Proposed Reforms for Assessment of Early Learning Services (NSW)

A Goodstart & BFS Children's Services Submission

August 2026

We're for children, not for profit!

Executive Summary

Goodstart and BFS Children's Services welcome the NSW Government's commitment to streamlining planning approvals and reducing unnecessary barriers to establishing high-quality early childhood education and care (ECEC) services.

Reducing unnecessary regulatory burden is an important objective. Timely planning decisions benefit providers, councils, developers and, ultimately, families seeking access to early learning. Indeed, the current State Environmental Planning Policy (Transport and Infrastructure) 2021 (SEPP) was designed around a policy objective of removing barriers to childcare supply, specifically preventing Councils from putting measures in place to require developers to demonstrate need or consider proximity to other services.

However, it is clear that NSW now has a different market problem: significant oversupply in some locations alongside persistent undersupply in others. The planning framework therefore needs to evolve from simply facilitating supply to supporting strategic supply decisions.

The proposed reforms do not yet address this critical question:

> *How can the NSW Government more actively steward planning decisions and influence the composition of the sector and the outcomes it delivers for children, families and communities?*

Planning decisions are one of Government's earliest and most powerful opportunities to influence where services are established, where public and private investment occurs, how the sector develops over time, and whether growth aligns with broader public policy objectives around ECEC access, quality, inclusion, affordability and school readiness.

The recent Parliamentary Inquiry in ECEC concluded that market forces alone are not delivering balanced access to early learning, finding that real estate developers and investors are increasingly influencing where services are established, contributing to oversupply in some communities while lower socioeconomic and regional communities continue to experience shortages.

This creates system wide inefficiencies and ultimately increases cost for governments, providers and families:

- **Oversupply increases the costs of delivering ECEC**. As occupancy falls, largely fixed staffing, property and regulatory costs are spread across fewer children, increasing the cost per place and placing pressure on fees.
- **It creates churn in the workforce, which in turn impacts quality.** An already stretched pool of educators and teachers are spread across more services, while services in areas of genuine need struggle to attract staff.
- **It represents poor value for public investment.** Growth in lower quality services in the wrong places costs the State Government more to regulate, and represents an inefficient use of local government infrastructure and community resources.

The timing of this consultation is therefore significant.

The NSW Government is due to formally respond to the Parliamentary Inquiry on 20 August 2026.

Many of the issues considered through this Inquiry, including market stewardship, provider mix, oversupply and equitable access, begin with council assessments of early learning services, and while we recognise that these broader matters extend beyond the formal Terms of Reference for this consultation, we consider there is a valuable opportunity to ensure that planning reforms are developed as part of a coherent policy framework that complements, rather than progresses independently from, the Government's response to the Inquiry.

Rather than viewing planning solely as a land use assessment process, we encourage Government to recognise planning as one of the earliest opportunities to shape the future development of the sector in ways that support children's outcomes and long-term public value. NSW now has an opportunity to lead nationally by embedding strategic sector stewardship into its planning framework, moving beyond a system that simply enables growth to one that actively shapes a sustainable, high-quality ECEC sector around the needs of children, families and communities.

Summary Recommendations

Goodstart and BFS Children's Services recommend that the NSW Government:

Recommendation 1 – Recognise planning as an opportunity to strengthen sector stewardship

Recognise the planning system as a strategic sector stewardship mechanism that supports broader Government objectives for quality, sustainability, inclusion and equitable access to early childhood education and care.

Recommendation 2 – Direct growth more strategically

Ensure that the planning framework supports more strategic distribution of supply, encouraging investment in childcare deserts, growth corridors, new housing estates and areas of educational disadvantage, while avoiding unnecessary oversupply in already saturated communities and the cost pressures and inefficiencies this creates for families, providers and Government.

Recommendation 3 – Connect planning to wider early years reforms

Ensure future planning policy reform is aligned with the objectives and recommendations arising from the NSW Parliamentary Inquiry into the Early Childhood Education and Care Sector, and supported by a formal mechanism for ongoing collaboration between planning authorities, the NSW ECEC Commission and sector representatives.

Recommendation 4 – Introduce a practical strategic assessment mechanism

Strengthen planning assessments by introducing a Strategic ECEC Planning Assessment that provides local governments with consistent evidence regarding local supply, demand, occupancy, provider mix, projected population growth, preschool participation and community need.

About Us

Goodstart Early Learning (Goodstart) is Australia's largest not-for-profit social enterprise and Australia's largest provider of early childhood education and care, with over 670 centres located across every state and territory, including 128 centres in NSW. Each year in NSW we support 11,650 children from 9,685 families.

BFS Children's Services (BFS) is one of Australia's long-standing community-based providers of early childhood education and care, with a long history of delivering high-quality education and care across 36 services that improve outcomes for children, families and communities in the Illawarra region of NSW and beyond. BFS merged with Goodstart in 2020 and operates as an entity within Goodstart.

