



Review of early childhood education
and care

Final Report

December 2023



Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair

Sandra Gamble

Jonathan Coppel

Enquiries regarding this document should be directed to a staff member:

Jennifer Vincent (02) 9290 8418

Jessica Clough (02) 9113 7744

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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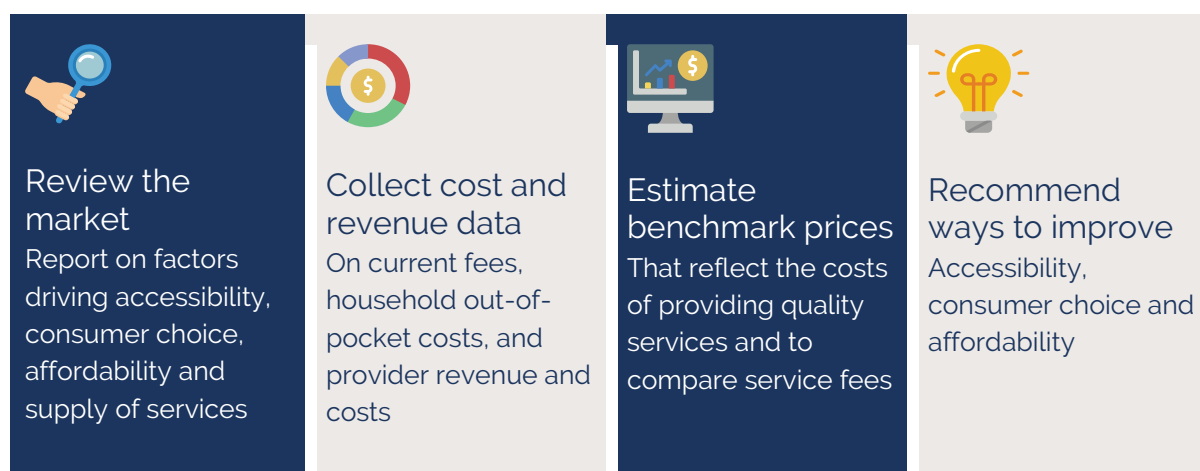
Executive summary

01

Access to high-quality early childhood education and care is a critical issue for NSW families. It is closely linked to better long-term educational outcomes for children and increased workforce participation for parents, especially women.¹

The NSW Government has increased its funding of early childhood education and care services across the state. To help ensure this higher funding results in better outcomes for children and families, the Independent Pricing and Regulatory Tribunal (IPART) was asked to review the early childhood education and care sector in NSW, including community and mobile preschool, family day care, long day care, NSW Department of Education preschool, occasional care, and outside school hours care (OSHC).

This Final Report builds on our Interim Report which was published in October 2023. It incorporates stakeholder feedback on our draft recommendations and sets out our analysis, findings and recommendations to the NSW Government for each of the tasks set out in our Terms of Reference:



1.1 Overarching findings and priority recommendations

In this report we make 29 findings and 41 recommendations to improve accessibility, affordability and choice of early childhood education and care in NSW, including the 5 overarching findings and 3 priority recommendations set out below.

1.1.1 Undersupply of accessible and affordable services in some areas

In undertaking the tasks for our review, we found there is an undersupply of accessible and affordable early childhood education and care in some disadvantaged areas and for some families experiencing disadvantage and/or vulnerability.

Children from families experiencing poverty and other types of vulnerability are significantly more likely to have poor economic and mental health outcomes as adults than children from families who do not experience vulnerability.² This inequality of access has a compounding effect over time, creating major inequalities in education and employment outcomes.³

Participating in high-quality early childhood services offers children significant developmental and social benefits, with children experiencing vulnerability experiencing the most benefits.⁴

Additional investment in supporting children experiencing vulnerability to access early childhood services would improve their developmental outcomes and likely result in long-term economic benefits.⁵

Many of our recommendations throughout our report focus on addressing this finding through targeted support for areas and families that need it most.

Overarching finding



1. There is an undersupply of accessible and affordable early childhood education and care in some disadvantaged areas and for some families experiencing disadvantage and/or vulnerability. This can result in a compounding effect over time, creating major inequalities in education and employment outcomes.

