRS includes a base amount plus four student-based loadings and two school-based loadings. Student-based loadings cover students with disability, are Aboriginal and Torres Strait Islander people, are experiencing socio-economic disadvantage, and/or have low English proficiency. Schools may be eligible for loadings based on size and location.

Medicare

Medicare is Australia's universal health insurance scheme. It is funded by the Australian Government through taxation revenue, including instruments such as the Medicare levy and Medicare levy surcharge.^a Medicare includes a range of safety nets for individuals who incur high out-of-pocket medical expenses, including the Greatest Permissible Gap, Original Medicare Safety Net and Extended Medicare Safety Net. Additionally, medical practitioners are incentivised to bulk bill so that patients face no out-of-pocket expenses. The national bulk billing rate during the 2023-24 July to September year to date was about 75%.

Aged care

Residential aged care is funded by the Australian Government and contributions from residents.

Providers receive a daily subsidy based on assessments of permanent residents' physical and cognitive ability, behaviour and mental health. Providers also receive an initial entry adjustment payment when a

Box 9.1 – Funding of other human services

new permanent resident transfers into a facility, as well as additional supplements based on the needs of residents. Funding is reduced when a resident receives a compensation payment or pays fees.

a. The Medicare levy is generally 2% of taxable income. In 2022-23, individuals generally paid a reduced Medicare levy when earning below \$30,345, and did not pay the levy when earning below \$24,276. The Medicare levy surcharge is 1%, 1.25% or 1.5% of taxable income, reportable fringe benefits and any amount on which family distribution tax has been paid, for individuals above an income threshold who do not have an appropriate level of private patient hospital cover. In 2022-23, the Medicare Levy Surcharge base income threshold was \$90,000 for singles and \$180,000 (plus \$1,500 for each dependent child after the first one) for families.

Source: AIHW (2022); ATO (2023a, 2023b, 2023c); DoE (2023c, 2023e); DHAC (2022, 2023a, 2023b, 2023c).

Governments can use a range of instruments in funding ECEC

Funding instruments used to support ECEC delivery are generally distinguished by:

- whether the quantum of funding depends on the level of demand from families, that is, it is child- or family-based (referred to as demand-side funding)
- whether the funding is linked to the characteristics of those delivering the service, that is, it is provider-based (referred to as supply-side funding)
- the level of co-payment required from families (referred to as out-of-pocket expenses).

The choice of funding instrument and co-payment has efficiency and efficacy implications.

Demand-side funding instruments

Demand-side funding instruments typically come in the form of a subsidy which covers all or some of the ECEC fees incurred by families.

As they are child- or family-based, subsidies can be calibrated to reflect characteristics such as family income or particular needs of the child. They can also be simply targeted to certain cohorts and not others, but they cannot be differentiated by service provider. However, there could be a broader requirement that consumers only receive a subsidy if they use a registered/approved provider who meets quality and other accountability standards.

On the assumption that families have sufficient information on quality and alternative options to meet their needs, demand-side subsidies can help facilitate choice, thereby promoting efficiency by encouraging providers to respond to the preferences of families, including about where centres are established and the type of care provided (PC 2014, p. 565). They can also promote competition between service providers – this is discussed further below.

Supply-side funding instruments

Supply-side funding instruments are designed to cover all or part of service delivery costs and can be varied to reflect cost differences. These differences can include particular cost components (such as wages or capital), or can be linked to other service provider characteristics.

Different methods can be used to calculate and deliver supply-side funding (The Front Project 2022a).

- **Activity-based:** Funding is calculated as an amount directly proportional to the estimated units of service, determined by methodically classifying, counting and defining the cost of certain activities.

- **Need-based:** Recurrent funding is provided directly to service providers to support individuals with additional needs. The amount of funding is typically estimated by the level of resourcing required to meet these needs, with a 'base' and additional 'loading' formula.
- **Outcomes-based:** Funding is attached to required levels of provider performance across set performance metrics. This approach is typically used to achieve a 'higher-than baseline' performance, and to incentivise service providers to improve their quality and outcomes.
- **Programmatic:** Bespoke funding is made available for targeted investment for specific purposes and needs. Programmatic funding is typically an additional funding stream alongside mainstream funding instruments, for a set period of time, and is based on estimated delivery costs.
- **Block-based:** Funding is delivered as recurrent lump-sum payments to service providers, calculated to cover service delivery costs (including operational expenses).

Funding can also be automatically tied to other instruments, such as award wages. Prior to 1985, before moving to an operational funding model, the Australian Government funded 75% of the cost of approved staff salaries in ECEC services (Parliament of the Commonwealth of Australia 1985, p. 3).

Supply-side funding approaches allow governments to attach conditions to grants and target specific areas of need through tailored funding instruments. Some approaches also have benefits in terms of greater certainty and simplicity for families.

However, implementing a broad supply-side funding instrument within established ECEC markets could dampen incentives for ECEC providers to tailor services to what works best for families and weaken price signals that providers reference when making decisions about when to enter, expand or exit an ECEC market. Some broad supply-side instruments also require governments to:

- develop an accurate understanding of the efficient cost of service delivery
- develop a mechanism to adjust this over time to mitigate the risk of a mismatch in funding
- play a much stronger role in planning and coordination of service provision to address availability gaps
- move away from individualised means testing.

Co-payments from families

Some level of co-payment – absorbed by families as an out-of-pocket expense – can have benefits.

Co-payments:

- can reflect the private benefit that accrues to the child and family
- provide an incentive for families to consider their usage decisions and reduce the risk that places will be taken up when they may not be needed
- can empower families to demand more from the service providers as making a payment can help them feel like they are buying a service, rather than just receiving it from government
- are a way of controlling government expenditure on ECEC. This is because there is a direct substitution between what families pay and what government pays, and because higher co-payments can reduce the demand for ECEC and hence the total cost of government subsidies (PC 2014, pp. 565–566).

In demand-side funding instruments, subsidies can be expressed as a dollar amount (as is the case, for the National Disability Insurance Scheme) or as a capped share of fees paid (like the CCS, which applies the subsidy to fees up to the hourly rate cap (paper 6)). Both approaches expose families to changes in prices – out-of-pocket expenses rise as prices rise unless the subsidy is adjusted. When at least some families face out-of-pocket expenses, providers have an incentive to compete on price to attract (and retain) families and, therefore, to minimise the cost of delivering the services they provide.

In supply-side funding instruments, while the quantum of funding is typically set to cover the cost of service delivery, this does not preclude governments or service providers also charging a fee. For example, in the case of dedicated preschools, which are funded through supply-side instruments, families can face additional fees (Victorian Government Department of Education, sub. 146, p. 6).

Co-payment options – such as a fixed dollar amount for every family – can be adopted. However, fixed fees do not give families a good indication of the cost of delivering ECEC services, nor of changes in the cost. A fixed co-payment means that families may be less concerned about fee increases. Fixed co-payments do have the advantage however, that families know how much they will be required to pay (PC 2014, p. 565).

Although co-payments can contribute to a more efficient market for ECEC services, there can be situations where even a low co-payment may discourage the participation of some children. Providing further financial assistance may be necessary to reduce affordability barriers for these families to encourage participation in ECEC (paper 6).

A mix of funding instruments is used in many countries

In Australia, a mix of funding instruments has emerged to support the broad objectives of ECEC. The instruments target different objectives and fall into three categories:

- a broad baseline funding instrument, primarily targeted at affordability and accessibility goals. The CCS falls into this category, offering means-tested subsidies to families, as does the preschool funding provided by state governments, which allocates a set amount of funding per child for eligible services
- targeted assistance primarily aimed at reducing barriers to ECEC that are higher for some families due to location, disadvantage or for children who have additional needs. The ISP falls into the category, providing support for the inclusion of children, as does the CCCF, which provides funding to increase the supply of ECEC in eligible communities
- highly targeted interventions for children who would significantly benefit from access to high quality ECEC. Integrated services, including those delivered by Aboriginal Community Controlled Organisations (ACCOs) and those funded through the CCCF, are an example.

Some inquiry participants noted the complexity of current funding arrangements and highlighted the value of adopting a multi-pronged approach. The Independent Education Union of Australia noted:

... early childhood funding must be comprised of both universal supports to enable all children to access quality early childhood education services and targeted interventions to ensure the participation of those facing significant barriers. Government funding must recognise the geographic, socio-economic and cultural factors that inhibit families' access to services. (sub. 40, p. 6)

Similarly, University of NSW, Social Policy Research Centre submitted that:

There is a need for multiple funding streams, where mainstream funding streams are accompanied by parallel streams of targeted funding. These could support First Nations services, services which are located in high poverty contexts, services working with large refugee or new migrant communities, or services which have high levels of expertise including children with disability. Importantly the multiple streams should be streamlined to reduce the administrative burden on services who apply for and account for funding. (sub. 176, p. 10)

A similar mix is observed internationally in countries with a similar mixed market approach to ECEC provision to Australia (that is, where ECEC is delivered through a combination of private organisations and government-run entities) (box 9.2 and appendix B). The approaches generally comprise mainstream funding and additional targeted support.

