

City of Sydney
Town Hall House
456 Kent Street
Sydney NSW 2000

Telephone +61 2 9265 9333
Fax +61 2 9265 9222
council@cityofsydney.nsw.gov.au
GPO Box 1591 Sydney NSW 2001
cityofsydney.nsw.gov.au



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Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600

By email: eec.sen@aph.gov.au

FAO: Senator Chris Back, Chair

Dear Senator Back,

Senate Education and Employment Reference Committee - The immediate future of the childcare sector in Australia

The City of Sydney (The City) is pleased to have the opportunity to contribute to the Senate's inquiry into the immediate future of the childcare sector in Australia.

Childcare (early education and care) is a critical issue for the City's communities. The below submission provides information on the following key issues in line with the Committee's terms of reference:

- The City's involvement in early childhood education and care;
- Why early education and care provision is important to the City of Sydney;
- Cost and availability of early education and care in the City of Sydney;
- Administrative burden on the City as a provider of early education and care, including the impact of the NQF (National Quality Framework);
- The current regulatory environment of early education and care services; and
- Strengthening of early education and care in the short term to boost productivity and workplace participation for families.

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.

Should you wish to speak with a Council officer about this submission, please contact Irene Fakas, Manager Child and Family Services on _____ or _____

Yours sincerely,

Monica Barone
Chief Executive Officer

city of villages

Introduction

We are pleased that this inquiry will address the immediate future of the childcare sector in Australia.

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.

A copy of this study can be downloaded from

<http://www.cityofsydney.nsw.gov.au/community/community-services/children>

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 terms of reference of the Senate Inquiry. It focuses on:

- The City's involvement in early childhood education and care;
- Why early education and care provision is important to the City of Sydney;
- Cost and availability of early education and care in the City of Sydney;
- Administrative burden on the City of Sydney as a provider of early education and care, including the impact of the NQF;
- The current regulatory environment of early education and care services; and
- Strengthening of early education and care in the short term to boost productivity and workplace participation for families.

The City welcomes the opportunity to contribute to the Senate's inquiry into the immediate future of the childcare sector in Australia.

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.

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*.

The City'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, affordable 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 the 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 City of Sydney employees in Chippendale. Employees of the City 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 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 unique 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 2005.¹ 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 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 City of Sydney website. Families who contact

¹ The 2005 DCP is superseded by the integration of relevant guidelines into the City of Sydney DCP 2012.

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 LGA to respond to the identified growing gap in supply and working closely with the Education and Care Sector to increase supply of education and care services in areas of need.

Why early education and care provision is important to the City

In developing the NQF 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 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 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.

A. COST AND AVAILABILITY OF EARLY EDUCATION AND CARE IN THE CITY OF SYDNEY INCLUDING EFFECTIVENESS OF REBATES

Current early education and care provision in the City of Sydney LGA

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 availability gap

The City of Sydney LGA is unique in comparison 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 under school aged children living here.

The *Childcare Needs Analysis Study 2013*² identified a current gap of 1,470 places for residents and a forecast gap to 2031 of 3,730 places.³ 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. Every LGA is unique and demand needs to be assessed based on these unique 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.

² Cred Community Planning and Community Childcare Co-operative (NSW) for the City of Sydney, *City of Sydney Childcare Needs Analysis 2013*

³ It is noted that the forecast figure is premised on current supply, as it is not possible to forecast supply beyond known Development Applications.

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).
- 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 Groups⁴ 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.

Why there is undersupply

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

⁴ 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 LGA. 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 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 LGA.

- 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 LGA. 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 early education and care centres built 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 NQF, 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.

Cost of early education and care in the City of Sydney

As part of the City's 2013 Child Care Needs Analysis a survey was conducted of all long day care services and preschools in the LGA. Fees were on average highest for for-profit long day care, followed by work based corporate child care, and then community based long day care. The one City operated long day care centre had much lower fees than both for-profit and not-for-profit services.

Service type	Average fee Under 2s	Average fee Over 2s
Private long day care	\$118.15	\$108.37
Home based care	\$100.00	\$100.00
Work based corporate child care	\$108.28	\$103.39
Community based long day care	\$103.23	\$94.89
Council	\$83	\$78
Occasional care	\$56.00	\$53.00
Preschool	\$47.00	\$48.04

As part of this study a telephone survey of 150 residents who either had children or were planning to have children was conducted. This survey found that 48% of respondents indicated that they considered that out of pocket costs for early education and care services are either fairly expensive or prohibitive.

On equity grounds the City would like to ensure that low income residents are not excluded from access to early education and care within the LGA.

The study also found that there are increasing numbers of higher-income families accessing local places. This is particularly the case in gentrifying areas such as Redfern where low-income families are being locked out of care. One large provider within the LGA identified that in 2009, 24% of families using their centres were getting full Child Care Benefit, but by 2012 it had dropped to 17%.