We also found there are 4 key factors that underpin accessibility, affordability and supply in the early childhood education and care sector in NSW and in Australia:

- Workforce availability, expertise and sustainability
- The funding system
- Inclusive services
- Digital services and data.

We have made overarching findings related to each of these factors.

1.1.2 Workforce availability, expertise and sustainability

Feedback in response to our Interim Report generally agreed with our overarching findings and priority recommendations, but strongly advocated that our findings on workforce availability, expertise and sustainability are the most urgent to address.⁶

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

Overarching finding



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

1.1.3 The funding system

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

Overarching finding



3. The funding system for early childhood education and care services remains complex, fragmented and inefficient, leading to perverse outcomes.

1.1.4 Inclusive services

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

Overarching finding




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

1.1.5 Digital services and data

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

Overarching finding

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


1.1.6 To address our overarching findings, we have made 3 priority recommendations

For each of our priority recommendations we recommend the NSW Government advocate to and/or work with the Commonwealth Government. However, these recommendations also include actions that can be taken in the meantime and/or alongside a national approach.

As well as making overarching findings and priority recommendations we made findings and recommendations relating to specific aspects of accessibility and choice, affordability and supply of early childhood services which are presented throughout this report. Many of these recommendations feed into and support elements of our priority recommendations.

Complete lists of the findings (see section 1.10) and recommendations (see section 1.11) presented throughout our report can be found at the end of this executive summary.

Priority recommendations

- 1.  The NSW Government should:
 - a. Advocate to the Commonwealth Government for more urgent implementation of the National Workforce Strategy.
 - b. Take more of a leading role in implementing the National Workforce Strategy.

In the meantime, the NSW Government should refresh (within 12 months) its 2018-2022 NSW Early Childhood Education Workforce Strategy, consistent with Recommendation 32, to both ensure:

 - enough educators are available to provide the services that are needed, and
 - educators are enabled to deliver those services at high quality.



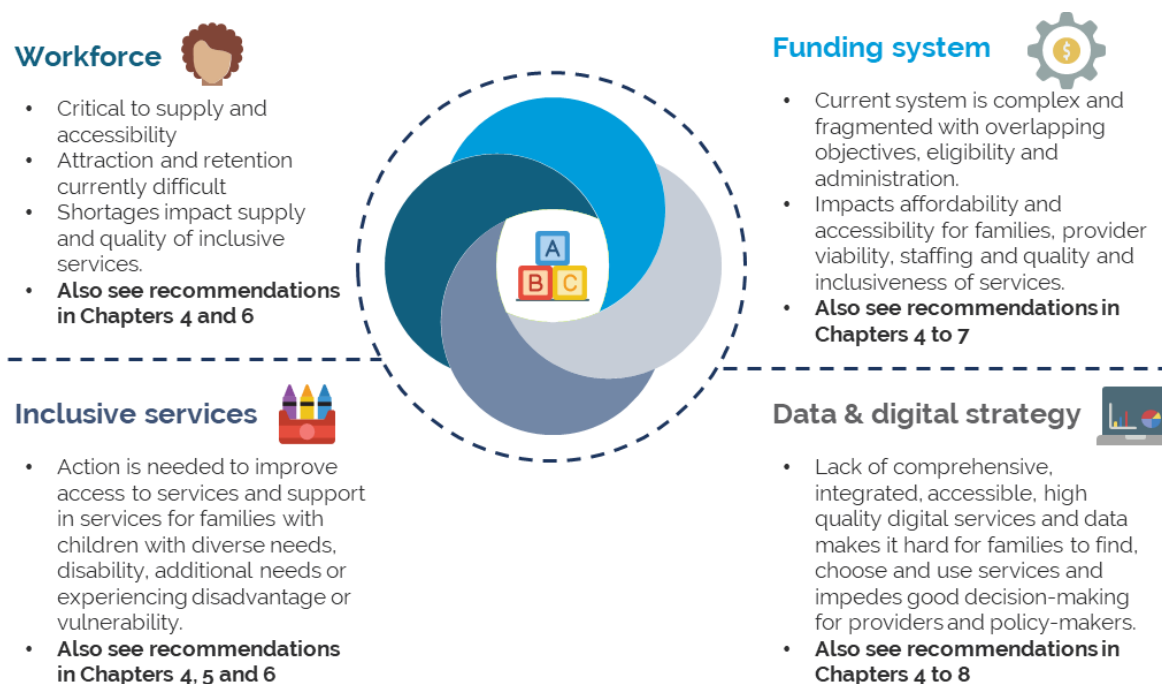
2. Australian state, territory and Commonwealth governments should work together to develop (over the next 18 months) a coordinated, harmonised and simplified policy and funding approach to early childhood education and care. As part of this:
 - a. Governments should:
 - Clarify the objectives of the approach, including that all governments are committed to early childhood services as enabling both inclusive early learning for children and workforce participation for parents. The approach should recognise and integrate both these objectives, including in the language used to describe the sector.
 - Clarify roles and responsibilities between levels of governments.
 - Review the appropriateness of current demand-based vs service-based funding design.
 - b. The approach should:
 - offer similar outcomes for families and children regardless of setting
 - prioritise improving affordability and accessibility for families with lower incomes or experiencing socioeconomic disadvantage, families living in regional or remote Australia, Aboriginal and Torres Strait Islander families, and families with multiple vulnerabilities.
 - c. The activity test for receipt of Child Care Subsidy should be reviewed as a priority.