Box 9.2 – Different countries approach funding decisions in different ways

Appendix B provides an overview of international approaches to ECEC, with a focus on British Columbia in Canada, Ireland, Netherlands, New Zealand and Sweden. The work illustrates some of the variety of approaches taken elsewhere, noting that the ways in which governments design and manage their ECEC systems are a product of social context and wider policy considerations.

All countries studied use base funding supplemented with targeted assistance

While each jurisdiction has a unique ECEC funding model, there is consistent recognition that base funding instruments are not sufficient in themselves to cover the needs of all children, and many countries also provide targeted funding for some cohorts.

The design of funding instruments for children needing additional support varies – funds are sometimes attached to individual children, and in other instances paid directly to services or municipalities based on the anticipated needs of all enrolled children. Families requiring assistance with out-of-pocket expenses are often eligible for additional demand-side funding, either through limited eligibility programs or extensions to existing funding instruments (for example, where families receive financial support above standard means testing rates).

Governments can tailor their oversight of the sector to suit different policy goals ...

In British Columbia, services participating in the Child Care Fee Reduction Initiative must agree to not increase fees beyond an amount specified by the provincial government and new participating services cannot set fees beyond the 70th percentile for their region and service type (Beach et al. 2023, p. 206). Under Core Funding, Irish ECEC providers must meet conditions regarding fees (including a fee freeze until August 2024), service quality and operational transparency (Government of Ireland 2023). In New Zealand, the amount of ECE Funding Subsidy that services receive differs based on staff qualification levels (New Zealand Ministry of Education (Te Tāhuhu o te Mātauranga) 2023). In contrast, CCS funding for approved services in Australia mainly differs by fees and family characteristics rather than individual service characteristics, with only the hourly rate cap differing by service type (appendix D).

... but each approach to funding has pros and cons

The relationship between funding instruments, affordability and access is complex. Greater use of supply-side funding does not guarantee improved ECEC affordability. OECD data suggests that for some families in jurisdictions with well-established supply-side funding instruments (such as New Zealand), out-of-pocket ECEC expenses as a proportion of household income are higher than in Australia.

Supply-side instruments have assisted British Columbia in meeting the Canada-Wide Agreement interim target of halving average ECEC out-of-pocket expenses by the end of 2022 (Gould and Whiteside 2022). But there have been reports of services introducing opt-in payments for items that were previously included in fees (such as meals) following the increase in Child Care Fee Reduction Initiative funding rates, which has limited improvements in affordability (MacMahon et al. 2022). Given these changes are recent, it is too early to properly assess their effect on affordability.

To deliver sustained improvements in affordability, funding instruments – whether they are focused on families or on service providers – must be sufficiently responsive to service costs. Irish providers have expressed concerns that Core Funding rates are not increasing in line with service cost (Wayman 2022).

Box 9.2 – Different countries approach funding decisions in different ways

In October 2023, the Irish Government announced a 14% increase in Core Funding expenditure for 2024 to ‘support improved affordability and accessibility for families, improved pay and conditions for the workforce and improved sustainability for providers’ (O’Gorman 2023).

No single funding instrument would efficiently or effectively support attainment of all the goals of a universal ECEC system. The overarching funding model should therefore consist of a mix of instruments targeted at different objectives.

**Draft finding 9.1****A one-size-fits-all funding model would not be efficient or effective**

A one-size-fits-all approach to ECEC funding would not be an efficient or effective model to support the objectives of access, affordability, inclusion and flexibility. A mixed approach comprising mainstream funding to support affordability and accessibility for all families, and additional expenditure targeted to enabling participation among those with higher needs, could efficiently and effectively underpin a universal system.

9.3 There is scope to improve funding arrangements**Some service types may not be well served by the current model**

Many inquiry participants have suggested the CCS, acting as the mainstream funding instrument, is not the most effective way to support some service types, including integrated services, services delivered by ACCOs, and preschool programs.

Integrated services lack funding security and consistency

Integrated services combine ECEC and other services. They can take various forms, such as early learning family centres (combining ECEC and maternal child health services), co-location (for example, placement of ECEC services on the grounds of primary schools), and fully integrated child and family centres (for example, providing ECEC, family, employment and health services) (paper 7).

These services can encourage providers to develop and implement practices that better serve children with additional needs, their families and communities. However, funding approaches are inconsistent, and often draw on sources outside of ECEC budgets.

Having a variety of funding sources is not necessarily a problem. Because integrated services operate in a place-based context, their form ideally fits the needs of the communities they serve such that different components are supported by different funders. It is important however that the funding model does not act as a barrier to delivering integrated services where they are needed. Programmatic streams of funding – which often form one of multiple sources of funding for integrated services – can be challenging to navigate and may risk the integration function being inconsistently funded.

The South Australia Royal Commission into Early Childhood Education and Care refers to the connection function or 'glue' that links ECEC services with other early years services such as health and family supports. It also notes 'how funding systems currently fail to adequately recognise its role' (SA Government 2023, p. 33). The Commission's previous ECEC inquiry noted that 'access to mainstream funding arrangements offers greater financial stability for integrated services, although some block funding (for the integration 'glue') may be needed' (PC 2014, p. 640).

As a guiding principle, where there is an identified need for an integrated service, all aspects should be funded in full, including the integration function or 'glue'. This may necessitate a block-funding or needs-based funding approach.

Block-based funding will better support Aboriginal and Torres Strait Islander communities

Like other integrated services, there is inconsistent and often insecure funding for integrated services run by ACCOs. These services take many forms, such as Aboriginal and Torres Strait Islander Child and Family Centres, Multifunctional Aboriginal Children's Services and Aboriginal and Torres Strait Islander-operated centre-based day care (CBDC) services. In some jurisdictions, preschool services are delivered by ACCOs. Across all service types, funding is often provided through a mixture of sources across multiple levels of government and from philanthropic organisations.

Inquiry participants have highlighted that a new ACCO funding model is required which reflects the integrated services ACCOs provide, the limited economies of scale associated with operating in rural and remote areas, the needs of Aboriginal and Torres Strait Islander families, and support for the Aboriginal and Torres Strait Islander workforce. SNAICC (sub. 133, p. 6) submitted that:

ACCOs provide a broad range of education, family and early intervention services ranging from community-based playgroups to fully integrated early education and family support hubs which provide holistic wraparound services to families. These services have a significant impact on supporting children and families, preventing child protection intervention, support self-determination and work to ensure children are connected to their families, communities, cultures and Country.

Prior to 2018, ACCO-delivered integrated services were funded through a type of block funding model, often referred to as budget based funding. Following the introduction of the 2018 Child Care Package, these arrangements ceased. The intention was that these services would transition to mainstream funding models under the CCS, with additional support through the ACCS and CCCF. The third funding stream ultimately became the CCCF Restricted Grant category. SNAICC noted that this has had lasting impacts on services operating in rural and regional communities, with services now having to draw on multiple funding sources from different levels of government. Reliance on the mainstream funding instrument has exacerbated challenges for ACCO-led services, as they typically operate in rural and regional thin markets and metropolitan areas where socio-economic disadvantage is more prevalent. In addition, Aboriginal and Torres Strait Islander families are likely to experience thin markets for culturally safe services (sub. 133, pp. 11–12).

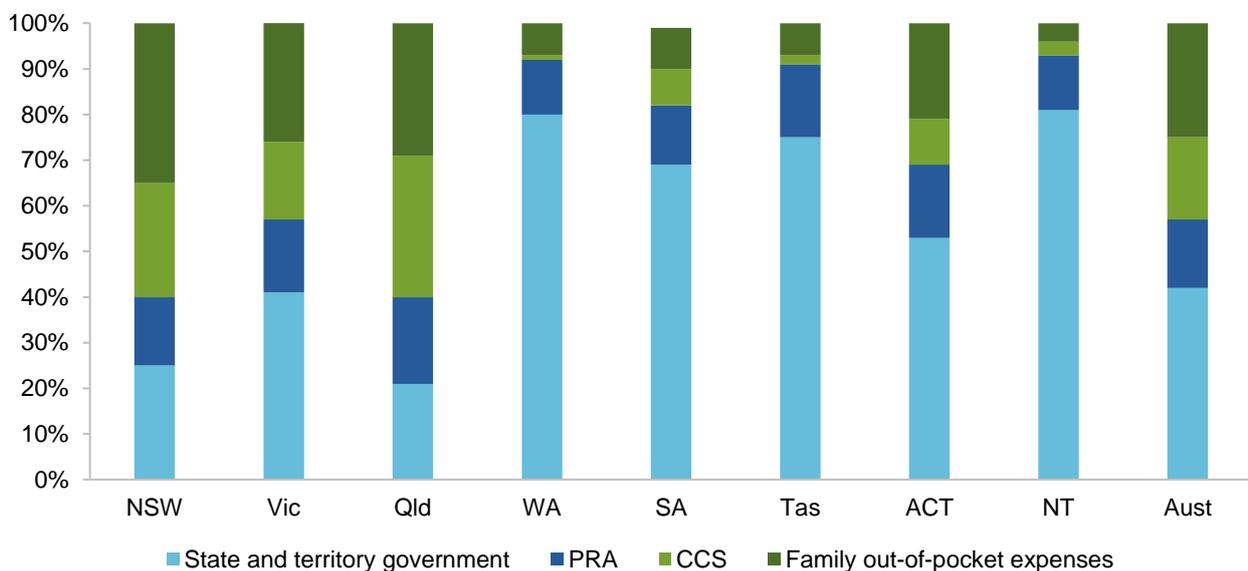
The Early Childhood Care and Development Policy Partnership (ECPD) is delivering a research project on funding model options for ACCOs that deliver ECEC, including integrated early years services (ECPD 2023, p. 2), with a report due in late 2023. In addition, the Australian Government Department of Education has commissioned a review of the CCCF's restricted grant program, which is due to be completed by early 2024 (DoE 2023a).

