

31 January 2014

Our Ref: 2014/023038

Childcare and Early Childhood Learning
Productivity Commission
GPO Box 1428
Canberra ACT 2601

By email: childcare@pc.gov.au

Attention: Wendy Craik, Presiding Commissioner

Dear Commissioner Craik,

Productivity Commission Public Inquiry – Childcare and Early Childhood Learning

The City of Sydney welcomes the Australian Government's announcement of a Productivity Commission public inquiry on future options for childcare and early childhood learning.

We are pleased to have the opportunity to contribute to the Commission's exploration of more effective responses to childcare and early childhood learning issues in the community, including sectoral and funding reforms which may support increased supply of high quality care.

Childcare is a critical issue for the City's communities. The below submission provides information on the following key issues to inform your inquiry and supplements a submission to the Commission in December 2013 of a comprehensive study on the supply and demand for Early Childhood Education and Care in the City of Sydney:

- The City of Sydney's involvement in early childhood education and care;
- Why early education and care provision is important to the City of Sydney;
- Supply and demand of early education and care in the City of Sydney;
- Recommended roles of all levels of government in planning for supply of early education and care places;
- What the Commonwealth could do to address the supply gap in the City of Sydney; and
- Effective Commonwealth Government support for the City of Sydney as a provider of early education and care.

Our contribution is made in a spirit of collaboration and in recognition of the need for all levels of government to commit to addressing current issues.

Yours sincerely,

Monica Barone
Chief Executive Officer

Introduction

We are pleased that this inquiry will address the development of a future system of childcare that will best serve the community, with a focus on workforce participation and children's learning and development needs.

Childcare has been identified by the City of Sydney ('the City') as a critical issue impacting the social and economic wellbeing and development of our residents and workforce alike.

We recently commissioned a comprehensive study on supply and demand for Early Childhood Education and Care (ECEC) care places across the City, both current and forecast to 2031, including the impacts of relevant policy, population and sectoral trends.

We provided a copy of this study to the Commission with our preliminary submission of 10 December 2013.¹

The study revealed that there is a current estimated shortfall of 3,104 ECEC places in the City of Sydney local government area (LGA). This shortfall is projected to rise to 5,976 places by 2031 if substantial additional supply does not come forward.

The study makes a series of recommendations on effective strategies to facilitate delivery of additional childcare places to meet demand. It highlights the need for education and awareness-raising in the wider community on the current gap in childcare places; the importance of adequate childcare supply to community, and the need for all levels of government to play their part in enabling increased supply.

This study, along with previous similar studies commissioned by the City, have helped build an extensive body of knowledge about childcare issues facing our communities, and opportunities for government to better respond to these issues.

This submission responds to the issues raised in the Productivity Commission Issues Paper – *Childcare and Early Childhood Learning*, December 2013. It focuses on:

- The City of Sydney's involvement in early childhood education and care;
- Why early education and care provision is important to the City;
- Supply and demand of early education and care in the City;
- Recommended roles of all levels of government in planning for supply of early education and care places;
- What the Commonwealth could do to address the supply gap in the City of Sydney; and
- Effective Commonwealth Government support for the City of Sydney as a provider of early education and care.

The City welcomes the opportunity to contribute to the Productivity Commission's exploration of more effective responses to childcare and early childhood learning issues in the community, including sectoral and funding reforms which may support increased supply of high quality care. Our contribution is made in a spirit of collaboration and in recognition of the need for all levels of government to commit to addressing current issues.

¹ The Study is available at <http://www.cityofsydney.nsw.gov.au/community/community-services/children>

The City of Sydney Council

The City of Sydney Council is the authority for the City of Sydney Local Government Area (LGA), NSW. The City comprises central Sydney (Sydney CBD), The Rocks, Millers Point, Ultimo, Pyrmont, Surry Hills, Woolloomooloo, Kings Cross, Elizabeth Bay, Rushcutters Bay, Darlinghurst, Chippendale, Darlington, Camperdown, Forest Lodge, Glebe, Alexandria, Beaconsfield, Centennial Park, Erskineville, Newtown, Redfern, Rosebery, Waterloo, and Zetland.

More than 183,000 people live within the City of Sydney's boundaries, which cover 26.15sq.km, sharing the space with about 22,000 businesses. The median age of City residents is 32. With an annual increase of about 1.5%, the City's population is forecast to reach approximately 269,000 by 2031 – more than double its 2001 population, with around 557,760 workers.

The City of Sydney is a global city and one of the most multicultural cities in the world: around 30% of residents speak a language other than English at home. The City is home to one of Sydney's largest Aboriginal and Torres Strait Islander communities. It is also economically diverse with higher than average numbers of both high income and low income households than Greater Sydney. Compared to more than 85% for the Sydney metropolitan area, only around 60% of City households own a car.