In the meantime, the NSW Government should review all NSW funding programs and grants for the early childhood education and care sector, consistent with Recommendation 40.



3. The NSW Government should develop a digital service and data strategy for the early childhood education and care sector, so families can more easily find, choose and use services that meet their needs, and providers and governments can make better informed decisions. Box 1.1 sets out the elements of the proposed strategy, and Recommendations 17, 26, 29, 30 and 41 should be developed as part of the strategy.

Figure 1.1 Priority recommendations to address factors that underpin accessibility, affordability and supply



In response to our Interim Report, we heard from stakeholders that the most urgent priority should be ensuring enough educators are available to provide the services that are needed, and that educators are enabled to deliver those services at high quality.⁷ We recognise that this is fundamental to being able to address many of the other findings we have made throughout this report. We also heard that more attention needs to be given to the pay and conditions of teachers and educators, and we agree that action should be taken in line with the National Children's Education and Care Workforce Strategy to improve wages and conditions.⁸

In general, stakeholders supported our priority recommendations.⁹ As suggested in feedback, we consider that in implementing these recommendations the NSW Government should ensure it:

- considers all service types (i.e. long day care, family day care, occasional care, preschool and OSHC)
- undertakes consultation with the sector.¹⁰

We also heard feedback that a policy and funding approach that enables both inclusive early learning for children and workforce participation for parents should offer similar outcomes for families regardless of setting.¹¹ This would enable families to choose the service that suits their child and family's needs, rather than choosing a service based on potential family out-of-pocket cost. Stakeholders also consider it should offer similar wages and conditions for educators and teachers regardless of setting and help providers manage workforce retention.

We also consider our priority recommendation on funding would require an intergovernmental agreement. This is consistent with the Commonwealth Government Productivity Commission's draft recommendation that Australian, state and territory governments should sign a new national Partnership Agreement on early childhood education and care, which would outline their objectives and respective roles and responsibilities as stewards of the system.¹²

Some stakeholders also raised concerns that the digital service and data strategy may result in duplication and/or place additional burden on the sector.¹³ We consider that the strategy could work with existing data sources and digital tools, such as [Starting Blocks](#). It should seek to reduce burden on the sector by minimising duplication and streamlining information and data collection. Support should also be provided to early childhood services to uplift digital maturity across the sector and to drive the adoption of technology and availability of data for collection as well as efficiency in the operation of services.

To develop and implement an effective strategy, it is important that it is properly designed, resourced and undertaken in consultation with service providers. Box 1.1 sets out the elements of the proposed strategy. Examples of digital service and data strategies and tools used in the health sector are outlined in Appendix B.

Box 1.1 Proposed digital service and data strategy

The digital service and data strategy could transform the way families find, choose and use early childhood education and care services (including long day care, family day care, preschool, occasional care and OSHC).

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

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

The strategy should include measures for complementary in-person support to ensure that people without digital access or who prefer to engage in-person are also able to participate in the benefits of the strategy.

Tools developed as part of the strategy should be promoted to families and providers to increase awareness and uptake.

The strategy should minimise duplication and administrative burden on the sector, and facilitate centralised, harmonised data collection, as well as improved transparency and data sharing arrangements between governments and with providers.

