

IPART

Early childhood education and care affordability, accessibility and consumer choice.

Goodstart response to the Interim Report of the review of early childhood education and care

November 2023

We're for children, not profit.



Contents

ABOUT GOODSTART	2
SUMMARY	2
RECOMMENDATIONS	4
Chapter 3 of issues paper – Access to and choice of services.....	Error! Bookmark not defined.
Chapter 4 of issues paper – Affordability of services.....	Error! Bookmark not defined.
Chapter 5 of issues paper - Supply of services	Error! Bookmark not defined.
Chapter 6 of issues paper – Provider Costs and revenue in delivering services	Error! Bookmark not defined.
RESPONSES TO THE ISSUES PAPER	Error! Bookmark not defined.
Access to and choice of services	Error! Bookmark not defined.
Table 1: Quality ratings for For Profit vs NFP by SEIFA 1,2,&3 in NSW	Error! Bookmark not defined.
Affordability of services	Error! Bookmark not defined.
Recommendations:.....	Error! Bookmark not defined.
Supply of services	Error! Bookmark not defined.
Recommendations:.....	Error! Bookmark not defined.
Provider costs and revenue in delivering services	Error! Bookmark not defined.
Recommendations:.....	Error! Bookmark not defined.
ATTACHMENTS	Error! Bookmark not defined.
Attachment A	Error! Bookmark not defined.

ABOUT GOODSTART

Goodstart is a not-for-profit social enterprise and is the largest provider of early childhood education and care in the nation with more than 660 centres located across every state and territory.

We have a strong presence in NSW Goodstart with 134 centres supporting over 12,400 children from nearly 10,400 families. Nationally our centres support more than 63,600 children from 53,700 families.

Our purpose is to ensure all Australia's children have the learning, development and wellbeing outcomes they need for school and life. All children should be supported to participate in quality early learning and care, regardless of where they live in Australia, their family circumstances, their inclusion support needs, or their early learning setting. Our unique purpose means we work in partnership with the sector, Governments and the community to improve outcomes for all children – not just the children who attend a Goodstart service.

We employ more than 2,800 people in NSW and we are also a highly feminised workforce. Our workforce includes qualified educators (Certificate III and Diploma), bachelor qualified teachers and inclusion professionals, including speech pathologists, occupational therapists and child and family practitioners.

Last year, our targeted social purpose investments of \$47 million delivered a “social dividend” valued at \$336 million. Our social dividend is calculated using a social return on investment methodology and represents the unique social and economic value delivered for children, families, Government and the broader community. In a typical commercial operation, the \$47 million would likely have been paid as profits to shareholders or business owners but we invest in activities like funding inclusion for children with additional needs, investing in Reconciliation and evidence-based professional development that help ensure all children, and especially those in low-SEIFA and rural and regional areas have the learning, development and well-being outcomes they need for school and life.

SUMMARY

Goodstart welcomes the Independent Pricing and Regulatory Tribunal review of early childhood education and care (ECEC), to understand affordability, accessibility, and consumer choice, and make recommendations where necessary to improve experiences for children and families in NSW.

In broad terms, we support the direction of the Interim Report, with suggestions to make some recommendations more specific to address the issues that IPART has identified.

We note that IPART's interim report has relied on similar data to the ACCC interim report and come to similar conclusions.

We agree with IPART's four overarching findings and with the first two priority recommendations (and in principal with the third).

All Australian Governments need to work together to develop an integrated funding approach to ECEC, and clarify the objectives for the system including quality, inclusion, access and affordability. There is a clear case for the activity test for the Child Care Subsidy (CCS) to be abolished and for a child-based entitlement to be established for all children.

We also note there needs to be a comprehensive ECEC workforce strategy at both a national and state level that delivers enough educators to deliver the services that are needed, and to deliver those services at high quality.

And we agree that the ECEC market would work better if parents were armed with better information about the price, quality and availability of ECEC places. Any digital strategy to deliver improved information for parents needs to involve both levels of Government working together, and be developed in close

consultation with providers and users (i.e. families) so it is practical, deliverable and useful. This may look somewhat different from the proposals that IPART has suggested.

It is an exciting time in ECEC policy with multiple inquiries and policy reviews in multiple jurisdictions. As a national provider, we would encourage all jurisdictions to work together to agree and then deliver the National Vision for the Early Years currently being considered by National Cabinet. While each state has some differences, many of the issues we face are common to all states, and the states can learn from each other.

For example, the report of the Royal Commission into ECEC in South Australia outlines an ambitious blueprint for moving towards a universal ECEC system and a pathway to achieve it. We would encourage IPART to carefully consider the work of the Commission.

Similarly, the experience of the Victorian Government in rolling out universal preschool for 3-5 year olds over the past five years offers real time lessons for the rest of Australia.

Goodstart commends IPART on the report it has produced, and offers the suggestions in this submission as improvements to the report while not derogating from the very important findings on the evidence that IPART has made.

We are happy to provide any further information or clarification that IPART may need in considering the matters raised in this submission

The best contact for this report is Head of Advocacy, John Cherry, email jcherry@goodstart.org.au.

GOODSTART RESPONSE TO DRAFT RECOMMENDATIONS

Overarching draft findings

1. The funding system for early childhood education and care services is complex, fragmented, potentially inefficient, and can lead to perverse outcomes

We found that the funding system for early childhood education and care services affects affordability, accessibility and supply in numerous ways. Funding comes from the Commonwealth and state and territory governments through subsidies and families through fees. It is a mix of demand-driven subsidies to families, and special-purpose programs with different but overlapping objectives, eligibility and administration.

Goodstart Response: Agree

We note that the Australian Government is the majority funder of ECEC through the Child Care Subsidy and Preschool Reform Agreement. State funding adds to complexity with different funding streams for preschools compared with long day care services. Families end up with different out of pocket outcomes depending on the setting that they attend.

The funding streams also result in different workforce outcomes, with preschools historically offering better pay and more non-school term leave and non-contact time for teachers. An integrated funding system should offer similar outcomes for families and similar wages and conditions for educators and teachers regardless of setting. Families could then choose the service that suits their child and family's needs, rather than choosing a service based on cost.