The Commission will consider the findings and recommendations from these pieces of work as part of the ECEC inquiry's final report.

Costs of delivering preschool programs need further investigation

The diversity in preschool delivery settings across Australia translates into a different preschool funding mix in each state and territory. In states and territories where most preschool programs are integrated within the schools system, such as Western Australia, Tasmania and the Northern Territory, the state or territory government is the primary funder of preschool. In contrast, state and territory government expenditure represents a smaller proportion of preschool funding in New South Wales and Queensland, where preschool programs are generally delivered within CBDC services (figure 9.2).

Figure 9.2 – State and territory government contributions to preschool funding vary^{a,b,c}
Funding of preschool programs for 600 hours for children in YBFS, by funding type and jurisdiction, 2018-19



a. Funding labelled as PRA relates to the Universal Access to Early Education National Partnership (UANP). The PRA 2022–25 replaced the UANP. YBFS = Year before formal schooling **b.** Comparisons between jurisdictions should be made with caution as state and territory governments do not calculate expenditure with uniform methodologies. **c.** See Nous Group (2020, pp. 30–31) for notes on methodology.

Source: Nous Group (2020, pp. 30–31).

A 2020 review of the Universal Access to Early Education National Partnership (UANP) examined differences in preschool funding sources between jurisdictions. The review found that there was insufficient evidence to conclude that preschool programs delivered in CBDC services benefit from a ‘double subsidy’ – where a child enrolled at a CBDC service is eligible to receive both CCS and PRA funding (COAG Education Council 2020, p. 11).

Investigating this issue further would require access to providers’ financial records to evaluate the efficient cost of preschool delivery, as well as whether this cost differs between preschool delivery settings.¹ In determining the hourly rate cap for the CCS, the Commission has recommended that provider costs and profitability be reviewed every three years (paper 6). Preschool provision could be within scope of that work.

¹ Preschools were outside the scope of the Australian Competition and Consumer Commission inquiry into the costs of providing ECEC.

The review also identified state and territory autonomy as a strength of current preschool funding arrangements – jurisdictions have been able to work towards delivering universal preschool in a way that is complementary to existing services and family preferences (COAG Education Council 2020, p. 1).

Some inquiry participants have suggested that equity and flexibility should be important considerations for preschool funding. The Western Australia Government (sub. 162, p. 18) called for consideration of ‘options for more equitable distribution of Commonwealth funding across jurisdictions but which also allow for state and territory government flexibility in determining the model/s of preschool delivery that best suit their context and legacy’. Similarly, the Victorian Government Department of Education (sub. 146, p. 13) recommended a sector-neutral funding model, which would ‘provide jurisdictions with CCS equivalent funding for preschool regardless of the setting it is delivered in’ so that ‘states are not penalised for their sector mix’.

The Commission notes that PRA contributions represent a negotiated outcome between the Australian, state and territory governments and these negotiations operate in the context of other Commonwealth–State funding discussions. With the current PRA lapsing at the end of 2025, there is an opportunity to address equity concerns and ensure funding arrangements take into account the range of service delivery models across the country.

The Commission will give more consideration to these issues in its final report.

Some inquiry participants have called for a shift in the mainstream funding mix

Some inquiry participants have called for changes to the funding mix. Some have advocated for a shift in the balance in favour of increased government funding for ECEC services; others have called for a change in the balance between different funding instruments (box 9.3).

In developing positions in favour of alternatives, many inquiry participants focused their criticisms on particular elements of the existing funding model – such as the activity test, the inadequacy of inclusion support funding and the limited scope of the CCCF. Given the significant transitional costs that would come with any broader funding reform, there is an argument in favour of first addressing these issues and other barriers to affordability, accessibility, inclusivity and flexibility in order to improve the efficiency and effectiveness of government investment.

Box 9.3 – Some inquiry participants expressed support for a new funding approach

Many inquiry participants called for consideration of a new funding approach, including approaches where ECEC is free or provided for a fixed fee.

Community Early Learning Australia submitted:

That ECEC funding should work towards delivering a universal entitlement to 30 hours per week of free early childhood education and care from birth to school age across all service types, provided through block funding. (sub. 92, p. 6)

The Shop, Distributive and Allied Employees Association recommended:

The provision of supply side funding by Government to ensure widespread availability of flexible ECEC places for children of workers with non-standard hours and unpredictable shifts. (sub. 72, p. 3)

Catholic Education South Australia advocated:

Transition to a national/state funding model that extends the principles of Gonski to the provision of preschool for 4-year-olds and 3-year-olds. (sub. 13, p. 3)

Thrive Group Tasmania Inc. proposed that the government should:

Scrap current funding systems and replace with a model that more closely recognises and responds to organisational and community needs ... Pay service \$15-20 an hour per child sessionally. (sub. 81, p. 3)

Thrive by Five – Minderoo advocated:

That the Productivity Commission recommends a low-cost, set fee pricing model for accessing a basic entitlement of ECEC in Australia ... That the Productivity Commission recommends the Commonwealth Government and State and Territory Governments develop a new funding model that considers 'supply-side' (block) funding for ECEC services in regional and remote locations; or enables direct delivery by existing government entities such as public schools. (sub. 70, p. 9)

The Independent Education Union of Australia submitted that:

It is time for government to move to a model of direct funding of early childhood services to pay teacher salaries and ensure consistent and guaranteed funding for quality early learning education for all children from birth to school age. (sub. 40, p. 4)

Work and Family Policy Roundtable recommended that:

Public financing of physical infrastructure for ECEC could prevent 'leakages' of public funding for service provision into profits of corporate providers and their lenders, and corporate owners of the underlying real estate. (sub. 138, p. 17)

Centre for Policy Development suggested:

... including a needs-based funding aspect into the funding model where additional funding is provided to services based on level and concentration of disadvantage. Services could be restricted in what they can spend this additional funding on, with the government providing a

Box 9.3 – Some inquiry participants expressed support for a new funding approach

'menu' of evidence-based interventions and services going through a planning and acquittal process. (sub. 156, p. 45)

Goodstart Early Learning recommended:

That the Commission consider financing approaches that make progress towards a universal, affordable quality ECEC system, which encompasses the most positive elements of demand and supply side funding. The new or reformed model should be developed in close consultation with the sector to test for unintended and intended consequences.

That the financing approach and model moves away from attempting to meet all need with a single financing instrument and recognises the need for a multi-layered financing model to meet broader public policy objectives of supporting child development and workforce participation. (sub. 125, p. 9)

Improvements to the current model would support a universal system

All governments operate in a budget constrained environment, and there is a social policy case to prioritise funding towards families who need it most, particularly as those experiencing disadvantage are likely to benefit disproportionately from access to ECEC (paper 1).

The current means testing arrangements, which are applied to the mainstream funding instrument, help to improve the equity of government spending. By reducing the subsidy rate as family income increases, this prioritises financial support towards those that need it most. In turn, this frees up budget capacity to fund additional more targeted supports and investments in areas of greatest need.

The structure of the current ECEC funding approach aligns with the tiered structure described earlier.

- The CCS represents the broad reaching baseline funding instrument, primarily targeted at affordability and accessibility. This is complemented by preschool funding through the PRA (and contributions from states and territories), which follows the child and reduces the expense of accessing ECEC for families with four-year-old children.
- The ACCS, CCCF and ISP represent targeted assistance aimed at reducing barriers to ECEC for some families. Combined, these components are needs-based, targeted subsidies, implemented through a programmatic approach.
- Highly targeted interventions, such as integrated services, are funded through a range of mechanisms, including the CCCF and other state-based contributions.

Other supplementary papers have articulated issues with the CCS and ACCS (paper 6), CCCF (paper 5) and ISP (paper 2) and made recommendations to improve the efficiency and effectiveness of each. Relaxing the activity test, funding 100% of fees up to the hourly rate cap for low-income families, increasing funding for inclusion support, and increasing the scope of the CCCF to support access in regional and remote areas collectively represents a significant shift in the balance between private and public funding of ECEC services, and will make significant inroads towards achieving universal access.



Draft finding 9.2

Improving components of the funding model would support universal access

The architecture of the current ECEC funding model provides a baseline mechanism to support families to access ECEC, with additional, targeted interventions to address cost barriers, provide additional support for inclusion needs and to establish services in regional and remote markets.

Reforms to improve the efficiency and effectiveness of the Child Care Subsidy, Additional Child Care Subsidy, Inclusion Support Program and Community Child Care Fund would represent a significant improvement on the current funding model and contribute to achieving universal access.

These reforms should be complemented through a more coordinated approach between the Australian, state and territory governments to co-fund preschool, address availability gaps and support the establishment of integrated services where there is a need.