As part of the strategy, the NSW Government should advocate to and work with the Commonwealth Government to improve the [Starting Blocks](#) website and data sharing arrangements. Service NSW could provide an entry point for parents seeking to access early childhood services, and be integrated with Starting Blocks (rather than duplicating it), while also providing access to additional tools for families in NSW.

The strategy would allow providers to access data to identify where there is demand for new services or expanding existing services in areas of greatest need.

Improved data collection and sharing would also inform better planning and decision-making by governments.

1.2 Our approach to the review

The process we followed for this review included public consultation, data collection and detailed analysis.

- In December 2022, we consulted on draft Terms of Reference for the review and received 17 submissions before finalising the Terms of Reference in February 2023. A copy of the Terms of Reference is in Appendix A.
- We released an Issues Paper in April 2023, and sought feedback from families, the community and the early childhood education and care sector via submissions and a NSW Have Your Say consultation and survey. We received 31 submissions and 1,144 survey responses, and also held 4 public hearings in May 2023.
- In October 2023, we released an Interim Report seeking feedback on our draft findings and recommendations via submissions and a NSW Have Your Say consultation and survey. We received 42 submissions and 316 survey responses, and held a public hearing in October 2023.

We also met with key stakeholders in the sector throughout the review to hear their views and collected data from and about the sector.

In addition to this review, IPART has also been appointed as the independent market monitor under the *Childcare and Economic Opportunity Fund Act 2022*. The independent market monitor must review and report on the early childhood education and care sector market every 2 years. Our first report was due to the Minister for Education and Early Learning in December 2023.

While the market monitoring role is separate to this review, many of the tasks involved overlap with those we undertook for this review. We published a [Methodology Paper](#) outlining proposed metrics and key performance indicators for assessing supply shortages, affordability, and accessibility barriers, as well as the state of the workforce, pay and conditions and quality standards.

There are also currently 2 Commonwealth Government national inquiries into the early childhood sector under way:

- The Australian Competition and Consumer Commission (ACCC) is conducting an [inquiry](#) into the market for the supply of childcare services, examining costs and prices.
- The Productivity Commission is conducting an [inquiry](#) into the sector, considering cost and availability barriers that affect access to services, and ways to support better outcomes for children and families.^a

While our review examined similar areas to the ACCC and Productivity Commission inquiries, we specifically examined affordability, accessibility and consumer choice in NSW, and made recommendations to improve these for children and families in NSW. In principle, we generally support the draft recommendations set out in the ACCC [interim report](#) (September 2023) and Productivity Commission [draft report](#) (November 2023).

^a As at December 2023.

Other relevant reviews currently underway or recently concluded include:

- The Australian Children's Education and Care Quality Authority (ACECQA) [review](#) of staffing and qualifications regulations under the National Quality Framework.
- The National Disability Insurance Scheme [review](#) of the design, operations and sustainability of the NDIS, and ways to make the market and workforce more responsive, supportive and sustainable.
- The South Australian Royal Commission [inquiry](#) into the extent to which South Australian families are supported in the first 1,000 days of a child's life, how to deliver a universal quality preschool program for 3 and 4-year-olds and outside school hours care access for preschool and primary age students.

1.3 Overview of the NSW early childhood education and care sector

Our review examined the following services for children aged 0 to 12 years:



This includes:

- long day care, family day care and occasional care for children aged 0-5 years
- NSW Department of Education preschool, community and mobile preschool for children aged 3-5 years (with a focus on the year before school)
- outside school hours care (OSHC), including before and after school care and vacation care for school children up to 12 years of age.

These services are provided by for-profit companies, not-for-profit organisations, local councils and the state government. They are funded by a mix of fees, Commonwealth Government subsidies, and state and local government subsidies through a variety of programs.

1.4 Accessibility and choice of services

We found the key factors that drive accessibility and choice of services include:

- Location – while remoteness is not in itself an indication that there will be fewer places per child, there is considerable variation in conveniently located services across the state.
- Flexibility of service operation – could be improved to better meet families' needs, including through more flexible hours of operation and availability of occasional care.
- Additional barriers such as distance or transport – families in outer regional and remote areas of NSW experience greater barriers to access early childhood services, particularly for children to attend services other than outside school hours care.
- Inclusivity and cultural safety of care – there is a lack of inclusive and culturally safe care, particularly for children with disability or additional needs, children from culturally and linguistically diverse communities and Aboriginal children.
- Information about early childhood education and care – families need better information about availability and choice of services, as well as the importance of early childhood education and care in improving outcomes for children and families.