As not-for-profit organisations, our purpose is not simply to provide childcare, but to ensure every child has the learning, development and wellbeing outcomes they need for school and for life. We believe all children should have access to high-quality, inclusive early learning, regardless of where they live, their family circumstances, or the setting they attend. Public policy should therefore support an early childhood education system that is high quality, financially sustainable and equitable, and capable of responding to changing community need.

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1. Planning is the earliest opportunity for sector stewardship

The Parliamentary Inquiry concluded that Government should play a stronger role in stewarding the future composition of the ECEC sector (Recommendation 1).[1] We support that conclusion.

Planning is one of the earliest and most powerful opportunities available to Government to influence how the sector develops. Once approvals are granted, almost every other government lever becomes reactive rather than strategic.

However, while the current planning framework appropriately considers whether a childcare centre is an acceptable land use, it does not consistently consider whether approving an additional service in a particular location will improve community outcomes or contribute to a sustainable, high-quality ECEC system over the longer term. And these types of planning decisions, taken over decades, have shaped the composition of our sector.

The Parliamentary Inquiry found that decisions about where services are located are being driven by real estate markets rather than community need (Finding #6).[2] Around 70 per cent of Australian centre-based long day care services are now operated by for-profit providers, with a growing footprint of private equity and other investment-backed services.[3] While high-quality services exist across all provider types, ownership structures influence how operating surpluses are reinvested and how organisations respond to commercial pressures.

Not-for-profit providers reinvest surpluses into educational quality, workforce capability, inclusion, educational leadership and community services rather than shareholder returns. For this reason, governments across Australia have increasingly targeted capital investments towards not-for-profit providers where public investment is more likely to remain embedded in community services over the long term.

However, under the current planning farmwork, development consent can be granted, and significant commercial decisions can be made, including land acquisition, financing arrangements, leasing commitments and construction all before the State Government is involved. By the time a provider approval is sought under the National Law, the NSW Government has relatively limited opportunity to influence whether that service aligns with broader public policy objectives around quality, equity, inclusion or long-term sustainability.

Recommendation 1

Recognise the planning system as a strategic sector stewardship mechanism that supports broader Government objectives for quality, sustainability, inclusion and equitable access to early childhood education.

2. Oversupply is not simply a commercial issue - it creates *inefficient public spending and policy risks*

The purpose of the planning system should not simply be to maximise the number of services. It should support the development of a high-quality, sustainable and equitable early childhood education system. Where growing issues with oversupply erode service viability, workforce stability and investment in educational quality, planning decisions have direct consequences for children's outcomes and the achievement of Government's broader ECEC policies.

Persistent oversupply creates a series of reinforcing pressures across the market.

Lower occupancy reduces revenue available to invest in educational leadership, teacher attraction and retention, professional learning and continuous quality improvement.

[1] New South Wales Parliament Legislative Council. Portfolio Committee No. 3 - Education. Report no. 55. https://files.parliament.nsw.gov.au/fileapi/ParlFiles/GetArtifact/Report%20No.%2055%20-%20PC3%20-%20ECEC%20-%2020%20May%202026%20-%20FINAL.pdf?serverRelativeUrl=%2Flcdocs%2Finquiries%2F3098%2FReport%20No.%2055%20-%20PC3%20-%20ECEC%20-%2020%20May%202026%20-%20FINAL.pdf

[2] NSW Parliament Report.

[3] Conor Duffy, 'Why the New York Stock Exchange cheers when a child is dropped off at daycare in Sydney or Melbourne', ABC News, 29 April 2025. https://www.abc.net.au/news/2025-04-29/how-multinational-firms-profit-from-australian-childcare-kids/105197310

Competition for educators intensifies workforce instability and increases reliance on inexperienced or temporary staff.[4]

Financial pressure reduces providers' capacity to invest in inclusion, educational resources and broader quality improvements.

At the same time, higher levels of sector entry and exit increase workload for the State Regulator and make long-term service planning more difficult.

These are no longer simply commercial risks. They directly affect New South Wales's objectives for regulation practice, child safety, school readiness, inclusion and quality.

These issues have become increasingly important in the current operating environment. Average occupancy across NSW centre-based day care services has fallen by around 5 per cent over the past year, while providers have simultaneously faced significant increases in wages, rents, workers compensation premiums and regulatory costs.

These pressures are occurring alongside substantial changes to NSW preschool funding. From 2027, the Government has indicated it intends to cease approximately $150 million in operational funding supporting preschool programs delivered through long day care. That funding currently supports transition to school planning for children, above-award teacher conditions, mentoring, professional learning, programming time and educational resources that contribute directly to preschool quality. We do not raise these matters to revisit those policy decisions through this consultation. Rather, they illustrate the broader operating environment within which these planning reforms will be implemented. Decisions that further increase supply in already saturated markets should be considered in the context of these wider and increasing pressures on service sustainability and quality.