Beyond the Commission's recommendations, is there scope for broader reform?

Some inquiry participants, in their criticism of the current funding model, recommended the adoption of broader supply-side instruments within mainstream funding. Some of the alternatives proposed are briefly described below. Each represents a shift away from the predominantly demand-side approach of the current mainstream instrument.

- **A hybrid approach:** CCS blended with a supply-side subsidy designed as a direct payment to service providers to cover some operational costs of service provision (Goodstart Early Learning, sub. 125, pp 71-72, City of Sydney, sub. 65, p. 14). This subsidy could, at government's discretion, become a wage supplement which would mean that government fully funds any increase in wages (Gallagher, Aisling, sub. 164, p. 3, Community Early Learning Australia, sub. 92, p. 12, National Foundation of Australian Women, sub. 10, p. 3).
- **A predominantly supply-side funding model:** Moving to block-based and needs-based funding provided as direct payments to service providers (Centre for Policy Development, sub. 156, pp. 44–45, Community Early Learning Australia, sub. 92, p. 8, Community Child Care Association, sub. 111, p. 23, Shop, Distributive and Allied Employees Association, sub. 72, p. 21).
- **Direct service provision:** Governments funding and delivering services themselves in certain circumstances (Centre for Policy Development, sub. 156, p. 43). Currently, government-run services represent only 3.9% of CBDC services and 32.9% of preschool services (paper 5).

The Commission will further explore the potential merits of reforming the funding model. Specifically, the Commission will consider the relative merits of different funding approaches in supporting the proposed ECEC policy agenda presented in this draft report, taking into account the relative public and private benefits of each approach and the potential transition issues associated with each. Changing the balance of market versus public provision, or a shift in the mix of private versus public funding would change the allocation of risks involved in ECEC provision and the incentives faced by families and service providers. Implications for the efficiency and effectiveness of the ECEC system in delivering its objectives will be examined.

Inquiry participants now have the opportunity to consider the Commission's draft recommendations and their implications for funding arrangements. In this context, the Commission seeks feedback on the implications of broader funding reform.



Information request 9.1

The Commission welcomes views on the implications of broader funding reform in ECEC for children, families, service providers and governments, including the benefits and costs of expanding the use of supply-side funding mechanisms.

9.4 Greater clarity around roles and responsibilities would address a range of coordination challenges

Complex human services like ECEC are different to other sectors in that they have broader social goals. Beyond providing the service itself, they aim to improve the wellbeing and quality of life of the individuals and communities they serve. This, together with their role in funding, means governments have a strong interest in ensuring that human services sectors are working well and that they are reaching the people who are likely to benefit from them.

In the case of the ECEC sector, governments typically want to provide quality education and care to children, enable families to manage parenting and participation in work, training, study or volunteering, and reduce the impact of disadvantage on children's opportunities throughout their lives. Governments also want to protect the overall integrity of the system by supporting the entry of high-quality service providers and be assured that public funded services deliver good outcomes for children and families.

All levels of government aspire to this, but their roles, responsibilities and impact may differ markedly.

Historic arrangements remain a feature in today's ECEC system

The governance arrangements that guide Australia's ECEC system stem from the constitutional division of roles and responsibilities between the Australian, state and territory governments. These arrangements have been well embedded for decades, with a relatively clear delineation of roles and responsibilities with respect to policies primarily aimed at labour force participation and those primarily aimed at childhood development.

Historically, the Australian Government has focused on welfare and employment – with subsidies for ECEC typically designed through a social welfare and labour force participation lens. State and territory governments have constitutional responsibility for education, and therefore preschool policies have fallen within their realm. This division of responsibility is reflected in contributions to system funding, with the Australian Government the primary funder of CBDC, family day care, outside school hours care (OSHC) and In Home Care, and states and territories the primary funder of dedicated preschools (appendix E and figure 9.1).

Despite this, there are areas of policy where roles, responsibilities and priorities of governments either have not been, or risk not being, clear. For example, the Australian, state and territory governments are funding ECEC infrastructure investments (including those that deliver integrated services) (paper 5) and deliver workforce and tertiary education policies (paper 3). Further, while there is some national consistency in both governance and funding arrangements for preschool programs for children in the year before formal schooling, some state and territory governments are moving towards similar programs for three-year-old children (two years before formal school) and provision of wrap-around care in dedicated preschools is constrained by challenges in accessing the CCS.

Some inquiry participants have called for a clearer delineation of governance and funding responsibilities.

The historical division of funding responsibility, whereby the Australian Government funds long day care to support parents' workforce participation, and States fund state and/or community preschool to support children to transition to school has increasingly become blurred. This division does not reflect the diversity of parental needs and preferences, with many parents combining different types of care arrangements for their children and facing complex trade-offs when deciding when, where and how much to use ECEC services. (NSW Government, sub. 158, p. 3)

With the potential for an increase in demand for all ECEC services in response to planned reforms and the recommendations made by this inquiry it is timely to consider whether the current governance arrangements are fit-for-purpose.

While the focus of this paper is on the interactions between the Australian, state and territory governments, where they are active, local governments also contribute to the planning and coordination of ECEC. In Victoria, 50 of the 79 local governments provide one or more direct ECEC services, 26 are Early Years Managers providing administrative support for three or more services that operate a preschool program, and 60 deliver a central enrolment and registration system, which helps provide information on demand for preschool (Municipal Association Victoria, sub. 117, p. 7).

Some local governments have also traditionally offered 'peppercorn rents' within lease agreements to community-run providers, reducing the cost of service provision compared to those paying commercial rents. Recently, the Australian Competition and Consumer Commission (ACCC) found little evidence that land costs vary due to this practice (ACCC 2023, p. 11.). Other local governments deliver ECEC services themselves, or play a role in planning and coordination activities.

At times, local government regulations have hampered the development of ECEC facilities. Some inquiry participants have pointed to an unnecessary additional approval process whereby prospective providers gain approval to operate, only to have a local government reject their application on the basis of visual amenity of the proposed centre, or insufficient car parking requirements (Long, Vanessa, sub. 8, pp. 9–10).

Despite there being some desire for more active local government involvement, there are no mechanisms that the Australian, state or territory governments can use to compel all of them to be more active and in turn deliver a coordinated and consistent approach. While some ECEC challenges can be tackled well at the local level, this is most often at the discretion of the local government whose residents are most affected. Consideration of alternative governance arrangements need to take this into account.

Policy coordination between the Australian, state and territory governments can be enhanced

Many inquiry participants have pointed to insufficient coordination between the different levels of government, causing fragmentation in the overall ECEC policy response. Coordination challenges identified include that:

- objectives are not aligned across jurisdictions. While the states and territories have responsibility for providing education, they have less incentive to support labour force participation as they do not benefit from the increased income tax revenue (Centre for Policy Development, sub. 156, p. 18). The Victorian Government Department of Education argues that the resulting vertical fiscal imbalance acts as a barrier to investment by the states (sub. 146, p. 6)
- the reform agendas of jurisdictions are also often not well aligned. This causes 'significant differentiation between states delivering on minimum standards, versus others delivering a more aspirational policy

setting, [which] will widen the gap of a child-centred entitlement, based on their geographic location' (The Creche & Kindergarten Association Limited, sub. 155, p. 12)

- state and territory governments sometimes move independently on workforce attraction and recruitment strategies, which may inadvertently impact other jurisdictions
- there are areas where policies overlap between the Australian, state and territory governments, and the interaction between preschool and the CCS can be difficult to navigate for families and services. For example, the inclusion funding available to support children with disability depends on whether their attendance is funded through the CCS or a preschool program, and services that offer both must apply for and manage each program separately (Centre for Policy Development, sub. 156; NSW Government, sub. 158; Association for Children with a Disability, sub. 78; Deloitte Access Economics (2023))
- some system-wide objectives do not have any particular body accountable for them and performance is not monitored as closely as it should be (Goodstart Early Learning, sub. 125, p. 26). Nationally, there is no government body responsible for tracking where there is inadequate supply, which leads to inconsistency in policy responses, such as developing a 'provider of last resort' in communities where private services are not willing to provide
- there is limited data sharing across different levels of government, making it more difficult for states and local governments to plan for their specific communities (Western Australia Government, sub. 162; Municipal Association of Victoria, sub. 117; NSW Government, sub. 158; Centre for Policy Development, sub. 156; South Australia Royal Commission into Early Childhood Education and Care, sub. 161)
- there are inconsistent OSHC contracting approaches across jurisdictions, with some being led by education departments, and others being driven by individual schools. In addition, there are at times poor linkages between OSHC services and the school communities they service.

In addition, governments are implementing some preschool reforms independent of each other. Where long-term reform announcements are being made in regard to preschool policies (such as those in New South Wales, Queensland, South Australia, Tasmania and Victoria) there may be associated impacts in other policy areas such as workforce attraction, which is a national and state-based challenge.

Typically, governments look to multilateral agreements and interjurisdictional forums to help to ameliorate challenges of this type. For example, the Education Ministers Meeting (EMM) is 'a forum for national cooperation on early childhood education and care, school education, higher education and international education. The forum progresses items of national strategic importance within the portfolio collaboratively to achieve agreed objectives and priorities' (DoE 2021). Reporting to the EMM is the Australian Education Senior Officials Committee (AESOC), which is responsible for the execution of EMM's decisions.