Our recommendations to improve accessibility and inclusion include that the NSW Government:

- help facilitate longer attendance for vulnerable children and those in areas where there are no other available services, and spare capacity being utilised for occasional and casual bookings
- help families in outer regional and remote areas with the additional costs of accessing early childhood services, including the costs of transport
- advocate for a nationally consistent, improved program to support inclusion of children with disability/additional needs, and in the short term, improve its Disability and Inclusion Program
- work with the sector to develop and implement a model and system for wrap-around support for children and families experiencing disadvantage and vulnerability
- review all funding programs that support accessibility and inclusion.

See Chapter 4 for more detail on our specific findings and recommendations about accessibility and choice of services.

1.5 Affordability of services

Our findings on the key factors affecting affordability of services include that the Commonwealth Child Care Subsidy has been effective in increasing affordability of early childhood education and care for most families, but affordability remains an issue for the most disadvantaged and vulnerable, including those in regional and remote areas, and those who do not meet the activity test requirements.

Our recommendations to improve affordability include that the NSW Government recommend the Commonwealth Government:

- consider additional support for families experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families
- simplify the CCS application process and review the activity test.

See Chapter 5 for more detail on our specific findings and recommendations about affordability of services.

1.6 Supply of services

We found the key factors driving supply of services include:

- Demand for services – which is driven most strongly by the population of children of relevant age(s). Different population levels also drive a different mix of services.
- Potential profitability – as indicated by higher economic resources in a location.
- Workforce availability – recruitment and retention is an urgent issue across the sector, staff absences can significantly impact families and there is opportunity to progress the National Workforce Strategy.

Our recommendations to improve supply include that the NSW Government:

- Use its system stewardship role for early childhood education and care to ensure the flexibility and mix of services available to families meets community needs, particularly in outer regional and remote areas of NSW.
- Update its Early Childhood Education Workforce Strategy, including to recognise the value of a diverse workforce and develop guidance to assist services that are finding it difficult to maintain current services due to temporary staffing issues, such as illness or unexpected leave.

See Chapter 6 for more detail on our specific findings and recommendations about supply of services.

1.7 Provider costs and revenue

Our analysis of provider costs and revenue found:

- Labour is the largest and most challenging category of costs for providers, and labour costs have increased substantially in recent years. (Noting that there is still general agreement that educators remain under-paid for the value of the work they do, and quality services require quality staff who are appropriately remunerated for the work they do.)
- Rent is the second largest category of costs for providers, and the one that varies the most across providers.
- Regulatory compliance costs add to providers' overall costs of service delivery.
- Support to providers through government funding may not be effective for high-quality, inclusive service delivery.

See Chapter 7 for more detail on our specific findings and recommendations about provider costs and revenue.

1.8 Benchmark estimates

Our Terms of Reference requested us to estimate benchmark prices that can be used as a standard to measure and compare early childhood service fees, reflecting costs of providing quality services for different children and family groups, geographies, service types, provider types.

We used 2 methods to develop a range of benchmark price estimates:

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

Our benchmark estimated based on these 2 methods are presented in Figure 1.2.





We encountered some challenges in collecting data for this task. In particular, we found that consolidated, up-to-date service fee data for community and mobile preschools and occasional care is not widely publicly available. Some providers of these services do not publicly list their fees and this data is not collected at the same scale, level of detail and frequency as other service types.

Different record keeping and reporting practices by different providers made it difficult to aggregate cost and revenue data, or to directly compare data across sources.

Improving data collection on service fees and costs would enable a higher level of detail and accuracy when estimating benchmark prices.

See Chapter 8 for more detail on our estimated benchmark prices.