2. Workforce availability and expertise are critical to the supply and accessibility of quality early childhood education and care services, and constitute a significant problem currently facing the sector.

We found that workforce availability and expertise are critical to the supply and accessibility of quality early childhood education and care services. We heard from stakeholders that the sector is facing persistent and pressing issues with the attraction and retention of educators, and, in particular, early childhood teachers (tertiary degree-qualified staff). Workforce shortages are having a significant impact on the supply of services, and workforce turnover and burnout have a negative impact on quality of education and care.

Goodstart Response: Agree

3. The lack of comprehensive, integrated, accessible, high quality digital services and data about early childhood education and care – long day care, family day care, preschool and outside school hours care – makes it hard for families to find, choose and use services and impedes good decision-making for providers and policy-makers – a digital transformation is needed.

Families need accessible and accurate information to make informed decisions about early childhood education and care, and this can be lacking. There are also untapped opportunities to develop digital tools to help families navigate the early childhood system. Providers and policymakers also need access to data to help with decisions about where to locate services and what programs are needed. Throughout the review to date, we have experienced significant issues with data, as sources are varied, fragmented, hard to access, and often inconsistent.

Goodstart Response: Agree

The ACCC Interim Reports have found that generally most ECEC services set their fees close to the local average fee. Local markets can be strengthened with greater transparency on fees, quality and availability. Families and providers would both benefit from greater transparency of fees – local markets will work better if all participants are better informed on market conditions.

4. There is scope to improve access to services and support in services for families with children with diverse needs, disability, additional needs or experiencing disadvantage or vulnerability in NSW.

Inclusive services allow every child to meaningfully participate in activities, receive adequate care and enjoy the benefits of early childhood education and care alongside their peers. All children have the right to inclusive early childhood education and care. Unfortunately, not all early childhood services are inclusive for all children. This is especially so for children with disability/additional needs.

Goodstart Response: Agree

Not-for-Profit providers like Goodstart Early Learning make significant investments to support children with additional needs and it is important to recognise there is a financial disincentive for providers to enrol children with additional needs. At a macro level, Goodstart's investments include: professional development to build the capability of our team members, so they can effectively include children and families likely to be vulnerable (\$23 million in 2023, 42 per cent of targeted social purpose investment); developing and implementing programs that facilitate enrolment, access and participation by these children and families (\$11.8 million, 220 per cent of targeted social purpose investment); and investing to meet funding 'gaps' where government programs do not fully meet the costs of inclusion (\$5.6 million in 2022). Future funding approaches should fully cover the cost of inclusion and support those providers that have a proven track record in investing in inclusion.

Priority draft recommendations:

1. Australian state, territory and Commonwealth governments should work together to develop an integrated funding approach to early childhood education and care. Governments should clarify the objectives of the funding approach, including that all governments are committed to early childhood services as enabling both inclusive early learning for children and workforce participation for parents.

The funding approach should prioritise improving affordability and accessibility for families with lower incomes, families living in regional or remote Australia, Aboriginal and Torres Strait Islander families, and families with multiple vulnerabilities. The activity test for receipt of Child Care Subsidy should be reviewed as a priority.

Goodstart Response: Agree

We particularly welcome IPART's call for the review of the CCS activity test, and would encourage IPART to go further and consider recommending replacing it with a specific entitlement such as a certain number of days of ECEC, we suggest a 3 day minimum entitlement for all children with more days available for those who need more (ACCC draft recommendation 2). Fixing the activity test has a strong evidence base is a no-regrets down payment that the Government could do now that lays a solid foundation for future reform post the Productivity Commission inquiry.

2. The NSW Government should develop an early childhood education and care workforce strategy that focuses both on ensuring enough educators are available to provide the services that are needed, and that educators are enabled to deliver those services at high quality.

Goodstart Response: Agree

Goodstart particularly welcomes the emphasis in this recommendation on the importance of enabling educators to deliver high quality services. That starts with ensuring that NSW's qualifications requirements for educators are not reduced, and higher staffing ratios for 3-5 children are not reduced. It also means ensuring that NSW does more to invest in the ongoing professional development, support and growth of

the ECEC workforce, as this has been demonstrated to materially improve child outcomes over time. Giving educators more paid time of the floor to do all the things that they need to do to be an effective educator will also reduce educator burnout and attrition rates.

3. The NSW Government should develop a digital service and data strategy for the early childhood education and care sector, so families can more easily find, choose and use services that meet their needs, and providers and governments can make better informed decisions. Box 1 sets out the elements of the proposed strategy.

The strategy should include practical online tools to enable families to:

- *Access information about early childhood education and care during pregnancy and the first 12 years of a child's life*
- *Choose a service based on accurate, up to date information about services in their area, what those services offer, service fees and whether services have vacancies*
- *Understand what their out-of-pocket costs will be after subsidies*
- *Enrol in or join a waiting list for the service or services of their choice*
- *Notify their service when their child(ren) won't be attending*
- *Book casual or occasional places based on real-time information about availability.*

The strategy should include measures for complementary in-person support to ensure that people with digital access difficulties are also able to participate in the benefits of the strategy. The strategy should also facilitate improved data collection, transparency and sharing arrangements between governments and with providers. The strategy would allow providers to access data to identify where there is demand for new services or expanding existing services in areas of greatest need. Improved data collection and sharing would also inform better planning and decision-making by governments

Goodstart response: Agree with amendment

Families would benefit from more information about ECEC and how to choose a service with accurate information. Some of this is a State responsibility and some is a Commonwealth responsibility, and the two systems need to be better integrated to talk to each other. So we agree with the first sentence of the recommendation. However, the detail of how such a strategy could be developed needs to be carefully thought through. The last thing the sector needs is for the NSW Government to attempt to replicate the Commonwealth reporting system, requiring providers to report fees and availability twice.

A digital strategy needs to provide information that is genuinely useful to families without adding to the compliance burden of providers. Providers and users have to be involved from day one developing the objectives, components and deliverables of the strategy.

Casual bookings is a complex area and needs to be carefully thought through. There are some commercial apps available for this already, with providers (including Goodstart) already facilitating casual bookings where spaces are available. Goodstart would suggest that the Department and the sector develop a joint taskforce to review current practices and identify opportunities for improvement in the reporting and booking of casual places.