The City is central to the economic viability of NSW and Australia. In 2011-12, economic output in the City of Sydney was forecast to be \$100.8 billion. This represents 7% of the Australian economy and almost a quarter of the NSW economy.

Like all NSW councils, the City of Sydney has responsibilities and roles identified under the *Local Government Act of NSW 1993*. Amongst other roles, under this Act, local councils have the responsibility to plan for the needs of children. The City also has responsibilities under other NSW laws including the *Environmental Planning & Assessment Act 1979*, the *Public Health Act 2010* and the *Companion Animals Act 1998*. Council also has the authority to make its own regulations and by-laws.

The City of Sydney's functions include to:

- Provide for development in the local area;
- Provide for local services and facilities that benefit ratepayers, residents and visitors;
- Protect health and provide for the welfare, wellbeing and interests of the local community;
- Represent and promote the interests of ratepayers and residents;
- Establish and support organisations and programs targeting the local community;
- Protect the environment and improve local amenity;
- Attract and provide infrastructure for commerce, tourism and industry, and
- Manage, improve and develop resources available to Council.

The City's involvement in early childhood education and care

The City of Sydney is making this submission in respect to our two major roles in ensuring our residents, those who work in our City, and above all our child residents have access to high quality education and care within our LGA.

These roles are that of:

- An active participant in moderating the demand/supply gap for early education and care in our City, and
- A direct provider of early education and care within our City.

For the City, ensuring that our community has access to high quality and accessible early education and care services is not just about maintaining a productive workforce or providing more child minding services. The City considers that quality and accessible early education and care has a fundamental educational role for children. It is a long term economically and socially sound investment in our community.

The City believes that participation in early education and care by local children and their families can make significant contributions to our LGA and broader society in a number of ways including:

- Closing the educational gap for children from disadvantaged backgrounds;
- Increasing academic outcomes for all children;
- Building stronger and safer and more connected neighbourhoods;
- Supporting workforce participation;
- Providing a current and future labour supply;
- Promoting the economic self-reliance of families, and
- Reducing poverty and addressing relative inequality.

Access to early education and care services is a target under the City's Community Strategic Plan – *Sustainable Sydney 2030*. This sets out a range of activities and targets, by which the City will support the ongoing development of vibrant and diverse local economies and communities.

Target 8 of this Plan specifically proposes:

"Every resident will be within reasonable walking distance to most local services including fresh food, childcare, health services and leisure, social, learning and cultural infrastructure."

In addition, the City aspires to social sustainability goals of supporting increasing relative equality and the resilience and adaptive capacity of our communities. The supply of high quality early childhood education and care makes a critical contribution to achieving these objectives.

Historically, the City has been a strong advocate for quality early education and care and currently owns and/or leases premises from which 23 early education and care centres operate. These centres are either directly operated by the City, leased to not-for-profit providers under our Accommodation Grants Program (AGP) or leased commercially to for-profit providers. Specifically:

- The City owns and directly operates four early childhood education and care services: two preschools, one long day care centre and one occasional care centre. Council's occasional care services located in Redfern is the only occasional care service operating within the LGA. It has a strong focus on

access by local low- income and Aboriginal and Torres Strait Islander children and families.

- The City also provides five vacation care programs and six after school care programs.
- The City currently leases 16 centres under our Accommodation Grants Program (AGP) to a range of not-for-profit providers who deliver childcare services. The AGP supports community organisations by providing accommodation in Council-owned buildings within the community property portfolio at nil, or below market, rent. As part of the requirements of the AGP, these services must meet Key Performance Indicators detailed in their leases that support the City in meeting its objectives under *Sustainable Sydney 2030*. The AGP is a unique program and has benefits to both Council and the tenants due to maintaining formal leases which are reviewed every three years that are based on achieving identified community outcomes.
- The City leases two early education and care facilities under commercial leases to for-profit service operators.
- The City has contracted a community-based provider, Children's Services Community Management, to operate a long day care service for its employees in Chippendale. Employees of the City of Sydney are able to access any one of the services the City directly operates, however only have first priority to childcare positions at the City's work-based education and care service. City of Sydney employees have the opportunity to salary sacrifice their fees while using any of the council operated education and care services or the work based education and care centre.

The City also undertakes a number of planning and delivery roles that have contributed to an increase in the provision of early education and care places over the past ten years including:

- The City has completed three childcare needs analyses in 2005, 2008 and 2013 to identify provision priorities to enable effective planning for increased supply of quality and accessible early education and care for its residents and workers. These needs analyses included evidence based benchmarking based on the characteristics and needs of the local population.
- Based on the outcomes of the first analysis, the City introduced its first Childcare Centres Development Control Plan (DCP) in 2005.² Along with development quality guidelines for the provision of centres, the DCP set size thresholds for residential and commercial development at which the provision of childcare places is strongly encouraged. Since the introduction of the DCP, there have been an additional 1,310 childcare places provided across the City. Mostly these have been in high development areas such as the Sydney CBD and Green Square.
- The City of Sydney Child and Family Services Unit has developed a comprehensive listing of all the education and care services operating within the LGA. This list is updated annually and is made available to families through the

² The 2005 DCP is superseded by the integration of relevant guidelines into the City of Sydney DCP 2012.