Figure 1.2 Benchmark price estimates (\$2023-24)

	Actual price methods		Cost per place method	
	\$/hour	\$/day	\$/hour	\$/day
 Long day care	\$12.63	\$126	\$11 to \$19	\$105 to \$195
 Family day care	\$12.60	\$126	\$13 to \$20	\$130 to \$200
 OSHC	\$8.52	Morning: \$17 Afternoon: \$26 Holidays: \$85	Morning: \$5 to \$8 Afternoon: \$5 to \$8 Holidays: \$6 to \$11	Morning: \$10 to \$15 Afternoon: \$15 to \$25 Holidays: \$60 to \$110
 Community preschool	N/A	\$48	\$10 to \$19	\$80 to \$150

Note: \$/day price estimates are based on the \$/hour analysis multiplied by an assumed number of hours – they are not actual \$/day data. Long day care = 10 hours, family day care = 10 hours, OSHC Morning = 2 hours, Afternoon = 3 hours, Holidays = 10 hours.

1.9 How this report is structured

The rest of this report summarises the feedback we have heard from families, the community and the early childhood sector and findings of our analysis, as well as our recommendations in more detail:

- Chapter 2 sets out our approach to the review, including our consultation with families, early childhood educators, workers and service providers.
- Chapter 3 sets out background information on the sector in NSW.
- Chapter 4 presents our analysis and findings on the key factors driving accessibility and choice and our recommendations to improve them.
- Chapter 5 presents our analysis and findings on the key factors driving affordability.
- Chapter 6 presents our analysis and findings on supply of early childhood services and our recommendations to improve them.
- Chapter 7 presents our analysis and findings on service provider costs and revenue.
- Chapter 8 presents our benchmark price estimates for early childhood services.

Complete lists of the findings (see section 1.10) and recommendations (see section 1.11) presented throughout our report can be found at the end of this executive summary.

Figure 1.3 Timeline for our review



1.10 List of findings

Findings

Overarching findings		
1.	There is an undersupply of accessible and affordable early childhood education and care in some disadvantaged areas and for some families experiencing disadvantage and/or vulnerability. This can result in a compounding effect over time, creating major inequalities in education and employment outcomes.	3
2.	Workforce availability, expertise and sustainability are critical to the supply and accessibility of quality early childhood education and care services, and constitute a significant problem currently facing the sector.	3
3.	The funding system for early childhood education and care services remains complex, fragmented and inefficient, leading to perverse outcomes.	4

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|----|--|---|
| 4. | Action is needed to improve access to services and increase support in services for families with children with diverse needs, disability, additional needs or experiencing disadvantage or vulnerability in NSW. | 4 |
| 5. | The lack of comprehensive, integrated, accessible, high quality digital services and data about early childhood education and care – long day care, family day care, preschool and outside school hours care – makes it hard for families to find, choose and use services and impedes good decision-making for providers and policy-makers. A digital transformation is needed. | 5 |

Accessibility - availability and choice

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|----|---|----|
| 6. | There is capacity in some services that is currently under-utilised and could be used to provide occasional or casual care for children within a service at which they are already enrolled. | 62 |
| 7. | Families would benefit from greater support from their workplaces to address accessibility barriers, including: | 65 |
| | – complementary flexibility in working arrangements, where feasible | 65 |
| | – employer-sponsored or facilitated early childhood services, particularly for frontline, casual and shift workers. | 65 |
| 8. | Families in outer regional and remote areas of NSW experience greater barriers to access early childhood services, particularly for children to attend services other than outside school hours care. These barriers include: | 66 |
| | – access to, or cost of transport | 66 |
| | – access to, or cost of digital devices, reliable broadband internet and mobile phone reception. | 66 |

Accessibility - inclusion

- | | | |
|-----|--|-----|
| 9. | Action is needed to improve allied health service provision within early childhood services to: | 80 |
| | – avoid disruption to the routines of children receiving therapy and others at an early childhood service | 80 |
| | – reduce burdens and increase efficiency for therapists and early childhood service staff | 80 |
| | – achieve better coordination and collaboration between early childhood service staff and therapists, which has a range of benefits for children, families and educators. | 80 |
| 10. | Outside school hours care services that are co-located with schools often have limited access to adequate space and facilities to provide inclusive care for children with disability/additional needs. | 81 |
| 11. | Aboriginal Community-Controlled Organisations provide culturally supportive, integrated education and family support services that improve accessibility for Aboriginal and Torres Strait Islander children. | 85 |
| 12. | Increased, targeted wrap-around supports are needed to improve access and inclusion for children and families experiencing disadvantage and vulnerability. Different families and communities have different needs for wrap-around supports. | 100 |
| 13. | There is an urgent need to increase funding for wrap-around supports provided by community preschools operated by Aboriginal Community Controlled Organisations to support inclusion of Aboriginal and Torres Strait Islander children and families. | 100 |