We would recommend that the last three dot points under 'online tools' be deleted. Our proposals on casual bookings are discussed further under recommendation 8.

We also note quality is vitally important to families – particularly the relationships between staff and children – but also the NQS rating – and as such the digital service should provide information about quality.

Our understanding of how families perceive the overall 'quality' of a service is informed by internal Goodstart family surveys as well as ACECQA family surveys. Families care about the educators' skills and qualifications, their relationship with the child, and the quality of the learning program, but they use different language to people in the sector when talking about quality. This is a positive finding for Governments because it shows

families are positively influenced by the characteristics that determine if a service is ‘high quality’, which is a necessary pre-condition for ECEC to improve children’s learning and development outcomes.

Key features identified by families as ‘must-haves’ by both Goodstart parents, and non-Goodstart parents include trained and qualified educators, strong relationships between children and educators, excellence in programming all of which are underpinned by a skilled and stable workforce.¹

We would recommend that a dot point about the ‘Quality Rating’ of the services is added to this recommendation. Quality is important not just because families are looking for it, quality is crucial to improving child outcomes especially for children experiencing vulnerability or disadvantage. Every opportunity should be taken to highlight and promote quality.

Accessibility – Availability & Choice

4. The NSW Department of Education, when establishing new preschools or evaluating the service offered at existing Department-run preschools, should identify the hours of care required by the surrounding community. Where families need longer hours of care, the Department should design the preschool service so that it meets these needs.

Goodstart response: Disagree

The second sentence should be reviewed to read: ***“Where families need longer hours of care, the Department should consider establishing a long day care service instead and seek expressions of interest from quality NFP providers to operate the service.”***

Government preschools offer a totally free sessional ECEC service over 40 weeks a year, and are an important part of ECEC provision in ‘thin markets’ where other ECEC services are not viable. Long day care is an entirely different operational model, designed to support children of families requiring extended hours over 52 weeks. If a Departmental evaluation identifies that families in a community need extended hours, then the community needs a long day care service rather than a sessional preschool service.

This was the approach that the Queensland Government adopted when it committed to building an additional 250 preschools to expand universal access to preschool from 2010 onwards. Where the Government identified that a particular community needed a long day care service rather than a sessional preschool, it sought expressions of interest from NFP providers to operate the service then offered. Goodstart’s Peak Crossing service, for example, is on a school site but was set up from day one as a long day care service for 3-5 year olds as there was not one in the area.²

The sessional preschool model is not particularly suited to extended hours of care. Also, as State preschools do not charge fees, the question would then arise about whether the extended hours would be free or not, or offered as an ‘OSHC wrap around service’ to the preschool. A free, extended hours preschool would be very unusual and potentially create a significant market distortion.

5. The NSW Government should work with local governments to identify and address any planning-related barriers to the approved operating hours of early childhood services, in consultation with their communities.

Goodstart response: Agree in principle

¹ Goodstart Brand Research, 2020.

² <https://www.goodstart.org.au/find-a-centre/all-centres/qld/peak-crossing>

If this applies to making it easier for current services to amend their operating hours, then we agree. But if it is a comment about new services, then there are other factors that need to be considered in the role of local government in approving new services (see recommendation 35)

6. The NSW Government should urgently consider providing additional fee relief for the most vulnerable children in the state to support longer attendance for these children at community, mobile and Department preschools.

Goodstart response: Agree but with amendment to add the words “and preschool programs offered in long day care centres”

Given 65% of children attending preschool in New South Wales attend long day care settings, this recommendation should not be confined to just sessional preschools, but should apply to all children experiencing vulnerability or disadvantage across the State.

7. The NSW Government, when negotiating the next preschool funding agreement (from 2026), should advocate for Commonwealth funding to support longer attendance for children in areas where there are no other available services, or no other suitable services. This would support parents and carers who want to participate in the workforce and increase access for children who would benefit from longer attendance.

Goodstart response: Disagree

This recommendation is not aligned with the purpose of the Preschool Reform Agreement. Where longer hours are required by parents, then a CCS-eligible long day care service should be the solution, noting the added benefit that these services operate with longer hours, and for 52 weeks a year, as opposed to the 40 week model for sessional preschools. Where such a service is not viable but the area is a ‘childcare desert’, then the Commonwealth needs to establish new funding streams or access to the existing Community Child Care Fund to support such service.

A better solution would be for the NSW Government to advocate to the Commonwealth for funding reform that supports the establishment of long care services in communities that need them but where the ‘thin market’ renders such services non-viable. This is part of the remit of priority recommendation 1. The NSW Government is in a unique position to negotiate with the Commonwealth because of the broad remit and the substantial investment that it has made into the Childcare and Economic Opportunity Fund, which could leverage any additional Commonwealth contribution.

A secondary issue is the question of children experiencing vulnerability requiring additional hours. This is a matter of increasing the child entitlement for these children. The SA Royal Commission has made recommendations to double access for these children which we would encourage IPART to replicate and endorse.³

8. As part of its digital service and data strategy, the NSW Government should develop a tool to make available any capacity that is not being used by children with permanent bookings for occasional and casual bookings.

Goodstart response: Disagree, an alternative approach should be adopted

Goodstart does not support IPART’s suggestion that casual bookings could cover the ‘hours’ that families are not using. This could be a complex area of interaction with Family Assistance Law that fails to reflect that there is little demand for the hours before 8am and after 4pm when attendance tends to be lower.

³ Royal Commission into ECEC Final Report (August 2023) pp 154-157

Casual bookings are not optimal for child learning outcomes or children's safety and security, and only meet workforce participation objectives. Families would also generally prefer to leave very young babies, toddlers and preschoolers with educators and carers they know. Goodstart, like many providers, accommodates changes of days, or picking up additional days for families with flexible needs when our services have those days available. There are commercial apps that also support this. This type of flexibility is beneficial to children and families, however a model that encourages children to attend multiple services for sporadic days is undesirable.

A better solution would be to work with IT providers, parents, the sector and the Commonwealth on better solutions to identify and then book opportunities for casual booking and make these more transparent to families. A digital tool unilaterally developed and imposed by Government is likely to increase compliance costs for providers with minimal benefit for families.