The EMM is used to reach agreement on a range of matters relevant to all governments, including funding and workforce strategies. Examples include the PRA (aped E) and the National Children's Education and Care Workforce Strategy (paper 3). This EMM is the appropriate forum to work through roles and responsibilities that overlap jurisdictional boundaries.

Australian governments have a history of working effectively together. As noted by Goodstart Early Learning (sub. 125, p. 14), the introduction of universal preschool has been seen as a major policy success, and an example of governments working together with a shared vision to achieve a desired outcome – namely, lifting preschool attendance. Achieving this outcome did not require a fundamental change in responsibilities. Similarly, the move to a National Quality Framework (NQF) from state-based systems, provides another example of governments working collaboratively to achieve a consistent policy response.

Many of the problems associated with overlapping roles and responsibilities can be addressed through a more effective stewardship model, underpinned by a clear national vision for ECEC (section 9.5). As the NSW Government submitted:

With many ECEC national reform discussions underway, it is timely to consider the roles and responsibilities for different levels of government and also what co-stewardship could look like in practice, recognising the varied funding, regulatory and policy levers available to different players in the ECEC system. Without sufficient alignment of stewardship activities, there is a risk of making the ECEC system more complex and missing opportunities to improve child, family and system outcomes (sub. 158, p. 8)

Rather than a fundamental change to roles and responsibilities, the effectiveness of current arrangements could be improved through clearer articulation. This need not happen at the constitutional level, but could be achieved through existing processes, such as the development of the national vision for ECEC, and consolidated through future partnership agreements between governments.



Draft finding 9.3
System stewardship is a missing part of the policy puzzle

Overlapping roles and responsibilities between different levels of government create a range of coordination challenges for sector participants. Funding and policy coordination can be addressed through a stewardship model. There would be benefit in clarifying roles and responsibilities through the national vision for ECEC and any future partnership agreement between governments.

There is, however, a case for states and territories to manage OSHC

OSHC operates in a unique context, with the large majority of services located on school sites and catering for older children.

OSHC is crucial to supporting working families, but availability of places is mixed across the country (paper 5) and inquiry participants pointed to a range of issues associated with both the availability and operation of OSHC (including vacation care) (box 9.4).

Box 9.4 – A number of inquiry participants raised concerns about OSHC

Bray and Gray observed that:

The overall framework for the coordination of schools and Outside School Hours Care is one in which there is generally no responsibility upon schools to provide this service, but rather it appears to be an option. This has clear implications for parents and workforce engagement. (sub. 14, p. 25)

Early Childhood Australia noted that:

In many communities, schools have the infrastructure available but are reluctant to provide OSHC because of the additional regulatory requirements. Harmonising or bridging regulatory

Box 9.4 – A number of inquiry participants raised concerns about OSHC

requirements between schools and OSHC providers could create the conditions in which more schools would be willing to deliver OSHC. (sub. 154, p. 44)

National Outside School Hours Services Alliance submitted that:

Schools regularly use OSHC (particularly in the Government schools sector) to revenue raise and this is often at the expense of quality OSHC operations including investment in children's resources, professional development and non-contact time for OSHC educators and providing adequate staffing levels (beyond minimum standards) to promote children's wellbeing, learning and development. (sub. 103, pp. 1–2)

Shop, Distributive and Allied Employees Association (SDA) observed that:

Given the fairly low use of OSHC and high reliance on informal care for school aged children of the parents surveyed and the difficulties identified, it appears that OSHC for SDA members is not universally available, accessible or convenient. (sub. 72, p. 13)

The Association also commented on the challenges some families face in accessing vacation care and relayed the experience of a parent who:

... only requires care during school holidays, but their children's service will only accept children for vacation care if they also attend before and after school care. So to have access to vacation care, they enrol their children in care during term time they don't need. (sub. 72, p. 14)

In 2014, the Commission recommended that state and territory governments should proactively encourage the provision of OSHC on school sites, and place the onus on school principals to take responsibility for ensuring there is an OSHC service for their students on and/or offsite if demand is sufficiently large for a service to be viable (PC 2014, p. 416).

There is a strong argument that OSHC availability be a responsibility of state and territory governments. Nearly all OSHC services are operated on school grounds and in some jurisdictions, the relevant education department manages the contracts with providers in public schools. If schools and OSHC were governed under the same system, the observed concerns about availability and charges levied by schools might more readily be addressed.

The only commonality between OSHC and the rest of ECEC is their funding through the CCS, which is the responsibility of the Australian Government. But families could continue to access the CCS (or an alternative funding model implemented at the national level) even if the regulation and governance of OSHC was the responsibility of states and territories.



Draft finding 9.4

States and territories are better placed to oversee and ensure availability of OSHC

There is a strong case for state and territory governments to take responsibility for ensuring the provision of outside school hours care (OSHC) in government schools to address availability gaps, promote more consistent charging and contracting practices within jurisdictions, and improve linkages between schools and the OSHC providers operating on site.

Roles and responsibilities should be settled through a new National Partnership Agreement for ECEC

Renegotiation of the PRA could be a catalyst for more significant changes to governance arrangements beyond those applicable to preschool. Rather than solely developing a new preschool funding agreement, governments could work towards an agreement that encompasses a range of ECEC domains.

A number of submissions noted the need for something broader than the PRA.

We need a coordinated approach across all levels of Government to improve responsibility and accountability. A siloed approach sees duplication, disconnected data, and unnecessary competition for resources that can result in missed opportunities for collaboration and impact. States and territories are making commitments and forging ahead with initiatives, but a national strategy is needed to bring cohesion. There needs to be a more coordinated response with cross-government and non-government collaboration, with a permanent national partnership agreement for outcomes to be achieved. (KU Children's Services, sub. 83, p. 8)

[The Productivity Commission should consider] the re-introduction of a National Partnership on Quality with funding from the Australian Government to support each state and territory to actively regulate the sector. (Victorian Government Department of Education, sub. 146, p. 11)

An intergovernmental agreement between the Commonwealth, State and Territory Governments is needed to ensure unity and commitment to their shared responsibility and actions in early learning, capturing initiatives and funding from birth to school, to support a coherent, connected and compatible funding system. The agreement should be supported by a system steward engagement. (The Creche & Kindergarten Association Limited, sub. 155, p. 12)

A new National Partnership Agreement should clearly outline the respective roles and responsibilities of the Australian Government and state and territory governments, to reduce overlap, and funding and regulatory complexity. The agreement could articulate overarching responsibilities for ECEC, preschool and OSHC, in addition to elements of a stewardship model. It could set national goals, with inter-jurisdictional variation in strategies for achieving them to account for the differences in preschool delivery models around the country.

However, negotiation of such an agreement is likely to take a long time, making this a longer-term reform option. It may need to be phased, with a foundational partnership agreement to commence from 2026 (after the PRA ceases), and a subsequent agreement with broader coverage from 2030.



Draft recommendation 9.1 Improve policy coordination and implementation

The Australian, state and territory governments should form a new National Partnership Agreement (NPA) for Early Childhood Education and Care (ECEC) by 2026.

The NPA should articulate the national vision for ECEC and clarify roles and responsibilities between all governments.

- The Australian Government should remain responsible for early childhood policies in the years before preschool and for associated funding responsibilities and for the funding of outside school hours care through the CCS.
- State and territory governments should remain responsible for preschool, school readiness and take on the responsibility of ensuring the delivery of outside school hours care in government schools.
- Governments should build upon the Preschool Reform Agreement to ensure funding supports the desired outcomes, regardless of the preschool delivery model adopted in each jurisdiction.

The NPA can also help to establish a more formal stewardship approach, underpinned by an ECEC Commission (draft recommendation 9.2).

9.5 There is a strong case for system stewardship

Many inquiry participants have pointed to system stewardship as a potential answer to many of the challenges identified in this paper (box 9.5).

Some of the advantages of implementing a model of system stewardship (reflected by inquiry participants) include better coordination, the opportunity for long-term thinking and planning, better oversight of the sector and clear accountability for wider system outcomes. Further, implementing a stronger stewardship model would not require a fundamental change in roles and responsibilities across governments.

This section explores how stewardship works and how this concept could be applied to the ECEC sector.