Accessibility - information

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|-----|--|-----|
| 14. | Families need more meaningful information about the inclusive practices of services to help them choose and access a service that meets their unique needs, values and preferences. | 108 |
| 15. | Outcomes of assessment and ratings processes provide important information to enrolled families about the performance of their child's early childhood service. However, this information is not routinely reported to enrolled families. | 109 |
| 16. | Digital literacy and access can impact families' ability to navigate and engage with the early childhood education and care system, including finding and choosing a service for their child, getting onto waiting lists and applying for subsidies. | 112 |

Affordability of services

- | | | |
|-----|---|-----|
| 17. | Available subsidies for families may not be adequate to make early childhood education and care services affordable for some low-income families, in particular those experiencing high levels of disadvantage and/or vulnerability. | 134 |
| 18. | Additional family out-of-pocket costs such as fees for OSHC incursions and excursions and costs associated with enrolment in some services create affordability concerns for some families. These costs are not always covered by the CCS. Information about these costs is often not readily available. | 134 |
| 19. | Out-of-pocket costs can influence whether families choose to take on additional work, though some families have little monetary gain from increasing their level of employment due to potential withdrawal of transfer payments as a result of earning more, as well as the out-of-pocket costs this would involve. | 138 |
| 20. | The CCS activity test is a substantial barrier for some families to access subsidised early childhood services. Families with low-income, who are Aboriginal and Torres Strait Islander, and/or who are living in remote areas are particularly affected. | 151 |
| 21. | The CCS application process is complicated and difficult for some families to navigate and consequently, some families who are entitled to CCS funding may be missing out. | 151 |
| 22. | Some families who are ineligible for the CCS would benefit from additional support, such as families with asylum seeker status. | 151 |

Supply of services

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|-----|--|-----|
| 23. | The most important factor driving supply of places for 0-5 year olds is demand, as measured by population of children of the relevant age in a particular area. | 157 |
| 24. | For school-aged children, remoteness of a location is associated with a lower number of places per child. This potentially indicates significant unmet demand in more remote parts of NSW. | 157 |
| 25. | Population numbers and remoteness drive the mix of service types: preschool plays a larger role in the early childhood service mix compared to long day care as remoteness increases and population centres are more isolated. | 160 |
| 26. | The high proportion of places provided by preschool services in outer regional, remote and very remote areas may not provide sufficient flexibility and accessibility for families. | 160 |

27.	For-profit services are more likely to be established in areas with greater economic resources.	166
28.	Attraction and retention of workers is a persistent and pressing issue across the early childhood education and care sector that affects supply.	170
29.	The early childhood education and care sector also faces short-term workforce issues, such as absences where the provider is forced to close rooms, or limit enrolments on short notice, that may significantly impact families.	170

1.11 List of recommendations

Recommendations

Priority recommendations

1.	The NSW Government should:	5
a.	Advocate to the Commonwealth Government for more urgent implementation of the National Workforce Strategy.	5
b.	Take more of a leading role in implementing the National Workforce Strategy.	5
	In the meantime, the NSW Government should refresh (within 12 months) its 2018-2022 NSW Early Childhood Education Workforce Strategy, consistent with Recommendation 32, to both ensure:	5
	– enough educators are available to provide the services that are needed, and	5
	– educators are enabled to deliver those services at high quality.	5
2.	Australian state, territory and Commonwealth governments should work together to develop (over the next 18 months) a coordinated, harmonised and simplified policy and funding approach to early childhood education and care. As part of this:	6
a.	Governments should:	6
	– Clarify the objectives of the approach, including that all governments are committed to early childhood services as enabling both inclusive early learning for children and workforce participation for parents. The approach should recognise and integrate both these objectives, including in the language used to describe the sector.	6
	– Clarify roles and responsibilities between levels of governments.	6
	– Review the appropriateness of current demand-based vs service-based funding design.	6
b.	The approach should:	6
	– offer similar outcomes for families and children regardless of setting	6
	– prioritise improving affordability and accessibility for families with lower incomes or experiencing socioeconomic disadvantage, families living in regional or remote Australia, Aboriginal and Torres Strait Islander families, and families with multiple vulnerabilities.	6
c.	The activity test for receipt of Child Care Subsidy should be reviewed as a priority.	6
	In the meantime, the NSW Government should review all NSW funding programs and grants for the early childhood education and care sector, consistent with Recommendation 40.	6