9. The NSW Government should advocate to the Commonwealth Government that it provides additional financial support for families in outer-regional and remote areas of NSW, whose children participate in early childhood services before they commence primary school, to help with the additional costs these families encounter to access services.

Goodstart response: Disagree, an alternative approach should be considered

There is little evidence in the report that families in outer regional and remote areas face higher costs participating in ECEC services. However, families who are UNABLE to participate in ECEC services because of access issues do face higher costs and should be supported with targeted, needs-based funding. The Parenthood has recently released a report '[Choiceless](#)' with multiple case studies of the challenges some of these families face.

There is, however, strong evidence, including from the ACCC that providers in outer regional and remote areas often higher costs of delivery, particularly in trying to attract and retain staff. Staff shortages in rural areas have meant many service have had to cap places, making it harder for families to access places.

A better approach may be to offer targeted funding for services in outer regional, rural and remote areas struggling to attract and retain staff. The NSW Government should develop a flexible funding program to assist services to attract and retain staff in outer regional and remote areas. This could include:

- Remote wage incentives for ECTs in particular willing to work in these areas (as Vic and QLD do);
- Funding for additional PD for ECTs and educators so they do not become professionally isolated;
- Relocation incentives;
- Support to manage migration & visa issues for ECTs and educators in outer regional & remote areas;
- Additional funding to take on and support trainees in outer regional and remote services;
- Careful targeted consideration of staffing waivers to support these services combined with other innovative operating models to ensure quality ECEC is maintained.

Accessibility – Inclusion recommendations:

10. The NSW Government should ensure the Disability and Inclusion Program is designed to support inclusive education and care for children with disability/additional needs in NSW community preschools, reflecting the findings and recommendations of the recent evaluation of this program.

This should include increasing the hourly rates for payments to services with eligible children, to reflect both:

- the direct costs of eligible activities (including, but not limited to, engaging suitably qualified additional staff), and

– the additional costs associated with coordination, administration, planning and support time that is necessary to provide inclusive education and care.

To complement the Minor Capital Works component of the NSW Disability and Inclusion Program, the NSW Government should also consider exploring opportunities to work with the Commonwealth Inclusion Support Program to expand the availability of the Specialist Equipment Library under the Commonwealth program to community preschools in NSW.

Goodstart response: Agree in principle, but expand to recognise that the State has a role in inclusion support in long day care services.

While the sector would welcome additional support for preschools to support children with additional needs, this recommendation falls well short of the optimal role of State Governments in supporting children with additional needs. The Commonwealth Inclusion Support Program provides specific funding for children with identified diagnosed needs and some limited support for capability building. Capability building of a service to improve its inclusion practice and support children developmentally vulnerable but undiagnosed is very much a State responsibility. This applies not just to the 30% of 4 year olds who attend preschools, but the 70% of 4 year olds and the 95% of birth-3 year olds who attend long day care services.

While AEDC data shows that 11.4% of children commence school developmentally vulnerable on 2 or more domains,⁴ and 4.5% of children in CCS eligible services have a disability⁵, Commonwealth inclusion support funding in 2021 reached just 2.4% were supported through the Commonwealth ISP.⁶ There is simply no funding for services to support the many other children developmentally vulnerable in our services.

The Victorian and Queensland Governments have recognised this, establishing funding streams for services to improve their broader capability to support children with additional needs through the Victorian School Readiness Fund and the newly expanded Queensland Kindy Uplift program. Children in additional needs in NSW services in all setting would benefit from a similarly funded approach. This does not involve replicating the provisions of the ISP, but does go to building the capability of a service to support children with additional needs.

The South Australian Royal Commission has recognised the crucial role that State Governments can play in supporting educators and services to share and learn about evidence based approaches to successful inclusion, monitor participation and attendance of vulnerable cohorts and make additional investments to build the capacity of services to successful include children with additional needs.⁷

In light of the above, we would recommend the following addition to recommendation 10:

“The NSW Government should:

1) invest in program to support educators in all ECEC settings to share and learn about evidence based approaches to successful inclusion, drawing on experience of what works in other States;

2) monitor participation and attendance of vulnerable cohorts of children in ECEC, including children with a disability; and

3) invest in programs to build the capacity of ECEC services to deliver more inclusive practices for all children experiencing vulnerability, drawing on experience of what works in other States and having regard to support provided to services for inclusion support.”

⁴ AEDC National Report 2021 p. 14

⁵ Report on Government Services 2023 table 3A.11

⁶ 31,831 children supported in ISP on 2021 Senate Estimates Question on notice SQ22-000063, compared to 1,329,656 children (ROGS 2023 table 3A.14)

⁷ Royal Commission into ECEC Final Report (August 2023) pages 92-94

11. The NSW Government should advocate for improvements to the Commonwealth Inclusion Support Program, consistent with the improvements we have recommended for the NSW Disability and Inclusion Program.

Goodstart response: Agree, having regard to the comments on recommendation 10

As discussed under the previous recommendation, the NSW Government has a much broader role in supporting inclusive practice than just funding inclusion in community preschools. The Commonwealth Inclusion Support Program is an important support for inclusion, but touches only a small proportion of children developmentally vulnerable. The NSW Government should actively partner with the Commonwealth to ensure all children experiencing vulnerability are adequately supported regardless of setting, and the building inclusive practice becomes a core part of operation for all ECEC services across the State. The design of such a program should form part of the implementation approach arising from the Productivity Commission.

12. The NSW Department of Education should ensure that the facilities available for outside school hours care services on school sites are conducive to provision of inclusive education and care. Wherever possible, this should include dedicated spaces for services or arrangements with school principals to use shared spaces in a way that supports inclusion for all children.

Goodstart response: Agree

This recommendation could go further and suggest that OSHC provision should become part of the capital works plan for each school to ensure sufficient OSHC space is a high priority in every schools' forward capital works plan. In light of the findings by the ACCC about the benefits of Not-for-Profit provision, consideration could also be given to the sector mix in OSHC.