Box 9.5 – Inquiry participants support a stronger stewardship approach

The Academy of Social Sciences in Australia observed that:

There is a strong case for policy reform that puts children, families and public good at the centre of system design. The current market will need to be better managed by the Commonwealth, in partnership with States and Territories, to work effectively and fully realise the social and economic potential of a world-class ECEC system. The solution is not to ban or expel for-profit providers but to deploy appropriate market stewardship levers. (sub. 116, p. 8)

The NSW Government submitted that:

The Productivity Commission could consider the merits of a clear system stewardship framework... This could include exploration of the levers available to governments and how

Box 9.5 – Inquiry participants support a stronger stewardship approach

they can coordinate their responses to develop effective, sustainable solutions in partnership with the sector. (sub. 158, p. 10)

The Centre for Policy Development noted that:

In the ECEC system, responsibility for the system and its long-term outcomes needs to be taken by the Commonwealth and state governments. Both need to actively take on this system stewardship role, including to set direction around a common vision, objectives and outcomes. As part of this system stewardship, governments need to provide greater oversight and facilitation in the ECEC market. This means taking a broader role than funding and regulating, to include other more intentional steps such as better informing consumers, monitoring the market for inequities, filling service gaps, and actively setting and adjusting the ‘rules of the game’ (such as funding rules). (sub. 156, pp. 32–33)

The Western Australian Government submitted that:

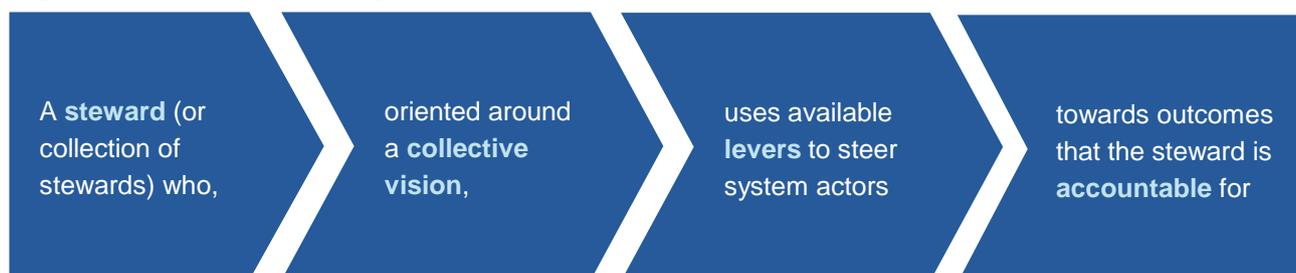
More active Commonwealth stewardship in the market in collaboration with state, territory and local governments to address under-provision and support the growth and sustainability of the ECEC sector will have long-term benefits for children, families, communities and the economy. (sub. 162, p. 18)

What is system stewardship?

System stewardship is a model of governance that involves improved coordination in how governments and other actors work together, and aligns them behind a shared aspiration for the system. Governing bodies are required to extend their focus beyond the specific areas that they are responsible for funding or regulating, and instead take on the role of ‘steward’ over the entire system and its outcomes (The Front Project 2022b).

Stewards take ownership over the system as whole, working collaboratively with other system actors – including different levels of government, advocacy groups, service providers and families’ representatives – to steer them towards the wider social objectives that have been collectively agreed upon. The aim of this approach is to produce a more coordinated policy and governance response across the system, in line with the needs and preferences of the beneficiaries of the system (figure 9.3).

Figure 9.3 – At its core, system stewardship involves:



Source: Productivity Commission analysis.

Who can act as a steward?

In an ideal model of system stewardship, each system actor is aware of their own unique but complementary stewardship role and carries this out in a way that best contributes to the overall health and performance of the system (The Front Project 2022b, p. 18). In practice, it is often necessary that one or a small number of stewards are given a larger oversight role in order to provide leadership within the system.

The steward must have the trust and respect of other participants in the sector if they are to effectively influence their actions and objectives. The particular body or bodies that are best placed to take on this role depends on the characteristics of the system in question, but this may involve various levels of government or private organisations.

Collective vision

Actors in a system, including the stewards, should be united by a collective vision that articulates the priorities and goals for the system (The Front Project 2022b, p. 32). This vision must be clear and endorsed by a wide range of sector participants, in recognition that their buy-in is essential for system-wide cooperation.

The steward should promote the collective vision by providing an accessible way for sector participants to understand the vision and why and how they should support it. The system's desired outcomes can continue to evolve after an initial vision is established – the steward should promote a continuous cycle of evaluation of the system and its objectives to ensure that they remain appropriate.

Levers

Stewards cannot deliver everything alone – they must actively use their funding, regulatory and policy levers to lead other system actors towards delivering on the objectives that have been agreed upon (Centre for Policy Development, sub. 156, pp. 5–6). Levers should be particularly focused on areas where the market alone will not deliver on these objectives, and stewards should try to steer other actors' behaviour without being overly prescriptive.

The levers used depend on the characteristics of the particular sector, but can include actions that are softer and more indirect – such as sharing information and incentivising certain behaviours – to more direct mechanisms – such as setting minimum standards, providing services directly, and removing certain providers.

In the case where there are multiple stewards operating in partnership, there should be flexibility for each steward to identify the levers most appropriate to its role. Stewards should establish a formal plan that articulates the division of responsibilities between them – including which levers each will use – in line with their individual strengths.

Accountability

Stewards are required to take responsibility for the outcomes of their system, and where the system is failing to meet its overall objectives, it is up to the steward to recognise and address this (Moon et al. 2017, p. 10). Producing and publishing a formal plan for a stewardship model would establish clear and public accountability for the role of the stewards. This would also help to identify gaps where there may not currently be anyone responsible for outcomes.

Performance against the vision's objectives should be measured, and there should be clear benchmarks for when the steward is to intervene. Reporting on progress should also be shared publicly to strengthen the accountability of the stewards to the public.

A model of system stewardship has been introduced to New Zealand's education system to address a number of challenges (box 9.6).

Box 9.6 – System Stewardship in New Zealand's education system

In 2016, seven New Zealand government agencies with stewardship responsibilities over the education system – including ECEC, compulsory schooling and tertiary education – requested that the State Services Commission (now the Public Service Commission) undertake a performance assessment of the education system and how it was being governed.²

The assessment found that unclear system-wide objectives and poor coordination between agencies limited the system's success, and that 'a more coherent and systematic approach is required to generate the substantial lift in system performance necessary to ensure that every learner can succeed' (New Zealand Government 2016, p. 4). As a result, the State Services Commission and the seven agencies co-designed *A Blueprint for Education System Stewardship* to outline a new, more collaborative governance approach.

Introducing a more comprehensive model of stewardship was seen by the agencies as an opportunity to create common understanding, agreement and ownership of the system. The Blueprint also emphasises the importance of strengthening accountability for system outcomes among the stewards.

If those charged with this stewardship are not responsible for the outcome produced by the system, then who is? ... system stewardship implies responsibility even when system stewards do not control all the factors that influence [an] outcome. This attitude defines stewardship: it is about 'best endeavours'. (p. 10)

The Blueprint identified a number of priorities for the system to address, including large disparities in student performance, inconsistent uptake of innovation and best practice, and systemic weaknesses in how funding, information and people resources are developed and deployed (New Zealand Government 2016, pp. 22–23). The Blueprint then identified a shared purpose for the system, as well as medium- and long-term goals. Some of the initial actions aimed at addressing these goals included creating shared online resources for other system actors, aligning data systems and forming joint planning processes across the agencies.

Since the publication of the Blueprint, a number of programs and policies have also been implemented that further strengthen government stewardship of New Zealand's education system. Notably, Te Mahau was introduced in 2021 within the Ministry of Education to provide responsive, accessible and integrated local support to early learning services, schools and kura (Māori schools) (Te Mahau 2023). Te Mahau staff across multiple regional offices work directly with schools to provide support with curriculums, learning support and teaching resources to help align service delivery with the goals of the stewards and the education system more broadly.

Source: New Zealand Government (2016).

²The seven government agencies involved are the Ministry of Education, the Education Review Office, the New Zealand Qualifications Authority, the Tertiary Education Commission, Careers New Zealand, Education New Zealand and the Education Council (New Zealand Government 2016, p. 6).

How would stewardship work in practice?

Overall, stewardship should be understood as a scale – rather than as a binary concept that is either achieved or not achieved – and the ECEC system already applies some elements of stewardship, such as national agreements, minimum quality standards and the development of a ‘national vision’ for ECEC (discussed below). However, there is a case for further development of this stewardship model.

Considering Australia’s ECEC system against the four elements identified above – a steward, a vision, levers and accountability – can inform how a more comprehensive model of system stewardship could be achieved.

A steward

As noted above, there is a high level of involvement from all three levels of government in the ECEC sector, and some forums for collaboration already exist, such as the EMM and AESOC.

In order to improve stewardship of the ECEC system, one or multiple system actors would need to take on a stronger role as a ‘steward’ to ensure the system is led in a more coordinated way. Determination of who may be best positioned to manage the system as a steward needs to take account of the different strengths and powers available to each actor. The Australian Government, for example, has significant funding, resources and oversight over the entire system, while local level organisations are able to understand local market conditions and relationships. There is therefore an argument to have multiple stewards acting in different but complementary roles.

Some possible candidates, suggested by inquiry participants and in research, include:

- the Australian Government (The Front Project 2022b, p. 32; The Creche & Kindergarten Association, sub. 155, p. 11)
- state and territory governments (The Front Project 2022b, p. 33)
- local governments (The Front Project 2022b, p. 33)
- a taskforce or other new body, such as an ECEC Commission (The Front Project 2022b, p. 33; Stanley, sub. 34, p. 6; Thrive by Five, sub. 70, p. 6)
- existing entities that could be given more responsibilities or powers, such as Australian Children’s Education and Care Quality Authority (ACECQA) or National Cabinet (The Front Project 2022b, p. 33; Early Learning and Care Council of Australia, sub. 153, p. 13)
- a combination of the above – for example, the Australian, state and territory governments (Centre for Policy Development, sub. 156, p. 35) or all three levels of government (The Front Project 2022b, p. 33; Municipal Association of Victoria, sub. 117, p. 9).