The introduction of bonds for enrolment has made accessing education and care for low income families even more unaffordable.

In the longer term the City 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. 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.

Current rebates

Our current subsidy system is inherently inequitable. Community Child Care Co-operative (NSW) has calculated that "After subsidies, families in the lowest income bracket with one child in care (ie under \$35,000 per annum) pay the highest percentage of their income for care except for families earning above \$135,000 per annum. After subsidies, families in the lowest income bracket with two children in care (ie under \$35,000 per annum) pay the highest percentage of their income for care except for families earning above \$115,000 per annum."⁵

Rebates and preschools

A significant anomaly exists in that, although preschools/kindergartens are in scope of the NQF, their funding remains with the State/Territory Governments.

In NSW this means that:

⁵ <http://cccnsw.org.au/pdf/cccnsw-pc-submission-11-b.pdf>

- 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 pre-school fees in NSW than in other state or territories; and
- 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.

B. Administrative burden, including the impact of the introduction of the National Quality Framework

As a provider of early education and care

The following information responds to the Inquiry's term of reference about administrative burden on early education and care providers and the impact of the National Quality Framework. It relates to the four ECEC services operated directly by the City.

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 untrained educators to acquire needed qualifications through recognition of prior learning or coursework pathways;
- 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 ratios 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 partially covered through an increase in fees. To date, the total cost of implementing the requirements under the National Quality Framework has amounted to \$247,440. Initially, \$86,940 was required to increase staffing to cover the new ratios. Since July 2011, 5 x Unqualified Child Care Worker positions (min Cert III in Children's Services) have been converted to Trained Child care Worker positions (Diploma in Children's Services) at a total cost of \$38,600 to meet the qualification requirements of the National Quality Framework. To ensure that educators have the time to develop and document an educational program that meets the requirements of the Early Years Learning Framework, \$60,950 per annum, is allocated to release educators from face to face teaching.

The employment of additional and more highly 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 services. This has been evident in the feedback that the City has received from families, the children themselves and the spot visits which the NSW Department of Education and Communities has undertaken.

No City operated centre has yet been through the assessment and ratings process of the National Quality Framework; however the City is confident that the centres will be able to achieve positive results.

Retaining the timelines for the National Quality Framework (NQF)

The City would like to place on record our support for the NQF. 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 brought into place over a long period of time and we recommend that the timeframe for implementation of the 2016 ratio change not be delayed.

C. The current regulatory environment and the impact on children, educators and service operators

As a provider, the City believes that the NQF and its associated regulatory environment has improved and will continue to improve the quality of education and care for children in our services.

We believe that the improved ratios and qualification requirements will have a beneficial impact on educators. Lower ratios benefit educators as well as children.

Although implementing some elements of the NQF has been at cost to the City as a service operator (provider), we believe the benefits will outweigh the costs in the long term.

The difficulty of finding suitable sites large enough to meet regulated space requirements continues to be a key constraint on supply in the City of Sydney LGA. This could be an issue that may need to be considered in the longer term – to see if innovative approaches to space could be considered that do not impinge on quality provision.

D. How the childcare sector can be strengthened in the short term

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. 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 clearer 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.

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.

3. Administer funding from one level of government across all early education and care services.

In the implementation of the NQF 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 NQF in setting universal standards for all early 'education *and* care' services.

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 have a proud history of provision of early education in all care types.

As pre-schools are funded by State Government and long day care is funded by the Commonwealth Government there is a disparity between levels of support between the two service types. Pre-schools are underfunded which means that families using pre-school as a means of care for their children pay higher fees than families using a long day care service.

Additionally, 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.

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

High cost of land in the City of Sydney, high mortgage repayments and high rentals, can act as a deterrent for private developers to build child care centres in the City of Sydney LGA.

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. In 2006, an Independent Inquiry into the Financial Sustainability of NSW Local Government 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.

Local Councils and not-for-profit community-based operators could 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 LGA where ongoing leasing and development costs can be prohibitive would help address this situation.

5. 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.

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. The City 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.

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'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.

6. Addressing the workforce issues affecting the sector

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. It is recommended that increases to salaries be subsidised by the Commonwealth government as is done in the Education sector.

7. Ensuring early education and care services are funded adequately and directly

Over the longer term the City would like to see a move towards funding education and care services directly as a way of ensuring that the Commonwealth has policy levers over fee increases and quality of service provision.

It is important to the City that education and care services remain affordable within our LGA so that cost does not act as a barrier for parents accessing education and care services for their children. In addition, it is important to ensure that businesses continue to establish education and care services within the LGA.

8. 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 who have a commitment to equitable access to our services, therefore include these children at a cost to the City.

The City 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.