Recommendation 2

Ensure that the planning framework supports more strategic distribution of supply, encouraging investment in childcare deserts, growth corridors, new housing estates and areas of educational disadvantage, while avoiding unnecessary oversupply in already saturated communities and the cost pressures and inefficiencies this creates for families, providers and Government.

[4] The Conversation (2026), 'Australia's childcare system is full of churn. This isn't good for quality or safety', 12 August 2026. https://theconversation.com/australias-childcare-system-is-full-of-churn-this-isnt-good-for-quality-or-safety-288902

3. Planning should support Government's broader sector objectives

The Parliamentary Inquiry recognised that Government should take a stronger role in stewarding the composition of the sector (Recommendation #4).

It recognised that current market settings encourage development in commercially attractive locations while underserved communities continue to experience shortages. The Committee recommended greater government stewardship of provider mix, expansion of not-for-profit provision, greater transparency regarding market dynamics and stronger planning mechanisms to align growth with public policy objectives.

It recommended that NSW develop an explicit policy on the future composition of the ECEC sector, including increasing the proportion of not-for-profit providers, supporting expansion through public land and funding mechanisms, and using government levers to drive long-term market stability and quality outcomes.

Similarly, the Inquiry highlighted the need for greater transparency around the role of property investment and rental costs within the ECEC market (Recommendation #7). While rent regulation sits outside the planning system, planning decisions should not inadvertently reinforce market dynamics that favour speculative development over community need.

The planning framework should therefore actively support:

- equitable geographic distribution
- balanced provider mix
- sustainable service viability
- expansion in childcare deserts rather than already saturated markets.

Recommendation 3

Ensure future planning policy reform is aligned with the objectives and recommendations arising from the NSW Parliamentary Inquiry into the Early Childhood Education and Care Sector, and supported by a formal mechanism for ongoing collaboration between planning authorities, the NSW ECEC Commission and sector representatives.

4. A Strategic ECEC Planning Assessment is needed at the Development Application (DA) stage

The NSW planning framework already recognises the need to connect planning decisions with ECEC regulation. Under the State Environmental Planning Policy (Transport and Infrastructure) 2021 (SEPP), consent authorities must consider the Child Care Planning Guideline when assessing centre-based ECEC developments, and specified applications must be referred to the NSW ECEC Regulatory Authority for concurrence where indoor or outdoor space requirements are not met.

However, these mechanisms currently only consider the design and regulatory requirements of individual developments**.** There is no equivalent mechanism for considering the cumulative impact of a proposed development on the *ECEC system*, including consideration of existing and approved capacity and whether new supply is needed at all.

Indeed, the current planning framework appears to specifically limit councils' ability to consider these issues. Section 3.27 of the State Environmental Planning Policy (Transport and Infrastructure) 2021 provides that Development Control Plan provisions relating to demonstrated need or demand for ECEC services, or proximity to other ECEC facilities, do not apply to centre-based ECEC developments.

It may be that this restriction was designed to remove local planning barriers to new supply. However, in a market now experiencing significant oversupply in some locations alongside persistent shortages in others, there is a strong case for reconsidering this approach. Introducing strategic consideration of supply and demand may therefore require amendments to the SEPP to enable these matters to be considered through a consistent state-level stewardship framework.

NSW should now consider introducing a Strategic ECEC Planning Assessment to provide councils and other consent authorities with consistent, state-level evidence on:

- local supply and demand
- occupancy trends
- projected population growth
- provider mix
- existing quality profile
- underserved cohorts
- preschool participation
- cumulative approvals over previous five years.

Importantly, this would shift consideration of supply and demand from an individual council or development level to a statewide system-stewardship framework, supported by consistent data and informed by both government and sector intelligence.

This would also give effect to the stewardship approach recommended by the Parliamentary Inquiry, by creating a mechanism through which planning decisions can better reflect community need and the Government's broader objectives for quality, inclusion, access and the future composition of the ECEC sector.

Option 1 - Strategic advice model

Under this option, the NSW ECEC Commission, working with the ECEC sector and relevant agencies, would maintain and regularly update statewide supply and demand assessments using consistent data and sector intelligence.

Councils would be required to have regard to these assessments when considering development applications for new ECEC services alongside the existing considerations under the SEPP and Child Care Planning Guideline. The assessment would be used to inform rather than determine the Council's decision.

This represents the least regulatory option and could be implemented without creating additional referral processes. It would strengthen the evidence available to local governments without introducing an additional approval or referral stage into the Development Application process and is broadly consistent with recent work in the ACT to strengthen consideration of ECEC supply and demand in planning decisions, and historic models in South Australia where an Advisory Committee including sector peak bodies provided local sector intelligence to support demand assessment for proposed new services.