City of Sydney website. Families who contact the City's Child and Family services unit are given information about what parents should be looking for in an education and care centre to meet their specific needs.

- The City has committed to investing \$55 million to fast track the delivery of a number of new early education and care facilities across the City to respond to the identified growing gap in supply.

Why early education and care provision is important to the City

In developing the National Quality Framework for Early Education and Care, the Council of Australian Governments (COAG) stated that:

"The Australian Government and state and territory governments recognise the importance of increasing their focus on the early years to ensure the wellbeing of children throughout their lives and to lift the productivity of our nation as a whole. The drive for change is based on clear evidence that the early years of a child's life are very important for their present and future health, development and wellbeing."

The City of Sydney agrees with this sentiment. We have long recognised that participation in early education and care is important in our City to child residents, their families and to enable workforce participation by residents and others within the City. We consider the interests and rights of children, as residents of our city, to be central to the planning for, and in provision of, early education and care.

The City of Sydney believes that access to quality education and care services is important for all children, given the evidence that exists of its importance to children both now, and in their future.

The City's experience in meeting current regulation governing ECEC services

The following information responds to the Commission's request for evidence and case studies that will inform its assessment of both the benefits and costs of current regulations impacting on ECEC services. It relates to the four ECEC services operated directly by the City of Sydney.

When changes to the regulations were announced and specifically what the changes were, the City of Sydney Child and Family Services Unit undertook an analysis of:

- How many new staff would be required and the cost involved in employing additional staff;
- What additional support/ resources would be required to implement the requirements of the educational program into each setting and the cost involved in resourcing through training and time, and
- What skills and qualifications current staff had; what training and assessment would be required in the future and how this would be procured

To implement the regulation changes, the City:

- Organised for all Untrained Childcare Workers who did not hold a minimum Certificate III in Children's Services, to be assessed by a Registered Training Organisation against modules in the Certificate III in Children's Services. Skills and knowledge were assessed through Recognised Prior Learning (RPL) program and as well as attending training;

- Identified that additional time off the floor for key staff would be required to document and plan the educational program in line with the Early Years Learning Framework. Each staff member who plans and documents the program is now given approximately three to four hours per week to develop the program, and
- Employed additional staff to meet the 1:4 ratio in the under two's rooms and to ensure coverage of staff in those rooms for breaks and staff programming.

The cost involved in the implementation of the changes listed was considerable. The cost was allocated across two financial years and was partly subsidised by the City and an increase in fees.

The implementation of the additional staff with higher qualified staff and the additional resources given to staff in the way of time off the floor and training has had a positive impact on the education and care delivered at the centre. This has been evident in the feedback that we have been receiving from families, the children themselves and the spot visits which the NSW Department of Education and Communities has undertaken.

No centre has yet been through the new assessment visits; however the City is confident that the centres will be able to achieve positive results.

Additionally, in 2010, the City has also made the decision to start converting the Childcare Worker (Untrained) positions (Cert III qualified) to Childcare Worker (Trained) positions (Diploma Qualified) in our early childhood education and care services. Since 2010, we have converted five Childcare Worker (Untrained) positions to Childcare Worker (Trained) positions across the four Council operated early childhood education and care services.

This change has been beneficial, as Early Childhood Teachers have had the opportunity to work alongside Diploma Qualified staff members and together develop, deliver and reflect on the educational program offered to the children. The educational programs that have been delivered since 2010 are of a higher quality standard.

Further impacts of the implementation of the regulation relate to provision of places for under two year olds. Prior to the implementation of the 1: 4 ratio for under two year olds, the City had the capacity to offer the following number of places for children under the age of two across our long day care and occasional care centre:

- Alexandria CCC: 2 rooms x 10 children (total = 20 children)
- Redfern Occasional Care Centre: 1 room x 10 children (total = 10 children)

On the basis of the City's cost analysis of the implementation of the 1:4 ratio, the City decided to reduce the amount of places offered to under two year olds in our occasional care centre. The positions now offered to under two year olds are as follows:

- Alexandria CCC: 1 room x 8 children, 1 room x 12 children (20 children)
- Redfern Occasional Care: 1 room x 8 children

The impact of offering two less positions for under two year olds at the occasional care centre was minimal as care required in occasional care is not as in high demand as it is in long day care.