13. The NSW Department of Education should ensure that its current work on an Aboriginal Cultural Safety Framework includes development of resources and strategies for services to provide culturally safe and inclusive care for Aboriginal and Torres Strait Islander children and their families.

Goodstart response: Agree

Goodstart would advocate that the tools and resources should include professional development for our Educators on the framework and support to implement it. Additional funding should be made available on a needs basis at a local level to engage with local community. The NSW Government should specifically consider grants programs to support ECEC services to participate in the [Narragunnawali](#) platform developed by Reconciliation Australia which is a proven and scalable model to improve cultural safety and recognition of First Nations perspectives.

14. The NSW Government should ensure that its current work on a strategy to support multicultural children and families to access early childhood education and care includes development of:

- resources and support for services to provide culturally safe and inclusive care**
- resources in community languages for services, community groups and families, that will help children learn their family's first language and support parents as first teachers.**

Goodstart response: Agree

15. The NSW Government should work with the early childhood sector and early intervention professionals to develop and implement a model and system for wraparound support for children and families experiencing disadvantage and vulnerability. These supports should be:

- provided in locations where children and families experience the greatest levels of disadvantage and vulnerability**

- *flexible to respond to the needs of different communities*
- *designed to achieve greater collaboration between early childhood services and other services that support children and families.*

Goodstart response: Agree

This recommendation should be read alongside our comments on recommendation 10.

A reformed ECEC system should utilise three layers of investment to support inclusion outcomes at a child, service and community level:⁸

- a. **Child-level inclusion investment** to fund additional educators to support individual children with specific additional needs and remove cost disincentives to their inclusion. Child-level inclusion funding should build on the current Inclusion Support Program (ISP) and be:
 - i. child-centred, with reduced administrative barriers and improved continuity of access and support
 - ii. supportive of individual children with specific identified needs, including children with disability, developmental delay, trauma-related behaviours or other inclusion support needs
 - iii. demand driven, not capped
 - iv. matched to the child’s needs, including support for all the hours they attend early learning
 - v. matched to the actual costs of delivery, indexed annually by the Wages Price Index
 - vi. able to build specific capabilities within a service to ensure a child’s inclusion needs are met.

- b. **Service-level inclusion investment** to meet the needs of children with identified vulnerabilities attending a specific service. Service-level inclusion investment would:
 - i. Be allocated at the service level, on an annual basis, based on the number of children experiencing vulnerability enrolled at a service
 - ii. Support local inclusion capability uplift, outreach and other service level solutions
 - iii. Recognise that, within some markets, some service providers are serving greater proportions of children likely to be vulnerable than others, and children with multiple vulnerability risk factors need additional investment to support their participation and outcomes. (Subject to financing instrument – but suggest School Readiness Funding-style payments and loadings).

- c. **Community-level inclusion investment** to meet the needs of communities facing disadvantage, to support place-based initiatives reflecting the particular needs of a community, and to reach out and engage with the community to connect with families not currently accessing ECEC. Community level investment should:
 - i. be grant-based aligned to nationally identified priorities and on a scale much larger than the CCCF to significantly increase participation of children most likely to benefit from access to ECEC
 - ii. support services provision in ‘thin markets’ where demand is insufficient to support a commercially viable service, ongoing capital and recurrent funding should be provided to ensure that children in these areas are not missing out on access to ECEC.

Our proposed additions to recommendation 10 pick up on some of these proposed levels of investment. Recommendation 15 expands on this by discussing the important element of ‘wrap around support’ in supporting inclusion. There are multiple models of delivering wrap around, ranging from one-stop shop integrated children’s centres, to providing services in current ECEC services (e.g. with dedicated space and

⁸ For more detailed discussion, see Goodstart’s submission to the Productivity Commission Inquiry (2023) pp. 45-57

regular visits from health professionals) to more effective referral pathways from ECEC services to the relevant services. Some of these modes of support for 'mainstream' services are funded through Victoria's School Readiness Funding program. Some, the more expensive integrated centre model – are funded in other States are child and family centres (e.g. WA, SA, TAS and VIC). What is the most cost effective for supporting children in a local area should be developed in close consultation with providers, families and support professionals.

Accessibility – information:

16. As part of the Government's digital strategy, the NSW Department of Education should work with other NSW Government agencies, including the Department of Customer Service, to develop a comprehensive strategy to ensure all families receive information about early childhood education and care during pregnancy and the first 5 years of a child's life.

Goodstart response: Agree

17. The NSW Government should advocate for the Commonwealth Government to provide:

- support for services to comply with their obligations to report operating information, for example by conducting validation checks
- greater access to this information for comparison and information services. The NSW Government should also consider ways of providing service information to families, alongside reliable, evidence-based advice and information that is relevant for the different stages of a child's life.

Goodstart response: Agree

18. The NSW Government should advocate for enhancement of the National Quality Standard to highlight areas of expertise and excellence in inclusion within service quality ratings, to help families identify inclusive services and to provide incentives for services to provide inclusive education and care.

Goodstart response: Agree with amendments

As outlined in Quality Area 6 and Quality Area 5 of the NQS, each service is expected to reflect on how it connects with its community and on its inclusion practice. This is a core part of the stewardship expectation on services in countries like the Netherlands⁹. In a reformed funding system with a stronger stewardship role for Government in promoting quality, inclusive practice, the role on inclusion in the NQS and the reflection of that in centre's Quality Improvement Plan and core practices, could make a significant difference to children and families in communities facing disadvantage. Centres should be supported to expand their QIPs to include a strengthened focus on inclusion and community connection activities, which could become one of the activities on which a centre is held accountable.

Where a centre's enhanced QIP recognises identified capability needs to improve inclusive practice, then funding should be made available to address this need. This may involve access to allied health professionals, the pursuit of micro-credentials in inclusion for educators or other capability measures to support children experiencing vulnerability.

19. The NSW Government should advocate for services to be required to report the outcomes of assessment and ratings processes to enrolled families. This would improve the visibility and understanding of service quality ratings and the accountability of service providers.