Option 2 - Referral authority model

A stronger stewardship model building on Option 1 would require specified Development Applications to be referred to the NSW ECEC Commission for strategic advice before a planning decision is made**.** Rather than applying to every application, referral could be triggered by defined criteria – for example, applications in areas identified through state-level assessments as materially oversupplied, undersupplied or experiencing significant population and housing growth.

The Commission's advice, informed by sector intelligence, could consider whether the proposed development is consistent with demonstrated community need, existing and approved supply, provider mix and the Government's broader ECEC objectives. The local government would retain responsibility for the final planning decision but would be required to consider the Commission's advice.

This would build on an approach already present within the NSW ECEC planning framework to provide a stronger stewardship mechanism without making the ECEC Commission the planning decision-maker.

Future national alignment

In July 2026, Education Ministers together with the Commonwealth agreed to explore a National ECEC Commission. If established, a National ECEC Commission could strengthen this approach over time by developing nationally consistent supply-and-demand data, market monitoring and planning methodologies, while retaining the role of the NSW ECEC Commission, local government and the sector in interpreting and applying that intelligence to NSW communities.

Planning ECEC services in the right places

Proposing a new strategic supply assessment

Planning is the first and most effective opportunity for Government to influence the long term composition of the ECEC sector.

Why intervene earlier?

Without strategic supply planning:

- Oversupply can and is occuring in already saturated communities
- Government faces higher regulatory costs and inefficient use of council and state resources
- Childcare deserts remain underserved
- Investment follows property markets rather than community need
- Financially fragile services cannot invest in quality for children and place pressure on the Regulator.
- Government investments in preschool, workforce and inclusion are undermined

A note on longer term sector ambitions

A National ECEC Commission could strengthen this approach over time by developing nationally consistent supply-and-demand data, market monitoring and planning methodologies for use by local and state authorities.

1. Developer identifies site (Private sector)

Developer identifies a site based on commercial factors including land availability, demographics and investment return. Data published by ECEC Commission indicates if a location is already saturated.

2. Development Application Lodged *(Local Council / Planning Authority)*

Current assessment focuses on:

Land use compatibility	Traffic & parking	Environmental impacts	Built form	Community consultation

NEW: Strategic ECEC Assessment
(To inform planning decisions)

This assessment can be undertaken in one of two ways:

Option A
Data provided by the NSW ECEC Commission
The Commission provides the Developer/Council with supply data and analysis to inform their decisions.

OR

Option B
Assessment undertaken by the NSW ECEC Commission
The application is referred to the Commission for assessment and advice to the Council.

Information considered includes:

- Current supply and demand
- Existing occupancy levels
- Population growth projections
- Childcare deserts & undersupplied areas
- Provider mix (NFP/ Governmnet / For-Profit
- Existing service quality (NQS)
- Access for priority cohorts
- Alignment with State Government preschool & workforce objectives
- Investment efficiency for Government

3. Planning approval granted *(Council)*
Council considers both planning matters and strategic ECEC assessment before determining the application.

4. Provider approval *(NSW Regulator)*	Provider suitability	Compliance history	Fit and proper person
5. Service approval *(NSW Regulator)*	Premises assessment	National Law compliance	**Service Opens**
6. CCS approval *(Commonwealth)*	Meets CCS eligibility	Appropriate fee levels	Ongoing compliance

Planning reform should support more than faster approvals.
It should also help ensure the right services are built in the right locations, supporting:

balanced supply	sustainable services	high quality providers	equitable access	stronger outcomes for children & families

Conclusion

NSW currently has an important opportunity to move beyond viewing ECEC services simply as another form of commercial development and recognise that early childhood education is critical social infrastructure that requires active stewardship.

The objective of planning reform should not simply be to approve more services, more quickly. It should help ensure that the right services are established in the right places – responding to community need, supporting sustainable and high-quality provision, strengthening equitable access and making efficient use of government, provider and family investment.

This is particularly important as the NSW Government considers its response to the Parliamentary Inquiry and establishes new mechanisms for stewardship of the ECEC sector. Planning reform should form part of that broader policy response, with ongoing collaboration between planning authorities, the NSW ECEC Commission and sector representatives.

A Strategic ECEC Planning Assessment would provide a practical mechanism to achieve this, giving councils access to consistent evidence on supply, demand, quality, provider mix and community need before development decisions become locked in. It would allow NSW to retain the benefits of an efficient planning system while introducing greater strategic oversight of how the sector develops over time.

Goodstart and BFS would welcome the opportunity to work with the NSW Government, the NSW ECEC Commission and local government to further develop this approach.