Supply and demand of early education and care in the City of Sydney

Current early education and care provision in the City of Sydney

As at July 2013, there were 4,502 centre-based early education and care places available in 87 centres across the City and 195 Family Day Care places. Places for children aged under two years represented around 28% of all places (lower than the

proportion of children aged under two years which is 44% of all children 0 to 5 years). There were approximately 7,113 children enrolled in these 4,502 centre-based places, indicating that a majority of children attend care part time – three days per week on average. This important finding has led the City to determine that when assessing demand, assessment should not be based on one place for one child.

Use of centres by residents and workers varies across the LGA. In CBD localities, around 90% of all places are utilised by the children of workers. In localities outside the CBD, around 40% of all places are accessed by children of workers.

For-profit and work-based corporate childcare represents 53% of all services operating in the City. This is an increase from 2005 when it was 36%.

Community-based not-for profit long day care services represent 30% of all early education and care centres (excluding preschools) down from 2005 when 38.5% of all early education and care centres in the local area were community based not for profit services.

Current supply/demand gap

The City of Sydney is different to many other LGAs in that it has a high use of its early education and care centres by workers due to the number of parents who work within its CBD and other high employment areas within the City. Therefore demand cannot be assessed only on the number of preschool aged children living here.

The *Childcare Needs Analysis Study 2013*³ identified a current gap of 1,470 places for residents and a forecast gap to 2031 of 3,730 places.⁴ The Study also identified a current gap of 1,634 places for workers and a forecast gap to 2031 of 2,246 places. The total current combined gap for residents and workers is 3,104 and forecast gap to 2031 is 5,976 places.

The City used multiple indicators to develop a benchmark to determine demand for its residents and workers. Assessing early education and care demand is not as simple as looking at the number of, or growth in child populations. Demand in every LGA varies based on attributes including: whether children live in one parent, two parent, or no parent working households; the size of the local workforce; income and educational levels of parents and their capacity to access care; cultural norms around use of formal care; affordability and income levels; and ability to access quality care in the local area.

The benchmark used by the City for assessing resident demand was one place for every two children aged 0 to 5 years. This benchmark is based on the following assumptions from the evidence collected:

- Approximately 80% of all of the City's children need access to centre based care (based on the survey of 150 residents and consistent with findings from 2005 and 2008 and outcomes of the Australian Early Development Index 2012).
- Families need on average three days a week formal education and care (based on interviews with all ECEC services and a resident survey).

³ Cred Community Planning and Community Childcare Co-operative (NSW) for the City of Sydney, *City of Sydney Childcare Needs Analysis 2013*

⁴ It is noted that the forecast figure is premised on current supply, as it is not possible to forecast supply beyond known Development Applications.

- Therefore, 80% of all children need access to care for on average three days a week – or 0.6 places a day: this equates to 0.48 places for one child or (rounded up) one place for every two children.

Benchmarks for workers were based on current utilisation rates in different Village Groups⁵ and applying this to the proportion of places utilised by workers in each Village Group – eg., 90% in the CBD, 40% in Village Groups outside the CBD.

Demand is not only high in terms of places but also in terms of equity. What is clear from the study is that Council services and not-for-profit services are providing much greater access to low-income, Aboriginal and Torres Strait Islander children, children with additional needs, and for children aged under two years.

For example, the proportion of children who receive full CCB (that is those receiving the full Child Care Benefit and on very low-incomes) was significantly lower in private centres (6.0%) than not-for-profit centres (16.2%) and City operated centres (25.5%). The proportion of Aboriginal and/or Torres Strait Islander children accessing care was much higher overall in Council operated centres (10.8%) and not-for-profit (community-based) (5.8%) compared to private centres (0.4%). A dependence on the private market to supply all future early education and care places could continue to disadvantage these children and families.

The various types of education and care services offered in the City of Sydney LGA appear to meet the needs of residents and workers in terms of flexibility. The operating hours are generally long enough to meet worker's needs. There is however a need for occasional care in the CBD that can be used by interstate visitors who require short term care. Unfortunately, as it is difficult for occasional care to operate as a viable service the private sector is not interested in operating such services. The City operates one occasional care centre (in Redfern) and one not for profit operator (in Glebe) that hold a portion of their daily positions for occasional care placements. The location of these services is not easily accessible to the interstate worker who requires care in the CBD.

Why is there an undersupply of early education and care places in the City of Sydney?

There are a number of reasons why undersupply of early education and care places has occurred in the City:

- Significant resident and worker population growth.
 - Over the past decade the resident population has increased by 53,500 (41.5%) and comparatively the City has been both the largest and fastest growing local government area in the state of NSW. The total population of children aged 0 to 5 years has increased by 1,308 between 2006 and 2011 from 6,040 to 7,348 and is projected to increase significantly to 12,946 by 2031.
 - During 2006 to 2011, the City's workforce increased by 49,839 from 384,981 to 434,820.
- An increasing number of families are choosing to live in the City because of its proximity to work and transport. The corresponding higher cost of living means that both parents have to work and many require early education and care for their children from an early age, increasing demand for places for children under

⁵ The City's LGA is divided into 10 Village Groups for strategic social planning purposes, to support localised planning for facilities and services.

two years which are as babies placing a reliance on childcare from a very early age, even though places for children aged under two years are limited.