⁹ Van der Werf W, Slot P, Kenis P and Leseman P (2021) Inclusive practice and quality of education and care in the Dutch hybrid early childhood education and care systems, *International Journal of Child Care and Education Policy* (2021) 15:2 <https://doi.org/10.1186/s40723-020-00079-x>

Goodstart response: Agree

20. The NSW Government should review the government-provided resources and programs for early childhood education and care to ensure information is accessible for families from culturally and linguistically diverse backgrounds, and advocate for the Commonwealth Government to do the same. These reviews should also look at opportunities to help services engage with, and provide information to families in their first language, to improve accessibility and inclusion.

Goodstart response: Agree

21. The NSW Government should ensure the physical offices of Service NSW, and its outreach services, are resourced to provide information to families about early childhood education and care that is equivalent to the information available on government-run websites. It should advocate for the Commonwealth Government to also provide this information through Centrelink offices and outreach services

Goodstart response: Agree

Services NSW could also be equipped to support parents to report exclusion or practices which are not inclusive. Providing clear advice to parents on what exclusion is and how to report and escalate complaints about exclusion should also form part of the digital strategy.

Accessibility – funding arrangements:

22. The NSW Government should:

a. Review NSW funding programs and grants that support accessibility and inclusion to ensure that:

- all services are aware of funding opportunities and how to apply for them
- the number of programs and grants are minimised (e.g. by combining programs that target the same priority groups)
- services are provided with appropriate flexibility in service delivery.

b. Consider trials of integrated service provision ("wrap-around services") models in areas of greatest need.

Goodstart response: Agree in principle

The trial of integrated service provision models should align with recommendation 15 above as they overlap, and recommendation 15 involves an important element of consultation with early years professionals and the sector which is crucial to developing the most cost effective means of supporting the largest number of children. There are multiple models of delivering wrap around services, ranging from one-stop shop integrated children's centres, to providing services in current ECEC services (e.g. with dedicated space and regular visits from health professionals) to more effective referral pathways from ECEC services to the relevant services.

Affordability of services:

23. The NSW Government should recommend to the Commonwealth Government that it:

- examine the circumstances and needs of families with children using early childhood services and household income of under \$20,800
- consider providing additional support to these families to access early childhood services, in particular those experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families.

Goodstart response: Agree in principle but need substantial amendment

This recommendation ignores the very important role that the NSW Government has long had in providing fee relief for children experiencing disadvantage. While the Commonwealth has the dominant role for fee relief under the CCS, the NSW Government also has a responsibility to ensure that cost is not a barrier for children to participate in ECEC, particularly in the two years before school in the delivery on universal access to preschool.

It is also worth noting that NSW has a particularly poor record of participation of children experiencing disadvantages, being one of only two states to have consistently not met the Key Performance Indicator under the Preschool Reform Agreement for enrolling at least 95% of vulnerable and disadvantaged children in preschool. NSW has lost millions of dollars of Commonwealth ‘reward funding’ as a result.¹⁰

IPART and the ACCC have made significant findings that even with an 85% CCS, low income families were paying a larger part of their income in child care costs than higher income families. However, a recommendation to focus only on very low incomes (below \$20,800) ignores the fact that the regressive nature of out of pocket child care costs as a percentage of household incomes is evident in incomes below \$52,000 (2021-22 data) in figure 5.6.

From an administrative simplicity point of view, the \$52,000 family income is close to the income cut off for Health Concession Cards¹¹ (\$56,137 was the income cutoff for the maximum rate of FTB A in 2021-22¹²) and Parenting Payment. The Health Card Concession card is an easy to administer eligibility point for access to State fee subsidies and was utilized in 2023 by both the South Australian and Queensland Governments to provide additional fee assistance for children from low income families.

A second issue not dealt with in the recommendation is the amount of hours that children experiencing disadvantage can access ECEC. The evidence is clear that children experiencing disadvantage benefit most from access to ECEC, and benefit more from great dosage (i.e. more days). The South Australian Royal Commission discussed the evidence and recommended that the most disadvantaged children should have access to at least 30 hours (i.e. 3 days) of ECEC rather than just two.¹³ Goodstart is of the strong view that the NSW Government should prioritise offering 30 hours of universal preschool for 3-5 year olds for the children experiencing disadvantaged as soon as possible, and this recommendation should be expanded to reflect that.

We propose that this recommendation be rephrased as follows:

“The NSW Government should

¹⁰ See responses to Senate Estimates Questions on Notice SQ22-000067, SQ22-000400

¹¹ <https://www.servicesaustralia.gov.au/who-can-get-health-care-card?context=21981>

¹² <https://guides.dss.gov.au/family-assistance-guide/3/6/1>

¹³ Royal Commission into ECEC Final Report (August 2023) pp 154-157

- *Provide additional fee relief to ensure cost is not a barrier to access to preschool programs in all setting for very low income families (i.e. Health Concession Card families, children experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families); and*
- *Work with the Commonwealth Government to examine the circumstances and needs of families with low incomes using ECEC services and what additional support these families need to access EC services;; and*
- *Bring forward the offer of 30 hours of universal preschool for 3-5 year olds to children experiencing disadvantage and/or vulnerability as soon as possible.”*

24. The NSW Government should include in its contracts with OSHC providers (and in associated procurement processes) a requirement that providers include excursion costs as part of advertised and charged fees to improve transparency and so that CCS can be applied to reduce out-of-pocket costs for families.

Goodstart response: Agree

25. The NSW Government, as part of its digital strategy, should work to improve data transparency, collection and sharing arrangements, including with the Commonwealth Government for fees, subsidies/rebates and out-of-pocket costs.

Goodstart response: Agree in principle

As discussed above, it is crucial that the NSW Government not duplicate the reporting arrangements of data to the Commonwealth, but rather works to ensure that any State digital strategy enhances the availability of the Commonwealth’s reported data, and that work with the Commonwealth to enhance the quality, comprehensiveness and timeliness of the data.

26. The NSW Government should recommend to the Commonwealth Government that the CCS application process for families be made less complex and easier to navigate.

Goodstart response: Agree

27. The NSW Government should recommend to the Commonwealth Government that the CCS activity test requirement and eligibility criteria be reviewed to promote equal access to subsidised services for all children.