The Australian, state and territory governments represent the most practical stewards for the ECEC system as they hold the key policy, regulatory and funding levers, as well as access to existing forums for collaboration such as the EMM. The Australian Government commits the majority – approximately 80% – of total government funding into the sector (section 9.1). State and territory governments contribute most of the remaining funding to the sector, and they have a strong historical connection to the funding and provision of preschool, as well as constitutionally granted powers over education policy that protects their authority over this area. No other governing bodies have a similar or consistent level of influence over ECEC policy, regulation or funding.

Despite their influence in certain communities, local governments are unlikely to be well-placed to act as stewards of a national ECEC system. While local governments act as system stewards in certain overseas models (appendix B), they do not have a similar capacity to take this leading role in Australia. This is because there is wide variation in the extent to which different local governments participate in the ECEC

sector, and it would be impractical to give all local governments key responsibilities as stewards when many have demonstrated minimal interest in participating.

However, it is also important to recognise that a number of local governments play very active roles in the sector, and they should still be provided opportunities to expand on this role. In addition, local governments have an understanding of their local communities that national and state governments do not, and this should be leveraged where possible to better cater ECEC provision to each community. Local governments should therefore be considered as valuable partners in any stewardship plan – the system stewards should work with local governments particularly in identifying where and what services are needed in their communities. This is a sentiment that has been reflected by inquiry participants (box 9.7).

Stewards must act in partnership to effectively steer the ECEC system, and this, as noted above, is currently facilitated through the EMM and AESOC. These forums, however, may have some limitations – the EMM only meets four times per year, and ‘meeting agendas focus on three decision-making priorities of national importance every six months’ (DoE 2021). These priorities can be spread across the entire education portfolio, which includes ECEC, school education, higher education and international education.

If the Australian Government were to adopt all of the inquiry’s recommendations, this would require a significant reform agenda to be implemented over a number of years. Given the number of levers and the changes proposed, a high degree of cooperation and collaboration between the system stewards is needed. It is unlikely that a forum such as the EMM would have the capacity to consider all matters to the extent that a true stewardship model requires. System stewards may benefit from having a dedicated advisory body to guide decision-making and support a consistent and coordinated policy response across the system more broadly (discussed below).

Box 9.7 – Inquiry participants noted the important role local governments can play

Early Childhood Australia noted that:

While the federal, state and territory governments are well placed to take on the funding and regulatory stewardship of the system, they have limited capacity to plan services in response to local priorities. (sub. 154, p. 34)

The City of Sydney observed that:

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. (sub. 65, p. 14)

The Municipal Association of Victoria (MAV) submitted that:

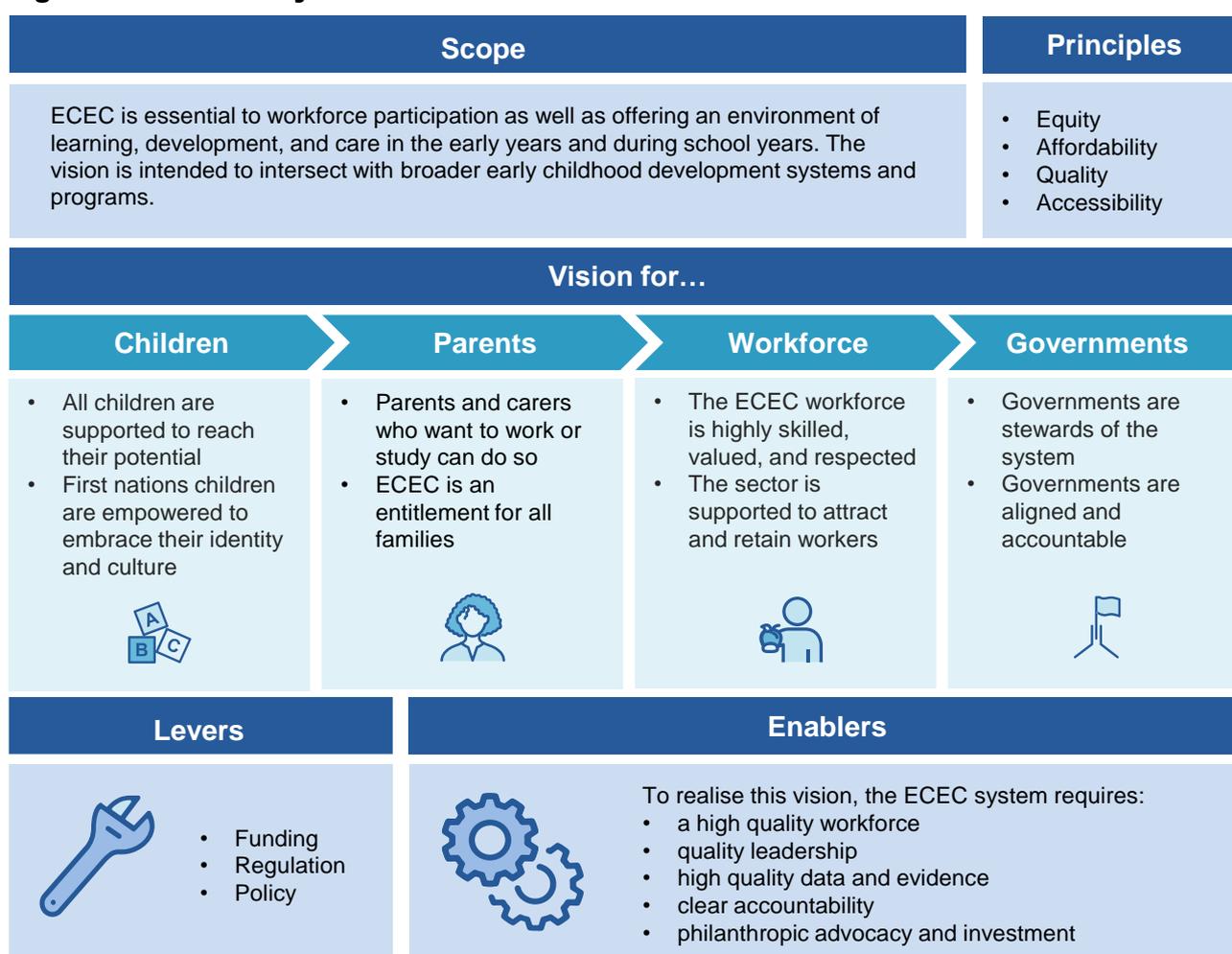
The MAV believes that local government is in the best position to coordinate access for [children with additional needs and children living in regional and remote areas] and proposes each council be funded to take on this role. ... Councils could further be funded to undertake deliberative engagement 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. (sub. 117, p. 13)

Collective vision

A starting point for a vision for the sector is the draft national vision for ECEC (figure 9.4).

In August 2022, National Cabinet agreed to create a joint long-term vision for ECEC to deliver improved early learning and child development outcomes. This is led by the Education and Early Years Ministers as a joint initiative of the Australian, state, and territory governments. As part of the design process, the Australian Government Department of Education sought stakeholder feedback through surveys, submissions, workshops and discussions, and National Cabinet is expected to consider the Vision in late 2023 (DoE 2023d). It is noted that the draft vision already has support from the key system stewards – the Australian, state and territory governments – and has been codesigned with other system actors.

Figure 9.4 – Summary of the draft national vision for ECEC



Source: Adapted from DoE (2023b).

One area that the draft vision does not consider, however, is the connection between the ECEC system and early years policy more widely. In line with our terms of reference, Early Childhood Australia emphasised the importance of connecting a vision for the sector with other relevant strategies, such as the Early Years

Strategy, the National Plan to End Violence Against Women and Children and the National Framework for Protecting Australia’s Children (sub. 154, p. 11). Early Childhood Australia also suggested that:

Once agreed upon, a national vision for early childhood education and care needs to be captured in legislation or in a form that positions it with authority, so that it is recognised with the same gravitas as the Mparntwe Education Declaration. (sub. 154, p. 12)

One alternative to legislation is to articulate the national vision as an opening statement of the proposed National Partnership Agreement for ECEC to position the vision at the centre of the system (draft recommendation 9.1).

Levers

The system stewards already use many funding, regulatory and policy levers to steer the ECEC system (figure 9.5).

Figure 9.5 – Governments already use many levers to steer the ECEC system
Selected examples of funding, regulatory and policy levers used by the Australian, state and territory governments

Australian Government	State and territory governments
<p style="text-align: center;">Funding</p> <ul style="list-style-type: none"> • Child Care Package (CCS, ACCS, ISP, CCCF) <ul style="list-style-type: none"> • Preschool Reform Agreement • Initial teacher education 	<p style="text-align: center;">Funding</p> <ul style="list-style-type: none"> • Funding for preschool programs • Direct provision of preschool services
<p style="text-align: center;">Regulatory</p> <ul style="list-style-type: none"> • Maintaining the NQF (setting minimum standards) <ul style="list-style-type: none"> • Approving services for CCS • Monitoring system integrity 	<p style="text-align: center;">Regulatory</p> <ul style="list-style-type: none"> • Enforcing the NQF (providing ratings and assessments) • State-specific requirements for services
<p style="text-align: center;">Policy</p> <ul style="list-style-type: none"> • Maintaining Starting Blocks and ACECQA websites to provide information to parents • National Children’s Education and Care Workforce Strategy 	<p style="text-align: center;">Policy</p> <ul style="list-style-type: none"> • Workforce strategies • Teacher registration • Direct provision of some ECEC services <ul style="list-style-type: none"> • Complaint mechanisms

Source: DoE (2023b); The Front Project (2022b, p. 25); Early Childhood Australia, sub. 154, pp. 32–33.