- Lack of co-ordinated planning at a state or national level and limited support for local government. There has been a lack of strategic planning for the adequate supply of early childhood education and care places to support the growing population and workforce at the State and Commonwealth Government levels. This has resulted in undersupply in some areas and an oversupply in some growth areas (eg Blacktown).

There has also been an overreliance on the private sector to meet the demand gap, even though the profitability of services is less feasible in very high land value areas, such as the City of Sydney. This has resulted in a situation whereby despite the attractiveness of service development in areas of obvious high demand for places, the initial cost of entry is high and ongoing profitability of services can be relatively low.

This situation has left local government with the responsibility to address the concerns of their communities, which place demands on local authorities as their most accessible form of government. Without the funding to both undertake proper social and strategic planning to assess demand or to develop new infrastructure, however, addressing this gap is difficult for many local government authorities, including the City of Sydney.

- The high costs of land and development, along with the difficulty of finding suitable sites large enough to meet regulated space requirements, are key constraints on supply in the City of Sydney. Not only is land relatively more expensive in this LGA, but redevelopment of existing sites is also frequently constrained by additional factors, including heritage restrictions; the size of the site making it difficult to build a centre large enough to be profitable, and neighbour impacts associated with high densities and proximity to residential development.

The majority of new early education and care centres since 2005 have been built as part of new developments and 100% have been developed by the private sector. Because of the difficulties in the City of finding sites appropriate to meet the design requirements of the National Quality Framework, the City allows flexibility in centre design including around car parking spaces and locating centres above ground floor level, subject to appropriate emergency egress measures being in place.

Addressing workforce shortages

Providing high quality education and care to children is largely dependent on the staff employed. Quality and availability of suitable staff is currently a critical concern.

While there is an increase in education and care services provided across NSW it has been difficult to find high quality staff to work in services. In the experience of the City's Children's Services Manager, the standard of applicants is reduced compared with a decade ago. Over the last few years, the City has at times needed to run three or four recruitment rounds – sometimes resulting in positions being vacant for up to a year – before finding suitable staff.

More and more people are also choosing not to work in the Early Childhood Education and Care Sector as the remuneration is lower than in the primary and secondary school

systems and the working conditions are not as favourable as working in a primary school.

Professional wages and better working conditions would assist in attracting a higher calibre of staff to the early childhood education and care sector. This is a critical issue for the Commonwealth Government to address at an award level, as well as through provision of funding to education and care service in paying professional wages to ensure that fees do not need to be increased considerably to cover the cost of increase in salaries.

Flexibility of early education and care services

The Inquiry is seeking information on the extent and nature of unmet demand for more flexible early education and care.

The City's recent *Child Care Needs Analysis Study 2013* addressed the issue of flexibility in parents' childcare choices. Anecdotally, the City is aware that the diversity of its workforce and key employment sectors, including healthcare and the services sector, means that some members of the community will be working outside normal business hours, including early morning and night shifts.

Parents living and working in the City of Sydney LGA access various types of services specific to their work and lifestyle needs. Over the past few years we have found that families will work around the operational hours of specific education and care services because the centre has a good reputation and they want their children in that particular centre. This is evident in the number of families now accessing care at Redfern Occasional Care regardless of the fact that the centre only operates 9am – 4pm and in the extended hour preschools that offer care between 8.30am and 4.30pm.

In addition, parents in the City tend to piece together a range of care options. Around 72% of parents surveyed for our *Childcare Needs Analysis Study 2013* chose long day care as their preferred care type and they use this for three days on average. For those working full time, either family and friends (6%) or nannies (7%) were used for the other two days.

Many parents surveyed chose a mix of long day care and family/friend or nanny as they believed it is better for their child not to be in formal care settings five days a week.

With regard to nannies, the fact that this form of child care is not currently required to provide an education dimension, as with regulated forms of ECEC services, is a key consideration.

Formal early education and care remains a critical service for funding prioritisation, as it offers children, their families and our community significant benefits in terms of educational, economic and social outcomes.

Focusing on flexible forms of care such as nannies, who do not generally serve an educational role, but more a care role, should not result in reduced Commonwealth Government focus on the need to deliver increased infrastructure for early education and care.

In addition, if funding is to be made available for nannies, this sector must be adequately regulated, as is now the case with home-based family day care models. Additional funding will therefore need to be allocated so that funding levels for approved education and care services are not impacted.