Goodstart response: Agree but go further and recommend the activity test be abolished

28. To inform family decision-making, the NSW Government should, as part of its digital strategy, work with the sector and Commonwealth Government to provide greater transparency around:

- *fees charged for services (prior to applying subsidies)*
- *subsidies that apply to reduce out-of-pocket costs for families*

Goodstart response: Agree

The evidence that the impact of the activity test falls most directly on the most disadvantaged families is clear and compelling. The ACCC’s analysis of provider and child data found that families that failed the activity test had an average income of less than \$50,000 a year but were paying for more than 7 hours of unfunded hours each week, on average 28.2% of their hours are unsubsidised. Fixing what is broken to support children who are experiencing disadvantage or with a disability should not be postponed until after another review.

Supply of services:

29. The NSW Government, as part of its digital strategy, should advocate to the Commonwealth Government to make enrolment and attendance data of the CCS publicly available to inform the planning and decision-making of service providers and governments.

Goodstart response: Agree

30. The NSW Government should immediately (within 12 months) update its 2018-2022 NSW Early Childhood Education Workforce Strategy to support state based initiatives and complement the National Workforce Strategy. The update should include, but not be limited to:

- Options to fund services to provide time “off the floor” for reflection, planning, coordination and professional development
- Specific actions aimed at the attraction and retention of identified groups, including Aboriginal and Torres Strait Islander educators, rural and regional educators, educators from CALD background, and educators working with children with disability/additional needs
- Mentoring initiatives, at both the state and local level, to support students and educators. This should include mentoring/professional support networks for identified groups of educators that are designed in collaboration with the sector and relevant peak organisations.
- Comprehensive support for Aboriginal and Torres Strait Islander students/educators who need to leave country to study, and rural/remote students and educators for training. This should include measures to support digital access and practicum opportunities.
- Reframing the narrative around early childhood education and care from ‘childcare’ to early education to enhance understanding of the value of the work being undertaken.
- Investment in local workforce recruitment, qualifications, and retention.
- Financial support for trainee placements.

Goodstart response: Agree with amendments

The IPART report comprehensively reflects the immense workforce challenges the ECEC sector faces. Its recognition that workforce is a shared responsibility between Commonwealth and State is sound, and its recommendation for an updated, robust and well-funded State workforce strategy that meets the challenges the sector currently faces is supported by Goodstart. The State workforce strategy will need to go further than the National Workforce Strategy, which was developed largely before COVID and is already out of date and up to the task of meeting current workforce challenges.¹⁴

Goodstart would recommend that the matters identified for inclusion in the NSW Workforce Strategy be expanded to include:

- Incentives to attract teachers and educators to regional, rural and remote communities with severe workforce challenges.
- Advocating to the Commonwealth for improved wages for the early childhood workforce and ensuring State funding supports the extension of any improved wages to State funded preschools.
- Support placement of migrant workers in hard to recruit areas.
- Additional support for educators working with communities facing extreme disadvantage, including time off the floor to avoid burnout.

¹⁴ See for example Thorpe, K., Panthi, N, Houen, S., Horwood, M., Staton, S. (2023) “Support to stay and thrive: mapping challenges faced by Australia’s early years educators to the national workforce strategy 2022–2031” The Australian Educational Researcher <https://doi.org/10.1007/s13384-022-00607-3>

31. The NSW Government should work with other jurisdictions to:

- *Progress recognition of the value of culture and language that Aboriginal and Torres Strait Islander and culturally and linguistically diverse educators bring to the education and care of children.*
- *Progress mutual recognition or pathways for international qualifications (as provided in the National Workforce Strategy).*
- *Progress a nationally consistent approach to incentives for the attraction and retention of educators for the early childhood education and care sector.*

Goodstart response: Agree

This approach needs to align and support NSW's approved qualification requirements.

32. The NSW Regulatory Authority (within the Department of Education) should develop a short term educator relief policy regarding educator qualifications, to assist services that are finding it difficult to maintain current services due to temporary staffing issues, such as illness or unexpected leave.

Goodstart response: Disagree

A policy on educator relief could quickly become a new lower standard to which lower quality providers work to. Rather than a policy, the NSW Department might assist the sector to develop an enhanced casual pool of teachers and educators but not at the cost of reduced qualifications.

33. The NSW Government should review the process and criteria for applying for capital grant funding under its Start Strong Capital Works Grants Program and newly established Childcare and Economic Opportunity Fund to ensure the requirements are less onerous and time consuming.

Goodstart response: Agree

The Fund should work closely with the sector to identify barriers for not for profit providers opening new services, and then ensure that the grant guidelines are developed that address these. For example:

- The initial cost of developing a feasibility study for a service in an area of recognised need, or for a recognised priority
- The cost of preparing an application and seeking a development application
- The cost of acquiring land
- Costs associated with ongoing repairs and maintenance.

34. The NSW Department of Education should explore strategic partnerships in rural and regional areas with providers to co-locate early childhood services on school premises, where available.

Goodstart response: Agree

35. The NSW Government should investigate better coordination of the planning and early childhood regulatory processes, including the provisions of the State Environmental Planning Policy (Transport and Infrastructure) 2021 to enable initiatives such as expansion of services or extension of operating hours.

Goodstart response: Agree with amendments

The current State Planning Policy includes no consideration of a demonstrated need for the services. This contributes oversupply in some markets then affecting the availability of the workforce and ultimately the quality of early learning programs. This can be contrasted with the approach of the NZ Government's

‘network management’ policy that defines ‘need’ in a number of ways.¹⁵ Consistent with a market stewardship model, this includes an assessment of demand and supply for additional places for a mainstream service, but also whether the service meets national priorities for inclusive, integrated services such as supporting Maori or Pacifica communities, or children with additional needs.

Earlier recommendations on better data sharing on enrolment of children at a local level, combined with public data on the likely demand for children, could assist local governments to make better planning decisions on the need for new services.

Some Local Government planning requirements such as the number of parking spots required also need to be carefully considered as they often act as an impediment to the feasibility of new ECEC services.

Goodstart would recommend adding to the end of this recommendation:

“and proper assessment of the need for additional services in the local community, and the most desirable service type having regard to current demand and supply and the need to support children experiencing vulnerability and/or disadvantage.”

36. The NSW Regulatory Authority (within the Department of Education) should develop a clear waiver policy on regulatory space requirements for services located on school sites.