As noted above, other information papers have recommended improvements to these levers, such as relaxing the activity test (paper 6) and enhancing the ISP (paper 2) and CCCF (paper 5). These improvements will change the way system actors behave, and steer them towards the outcomes that have been identified by the draft national vision. The key difference between simply using these levers and instead viewing them as mechanisms for stewardship is that they should be strategically aligned and well-coordinated.

After establishing a collective vision for the sector, stewards should develop a plan that divides and coordinates individual responsibilities for each governing body within the system. By designating certain roles for each governing body, the system will be able to retain flexibility and leverage the strengths of the different levels of government. This approach also recognizes that different states and territories would be starting from different places and are responding to different needs in their communities, meaning a uniform approach would not be appropriate.

A new National Partnership Agreement presents an opportunity to articulate the respective policy and funding levers that each jurisdiction plans to use and which outcomes these levers are responding to. Through a clear agreement of responsibilities, gaps, overlaps and interactions between the levers of each jurisdiction should become clearer. Further, the introduction of an advisory body (an ECEC Commission, discussed below) could support governments to use their levers more effectively.

Accountability

A stewardship model requires mechanisms for keeping stewards accountable to the system, however this can be challenging to achieve when the stewards involved are government bodies. In this case, it is ultimately the public that is responsible for holding stewards to account, and transparent public reporting on the performance of the stewards becomes very important.

The fragmentation of policy in ECEC, however, means that responsibility for system-wide outcomes is spread across multiple levels of government, and no single body is responsible for reporting on these outcomes. In addition, other system actors do not have adequate access to data to report on the sector themselves:

Limited ECEC utilisation data is available to understand current and unmet demand. ... the national Workforce Census is conducted irregularly, the results are slow to be available, and the most recent census didn't include preschools. The AEDC is the best existing measure of early childhood outcomes, but only conducted triennially. The NQS provides important quality data, but services are not frequently re-rated, the data lacks granularity in important areas, and parents themselves are not sufficiently aware of NQS ratings. (Centre for Policy Development, sub. 156, p. 30)

These limitations in data collection and system monitoring processes increase the risk that failures in the system are not identified or addressed. To improve this, an independent body should be established – separate from wider government implementation and political processes – that is willing and able to highlight where stewards are or aren't meeting their commitments to the ECEC system.

An ECEC Commission to support the stewards

While government departments have the authority and capacity to implement the policies that underpin the ECEC system, they are also impacted by external processes that influence how decisions are made. For example, decision-making may be tied to budget processes or election cycles, and key stakeholders, such as government ministers, can have high turnover rates (The Front Project 2022b, p. 32). This affects policy direction and increases the risk of fragmentation, ultimately reducing alignment between the actual policy landscape and the broader social objectives that the system aims to achieve. There is also no body that monitors the system's performance against these objectives and this reduces the extent to which governments are held to account for outcomes.

In this environment, an independent authority could champion longer-term, national objectives and strengthen accountability for the stewards, without being subject to the same external influences. It could also highlight where and how government should use existing levers – such as where to provide grant

funding or additional workforce support – or recommend what levers could be introduced or changed to improve the system.

Some inquiry participants have also called for a new body to fulfil these roles.

This Productivity Commission Inquiry must recommend that responsibility for the universal provision of ECEC be given to a new national body, overseen by Commonwealth and State Governments, to ensure that government response to this issue is not fragmented between jurisdictions. (Stanley, sub. 34, p. 6)

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. (Municipal Association of Victoria, sub. 117, p. 9)

One body, created by legislation of both the Commonwealth Government and the State and Territory Governments, needs to be established with the authority to create a high-quality, universal ECEC system. This body should be responsible for determining key policy settings related to delivery, regulation, and funding. (Thrive by Five, sub. 70. p. 6)

Thrive by Five extends this idea, suggesting this body could be responsible for monitoring and data collection, workforce development and ‘determining where services can be established and funded (e.g., CCS or block funding)’ (sub. 70, p. 6).

An independent ECEC Commission should be established to fulfill two main functions.

- Support the Australian, state and territory governments to better coordinate and deliver ECEC policies, by providing information and advice. Currently, as each level of government is primarily focused on the segments of the ECEC system that they are directly responsible for, there is not sufficient understanding of how their separate components operate together. An ECEC Commission would establish a broader understanding of the policy landscape and provide advice to the different governments on how to better coordinate and direct their respective policy levers. This role could also include overseeing a research agenda for the sector.
- Provide a mechanism to hold the system stewards publicly accountable for where the needs of the system are not being met. To support this, an ECEC Commission would publish regular reports on progress against commitments made under a new National Partnership Agreement, as well as on the performance of the system more broadly.

In practice, these functions could be applied across a range of areas.

Universal access and planning

The ECEC Commission could monitor the ECEC market to identify availability gaps and highlight where investment is required. This could extend to advising on what service delivery models may be most appropriate in different communities by consulting with local governments and other organisations. This should include consideration of less common models of service provision, such as occasional care.

To support programs aimed at improving availability, such as the CCCF (paper 5), the ECEC Commission could provide advice as to where grant funding could be best spent. It could also identify where there is a need for more intensive interventions, such as integrated services hubs – including those delivered by ACCOs.

By reporting publicly, the ECEC Commission would play a strong role in disseminating clear information to families, services and communities on their local markets.

Reform commitments made under the National Partnership Agreement

From 2025, governments should focus on negotiating the NPA ECEC, including establishing the ECEC Commission as a joint body of the Australian, state and territory governments (recommendation 9.1). The National Partnership Agreement should include a number of reform commitments for all stewards, for example, with respect to the National Children's Education and Care Workforce Strategy.

The ECEC Commission should track and report on progress against key milestones, and could also provide advice to the stewards as to where gaps may be emerging and priorities may need to be adjusted.

Potential for national consistency

The ECEC Commission could report on where state-based approaches diverge or where there are overlaps between national and state level approaches that may be causing fragmentation and complexity for families and providers. The Commission could identify whether these inconsistencies could or should be improved by introducing nationally consistent arrangements. This could cover a range of domains, such as:

- **inclusion support** programs offered by states and territories, and their interactions with the Australian Government's Inclusion Support Program
- **workforce policies**, such as educator and teacher qualification requirements, career development pathways and professional development policies
- **regulatory approaches**, such as ensuring sufficient resources for state regulators and considering broader policy responses to regulatory issues (for example, support for services that are working towards the NQF)
- **OSHC contracting** approaches, developing a consistent approach to OSHC provision in schools.

Data collection and sharing

The ECEC Commission would require sufficient access to high quality data to execute its advisory and reporting functions effectively. However, many inquiry participants have noted it is difficult to access relevant and comprehensive data on ECEC, and report that it is particularly difficult to access data that is collected and owned by the Australian Government. They describe data access as limited and irregular, and multiple state governments have reported that this affects their ability to forecast supply and demand for ECEC planning processes (NSW Government, sub. 158, p. 11; Western Australian Government, sub. 162, p. 13; Victorian Government Department of Education, sub. 146, p. 10).

An ECEC Commission would require the authority to collect and analyse data from the Australian, state and territory governments, as well as mechanisms to safely store data and share it between jurisdictions.

Regulatory functions

ACECQA carries out roles that may, in time, be better placed under the responsibility of the ECEC Commission. The structure of the proposed Commission could strengthen ACECQA's ability to deliver a fit-for-purpose regulatory system that works to continuously lift quality and inclusion across all services. In practice, the Commission's regulatory functions could involve staff from state and territory regulatory agencies – who may ultimately become employees of the ECEC Commission – to give it a national focus. The ECEC Commission could also be involved in reviewing regulatory arrangements for services that are out-of-scope of the NQF, working with communities to ensure services meet the needs of children.



Draft recommendation 9.2 **Establish an ECEC Commission**

A stewardship model – where the Australian, state and territory governments better coordinate their roles in the ECEC system and share accountability for sector outcomes – should be implemented to address some of the challenges observed in the market, coordinate a more cohesive policy response and steer the sector towards universal access. This should be underpinned by an ECEC Commission, jointly established by the Australian, state and territory governments as part of a new National Partnership Agreement (draft recommendation 9.1). The ECEC Commission should have two main functions:

- support the Australian, state and territory governments to better coordinate and deliver ECEC policies, by providing information and advice
- provide a mechanism to hold the system stewards publicly accountable for achieving the objectives of ECEC policy.

The ECEC Commission will require high quality data to execute its advisory and reporting functions effectively. It should have the authority to collect data from the Australian, state and territory governments, as well as mechanisms to safely store and share data between jurisdictions.



Information request 9.2

The Commission is seeking views on:

- how the proposed ECEC Commission should be structured
- what the scope of its functions should be
- whether it should include the national regulator, the Australian Children's Education and Care Quality Authority (ACECQA).

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