In planning for flexible care more broadly, it is noted that affordability and quality of the education and care offered are all important factors when families look for an education and care service. Families often express that the qualities which they look for in a service are one which is safe, clean, has happy and nurturing staff and provides a welcoming atmosphere.

The comments provided by families through the City's annual survey of services clearly shows that families find these qualities as important and want their children to be cared for by friendly, nurturing staff who provide quality educational programs to children which supports and facilitates their learning.

Recommended roles of all levels of government in planning for supply of early education and care places

As a local government provider of early education and care and a Council with a commitment to meeting the early education and care needs of our residents and workers, we believe that a more clear cut division of roles for all levels of government in education and care provision needs to be defined and put into effect.

Since the advent of the National Quality Framework in 2012, roles for State/Territory and Commonwealth Governments in this area have been better clarified. But a significant anomaly remains in that although preschools/kindergartens are in scope of the NQF, their funding remains with the State/Territory Governments.

In NSW this means that:

- Families who chose preschools to provide their child's early education and care are not able to access Child Care Benefit and Child Care Rebate.
- Families pay higher preschool fees in NSW than any other state or territory because of lack of investment in early education and care by that State Government.
- Preschools cannot access a range of Commonwealth Government programs designed to ensure they are able to meet the demands of the NQF, such as funded professional development (via the Inclusion and Professional Support Program) and access to programs such as the Bicultural Support Program.

The City of Sydney believes that a similar framework for early childhood education and care should be enacted, similar to the funding and delivery model that exists for primary and secondary education.

A consistent framework will enable more effective strategic planning across all levels of government to ensure supply is available to meet demand. This framework would be based on the following structural elements:

- The Commonwealth Government should have financial responsibility for all elements of early education and care provision, including preschool education and ensuring service supply equals demand.
- Capital funding for infrastructure allocated from Commonwealth Government to State/Territory Governments on the basis of demonstrated demand.
- Strategic planning for adequate supply of facilities to meet enrolment demand the remit of State/Territory Governments – to inform associated capital funding bids for new infrastructure.
- State Government responsibility for regulation of education and care services and assessment of services against the National Quality Standard.
- Local Government responsibility for localised needs analysis, to inform State-based strategic planning to ensure that local demand and supply are aligned. This should be funded by the Commonwealth Government, and responses effected by the State Government.

What the Commonwealth could do to address the supply gap in the City of Sydney

Addressing the current and growing supply gap for early education and care services in the City of Sydney and other LGAs is a matter of urgency. There are a number of actions that the Commonwealth could take to address this gap.

1. Enshrine children's access to early education and care as a right for all children

The Commonwealth Government should not look at early education and care as primarily a means to productivity and workforce participation, but as an essential educational and care service that is good for children, for families and in the longer term for our society as a whole. All children should be able to access quality early education and care to receive the proven long-term benefits it delivers to children, to families and to our society.

2. Co-ordinate strategic planning for new centres across all tiers of government

The Commonwealth Government should support planning for early education and care needs at a local government level – as per the framework set out above. The Commonwealth should ensure, for example, that the benchmarks used to assess demand for residents and workers is based on how people use care in their own communities (eg. part time, full time); the socio-economics of the area, and surveying local centres.

The Commonwealth can support this strategic planning either by:

- Completing supply and demand analysis based on the specific characteristics of each local government area, or
- Funding and supporting local government to undertake this strategic planning; using funding as a policy lever for achieving these outcomes.

The latter is recommended. Local government is well placed to plan for the needs of children and families because we:

1. Have intimate knowledge of the particular characteristics of our local community and how these might impact on demand for childcare;
2. Create planning controls that can encourage new early education and care services as part of new developments;
3. Provide infrastructure and facilitation of developments which ensure the overall wellbeing of families, and
4. Advocate on behalf of our community to other levels of government.

Today, planning for early education and care needs has become another *de facto* responsibility of local government.

This situation has not been planned: local government has not been requested to take this responsibility on by either Commonwealth or State Government, but in many areas, local government planning for early education and care is the only planning that is occurring.

Conversely, some local government authorities are divesting themselves of this responsibility, leaving communities without effective Commonwealth/State Government-led strategic planning to meet demand. These communities are reliant on the not-for-profit and private sectors to meet demand for new infrastructure and

services, the former which cannot necessarily resource new infrastructure development.

Dependence on market forces to fill the gap for early education and care places is clearly not working if the largest city in Australia has a current estimated gap of more than 3,000 places. In particular it is not working in an equity sense as many disadvantaged children, and children under two years of age, are finding it more difficult to access early education care.

3. Clarify the different roles of different levels of government in early education and care provision

In the implementation of the National Quality Framework in 2012, the Commonwealth Government took clear steps to reduce the amount of duplication of effort between the Commonwealth and State/Territory Governments within education and care provision.