Goodstart response: This should ensure consistent quality standards across service types.

Provider costs and revenue:

37. Pending a national review of the funding system for early childhood education and care, in the short term the NSW Government should:

a. Review all NSW funding programs and grants for the early childhood education and care sector, to ensure that:

- **programs are consolidated to be less fragmented, reduce administrative burdens, and promote long-term planning**
- **the number of programs and grants are minimised**
- **administrative burdens associated with application, reporting and acquittal are minimised and the cost of these activities is covered by the program or grant**
- **periods of funding are designed to provide services with security, to allow for service planning and investment in their workforce**
- **services are provided with appropriate flexibility in service delivery**
- **aspects of existing programs are improved to better support services to meet their inclusion responsibilities.**

b. Advocate for the Commonwealth Government to undertake a similar review of its funding programs and grants for the early childhood education and care sector to improve funding design while a more comprehensive review of the funding system occurs.

Goodstart response: This recommendation appears to duplicate earlier recommendations

38. The NSW Government, as part of its digital strategy, should work to improve data transparency, collection and sharing arrangements, including with the Commonwealth Government.

Goodstart response: This recommendation appears to duplicate earlier recommendations.

¹⁵ <https://www.education.govt.nz/early-childhood/running-a-service/starting-a-service/network-management/>

Draft benchmark prices for services:

Goodstart acknowledges that as the level of public investment in ECEC grows, it is not unreasonable for Government to expect more from providers in delivering on public policy objectives underpinning that investment. In our submissions to both the PC and the ACCC, Goodstart has supported a stronger role for Government in market stewardship, with closer alignment between funding and Government policy objectives on quality, inclusion and access.

Governments rightly need to know if their investment in ECEC is cost effective or wasteful, and developing of cost and price benchmarks may assist Government in assessing that. However, as Goodstart pointed in its initial submission to IPART and as IPART has acknowledged in its draft report, the variability of costs across the ECEC sector makes the development of benchmarks very challenging. A more robust market stewardship approach may be a better approach.

IPART in Chapter 8 has responded to its terms of reference by publishing draft benchmark price estimates for the sector, using two methods:

1. Calculating the average, median and distribution of actual prices charged using Commonwealth Government CCS data and published prices,
2. A modelled cost build-up by service type, age group and location using the results of our cost analysis and data from providers, information about award wages and National Workforce Census data.

IPART identified some challenges collecting appropriate data, particularly for the preschool sector, and because of differing record keeping and reporting practices between providers.

IPART has recorded the many concerns that the sector has expressed about the reliability of any benchmark prices, particularly based on cost build-up (p.183), and has published wide ranges of costs for services (p. 180). Goodstart would argue that the difficulties that IPART has identified in developing benchmarks based on cost-buildup confirms the concerns about the utility of this exercise that we expressed in our first submission to this inquiry.

The building of a solid understanding of the costs of building and operating ECEC services will be important for the ongoing work of the Child Care and Economic Opportunity Fund and also for the management of the NSW grants programs for ECEC. The Methodology Paper IPART has developed for the Independent Marketing Review of ECEC provides a basis on which this can be built over time which will assist this analysis. However, we doubt that this understanding can include rigid benchmark prices based on cost build ups that could reliably inform funding decisions. This is because the variability of costs across the sector renders benchmarking very difficult. And funding based on 'average' benchmarks risks overcompensating some services and undercompensating others, which could represent a significant viability risk for those services. Cost benchmarking at best can only describe historic costs which could change rapidly. A more nuanced analysis of trends in costs could contribute to an understanding of the elements that contribute to variability of costs in specific locations or settings, and an identification of the factors that are impacting on changes in costs. This in turn could assist the Fund and Government in funding decisions.

In terms of the benchmark prices based on actual prices, Goodstart would encourage IPART and the NSW Government to continue to work with the ACCC and the Commonwealth Government to refine the usefulness of existing public databases. The second ACCC Interim Report, for example, found that while there is considerable variation in childcare fees across Australia "...there is limited price variation within the

local markets that providers compete for customers in”, and that “...that the standard deviation of price is less than \$1.00 per hour in the majority of SA2s and less than \$1.50 in about 90% of all SA2s.”¹⁶

Variability in fees reflect underlying property prices. Thus a benchmark price of \$11.40 per hour for Sydney is almost meaningless when the average local price varied from \$15.21 in the Eastern Suburbs to \$10.13 in Mouth Druitt and Campbelltown.¹⁷ What makes more sense from a practical point of view for families is to ensure that they have access to real time information on fees in their local area that truly describe like for like. IPART’s draft recommendation 25 for the NSW Government to work with the Commonwealth to improve reporting and transparency of fees, combined with the ACCC’s draft recommendation 3 provide a strong blueprint to collate and publish more information on fees at a local level which would be of most use to families and providers, and ultimately to policy makers.

Thus instead of one geographic benchmark fee, or the 7 geographic published by IPART in chapter 8, what may ultimately be published could be analysis of data at a local level (e.g. mean, median, range and identification of outliers) based on instantaneous data reporting. This would then arm families with better information to discuss fees with their provider.

Goodstart recommends that the concept of establishing ‘benchmark fees’ based on either cost-build ups or fees charged should not be progressed as a concept, noting the benefits associated with the current approach of the CCS fee cap which would be strengthened through improved local price transparency and monitoring. Instead, IPART, should:

- 1) Through its Independent Market Monitoring Review should continue to build a better understanding of the cost drivers of ECEC; and**
- 2) Recommend that the NSW Government work with the Commonwealth Government to promote greater real time transparency of fees and reporting at a local level to improve competition and make it easier for families to compare price, noting this is likely to improve downward pressure on prices across providers and provide better information about market effectiveness for policy makers;**
- 3) Recommend that the NSW Government work with the Federal Government on developing a more robust market stewardship role where funding is aligned more effectively to delivery of public policy objectives for ECEC promoting quality, inclusion and accessibility nationally and within localised markets.**

¹⁶ ACCC Interim Report into ECEC September 2023 p. 108

¹⁷ Commonwealth Department of Education Child Care Statistics March quarter 2021