Having nationally consistent regulation enforced by the State Government coupled with Rating against the National Quality Standard by the State Government has improved key operational issues for services. However a situation where State and Territory governments are still responsible for funding preschool education, while the Commonwealth Government funds childcare provision, means that there is still a large amount of overlap. This situation is contrary to the intent of the National Quality Framework in setting universal standards for all early 'education and care' services.

There is still no clarity on responsibility for planning of education and care provision to address growth and change in our communities, and local government is often forced to take this on in as a *de facto* role. If this is to be our role, this needs to be clarified and local government needs financial support to undertake this role in a professional manner.

It is important to note that local government becomes both the point of contact and frustration from the local community when supply of early education and care fails to meet demand, despite this shortfall occurring because of the actions or inactions of the Commonwealth or State Government.

4. End the preschool/ care divide between the State and Commonwealth

The NSW state-based regulations that predated the national education and care regulations required the employment of early childhood teachers in preschools, long day care services and occasional care services. Because of this all services types in NSW and in the City of Sydney have a proud history of provision of early education in all care types.

Despite this, because of a historical and constitutional division, preschool education is funded by State Governments and childcare by the Commonwealth. The City of Sydney is in the State of NSW, which provides less support to early education and care services than any other State or Territory. This means our preschools are underfunded, and our preschool fees are higher than other states and territories. This situation also creates equity barriers for accessing preschool education.

Duplication of systems such as the Commonwealth's Inclusion Support Subsidy program and the State's Supporting Children with Additional Needs Programs is a less efficient use of money which could be better put directly towards inclusion of children with additional needs in early education and care services. All should be administered at one level and all funding from one level, to avoid duplicating systems.

5. Provide capital funding in areas of market failure or high cost such as City of Sydney

Because of the high cost of land in the City of Sydney, and consequent high mortgage repayments and high rentals, despite high (and known) levels of unmet demand, private developers have not rushed to meet the unmet demand for early education and care.

Existing not-for-profit community-based education and care services and some council services are now facing increased infrastructure maintenance costs for early education and care centres. A 2006 Independent NSW Local Government Inquiry found that overall in NSW there had been an underspend on infrastructure renewal in the order of \$500 million per annum, and it would cost over \$6.3 billion to restore these assets to a satisfactory condition.

The City of Sydney and not-for-profit community-based operators within the City would be able to run new education and care services to meet excess demand but have little additional money available to put towards the building of new services. A capital funding mechanism or access to low cost loans to enable the development of new services, or rental subsidies in areas of Australia such as the City of Sydney where ongoing leasing and development costs can be prohibitive would help address this situation.

6. Undertake actions to increase equity access

The Commonwealth needs to strengthen programs to ensure that children who traditionally miss out on places in early education and care services (such as children from low-income families, children with additional needs, children at risk, Aboriginal and Torres Strait Islander children and babies) get access.

Because of the additional cost to providers of attracting and or including children from these groups in early education and care services, they are underrepresented in most services.

Babies cost more to provide early education and care to because of higher staff child ratios. Consequently our needs analysis studies have always shown that there is a larger demand gap for this age group than for any other. The Inclusion Support Subsidy does not cover the full cost of additional workers needed to include children with additional needs in long day care services. The City of Sydney believes that Aboriginal and Torres Strait Islander Children and children at risk of harm should be guaranteed early education and care positions at a nominal cost.

Children from low-income families, children with additional needs, children at risk, Aboriginal and Torres Strait Islander children are the children who would most benefit from access to high quality early education and care throughout their entire childhood. Unless the Commonwealth takes specific actions to address the inequity of access they face, they will continue to be excluded.

The City's *Childcare Need Analysis Study 2013* identified that there are increasing barriers for low income and Aboriginal and/or Torres Strait Islander children accessing early education and care services in the LGA. This is particularly the case in areas undergoing gentrification, such as Redfern, where parents with higher agency (communication skills and education) are able to access places more easily and feel more confident about entering a new system.

Community-based not for profit services, and most local councils do not have the funds to build new early education and care infrastructure. However, they deliver the majority of services to our most disadvantaged children. Relying on the private sector to continue to provide new early education and care infrastructure and services will further disadvantaged these children and families through decreased access opportunities. The City of Sydney's *Childcare Needs Analysis 2013*,

undertook a telephone survey of all early education and care services in the area which indicated that:

- The proportion of children who receive full Child Care Benefit (that is those receiving the full CCB and on very low incomes) was significantly lower in private centres (6.0%) than not-for-profit centres (16.2%) and City operated centres (25.5%).
- The proportion of Aboriginal and/or Torres Strait Islander children accessing care was much higher overall in Council operated centres (10.8%) and not-for-profit (community-based) (5.8%) compared to private centres (0.4%).
- The proportion of children with additional needs accessing care in the City of Sydney in 2013 was higher overall in not-for-profit (community) centres (3.3%) compared to Council operated (1.1%) and private (0.6%) centres. Not-for-profit services in the City of Sydney are providing a higher rate of access than nationally (2.6%).

It is suggested that alternative funding mechanisms, whereby services are funded directly, whether instead of or in addition to families, will provide government with a direct policy lever to enable equity of access goals to be more effectively enforced.

Effective Commonwealth Government support for the City of Sydney as a provider of early education and care

The City of Sydney believes there are a number of key measures that the Commonwealth Government can and should undertake to support our Council as a provider of early education and care.

Supporting Council provision of early education and care

City of Sydney believes that it is important for local councils to continue to be providers of early education and care, with appropriate levels of financial and planning support from the Commonwealth Government, for the following reasons:

- Despite financial pressures on councils, as at December 2013, local government remains a large provider of early childhood education and care services in NSW. A total of 89 councils directly provide early education and care services (or 61% of all NSW councils), equating to around 7% of all early education and care services in NSW.
- This will support Council's requirement under the *Local Government Act 1993* to plan for children's needs.
- It will support equity of access for all children and ensuring the provision of high quality affordable and accessible education and care within a council's LGA for all children from a range of backgrounds.
- It represents investment in a service type with well demonstrated high economic and social returns in the short, medium and long term.
- It will enable demand from residents for Council-provided early education and care services to be met. Council services have been demonstrated as being of higher quality in the recent Australian Children's Education and Care Quality Authority (ACECQA) ratings. A total of 87% of rated council services exceeded

or met the NQS compared with 29% of rated for-profit services.⁶

Retaining the timelines for the National Quality Framework (NQF)

The Productivity Commission is seeking views and evidence on the effect of increased staff ratios and qualification requirements on outcomes for children and how providers are handling the pace of implementation of the new staffing ratios.

The City of Sydney would like to place on record our support for the National Quality Framework. We believe that:

- the nationally consistent regulations;
- the rating system;
- the National Quality Standard; and particularly
- the improved educator child ratios; and
- improved qualification requirements for educators,

will lead to higher quality early education and care for children in our City.

Our services are already completely compliant in terms of qualifications and ratios and will be able to be compliant with the 2016 ratio change.

These changes have been bought into place over a long period of time and we reject any suggestion of delaying the timeframes. Children deserve the best quality education and care available now.

Addressing the workforce issues affecting the sector

The Productivity Commission is seeking information on workforce issues that affect the attractiveness of early education and care educator and early childhood teaching roles as a career and the impact of government initiatives to address workforce shortages.

Workforce issues hamper recruitment. Quality of early education and care provision is dependent on the employment of a high quality and well qualified stable workforce.

There is no doubt that the status, standing and wages of educators and early childhood teachers act as a deterrent to the recruitment and retention of educators in our services. Educators working in our services can rarely afford to live within the City where they work. High mortgages and rentals exclude educators from residence in the city because they cannot command the wages needed to pay for accommodation.

Sustainable wage increases in the early education and care sector can only come from either increased parent fees or through Commonwealth Government subsidy. Fees at early education and care services in the City of Sydney are amongst the highest in the country. Our families would be unable to face fee increases bought about by pay increases for educators and teachers. Needed increases must come via Commonwealth wage subsidies.

Ensuring early education and care services are funded adequately and directly

The City of Sydney would like to see a new funding model developed for early education and care. The current model of funding parents through Child Care Benefit and Child Care Rebate are confusing to families (especially on entry or while a family is contemplating entry to an early education and care service) and complex to administer.

⁶ Community Childcare Cooperative NSW, Cred Community Planning and Australian Community Children's Services NSW, Childcare, roads, rates and rubbish: NSW Local Government and Early Education and Care, 2014

Although the Child Care Benefit is weighted to give the most benefit to low income earners, the Child Care Rebate is not.

The City believes there would be merit in consideration of funding services directly, rather than funding families.

Ensuring all children are adequately supported to access early education and care

Existing programs to ensure that all children are adequately supported to access early education are insufficient. For example the Inclusion Support Subsidy does not cover the full cost of additional workers needed to include children with additional needs in long day care services, nor does the subsidy available for state funded preschool services (Supporting Children with Additional Needs - SCAN). Providers such as the City of Sydney who have a commitment to equitable access to our services, therefore include these children at a cost to the City.

The City of Sydney is committed to ensuring Aboriginal and Torres Strait Islander children and children at risk get access to early education, but complex and bureaucratic fee subsidy structures such as Child Care Benefit and Child Care Rebate lead to both of these groups missing out.

As a provider, we need more and better designed programs and subsidies to ensure that children who are likely to miss out can get access to services and to ensure that the provision of services to these groups do not fall unfairly on council and not-for-profit community based services.