3. The NSW Government should develop a digital service and data strategy for the early childhood education and care sector, so families can more easily find, choose and use services that meet their needs, and providers and governments can make better informed decisions. Box 1.1 sets out the elements of the proposed strategy, and Recommendations 17, 26, 29, 30 and 41 should be developed as part of the strategy. 6

Accessibility - availability and choice

4. The NSW Government should urgently provide additional fee relief for the most vulnerable children in the state to support longer attendance for these children at community, mobile and Department preschools. 61
5. The NSW Government, when negotiating the next preschool funding agreement (from 2026), should advocate for Commonwealth funding to support longer attendance for children in areas where there are no other available services, or no other suitable services. This would: 61
 - support parents and carers who want to participate in the workforce 61
 - increase access for children who would benefit from longer attendance. 61
6. The NSW Government should ensure that regulatory and funding systems create appropriate incentives for services and families to make any spare capacity available for occasional and casual bookings for other children within a service at which they are already enrolled. 63
7. The NSW Government should continue and expand the Preschool Drive Subsidy program to provide additional financial support for families in outer regional and remote areas of the state to help with the additional costs these families encounter to access services. These subsidies should be available to support families who enrol their children at all service types and could be tailored to the particular access needs of each eligible family. 67

Accessibility - inclusion

8. The NSW Government should advocate for development of a nationally consistent program to support the inclusion of children with disability/additional needs in early childhood services in accordance with established best practice. This program should include adequate funding and support for: 77
 - additional suitably qualified educators 77
 - capacity building within a service 77
 - educator or service coordination, administration and support for allied health professionals and families, that may involve a 'key worker' 77
 - professional development and mentoring for educators 77
 - minor capital works and specialist equipment. 77
9. In the short term, the NSW Government should immediately improve the Disability and Inclusion Program to better support inclusive education and care for children with disability/additional needs in NSW community preschools, reflecting the findings and recommendations of the recent evaluation of this program. This should include increasing the hourly rates for payments to services with eligible children, to reflect both: 77
 - the direct costs of eligible activities (including, but not limited to, engaging suitably qualified additional staff), and 77
 - the additional costs associated with coordination, administration, planning and support time that is necessary to provide inclusive education and care. 77

To complement the Minor Capital Works component of the NSW Disability and Inclusion Program, the NSW Government should also consider exploring opportunities to work with the Commonwealth Inclusion Support Program to expand the availability of the Specialist Equipment Library under the Commonwealth program to community preschools in NSW.	77
10. The NSW Government should advocate for immediate improvements to the Commonwealth Inclusion Support Program, consistent with the improvements we have recommended for the NSW Disability and Inclusion Program, and to allow for applications supported by observational assessments from educators.	77
11. The NSW Department of Education should ensure that the facilities available for outside school hours care services on school sites are conducive to provision of inclusive education and care. Wherever possible, this should include dedicated spaces for services or arrangements with school principals to use shared spaces in a way that supports inclusion for all children.	82
12. The NSW Government should work with the Commonwealth Government to agree on a funding model for all early childhood education and care services operated by Aboriginal Community Controlled Organisations. This funding should be long term, secure and flexible, to enable services to provide:	87
– inclusive education and care, including the associated operational funding for infrastructure maintenance, educator and administration costs	87
– wrap-around supports for children and families	87
– cultural programs, including language.	87
13. The NSW Department of Education should ensure that its current work on an Aboriginal Cultural Safety Framework includes development of resources and strategies for services to:	90
– provide culturally safe and inclusive education and care for Aboriginal and Torres Strait Islander children and their families	90
– enhance all children's knowledge and understanding of Aboriginal and Torres Strait Islander people and their cultures.	90
14. The NSW Government should ensure that its current work on a strategy to support multicultural children and families to access early childhood education and care includes development of:	94
– resources and support for services to provide culturally safe and inclusive care, including translating and interpreting services and/or bilingual support for families with children in preschool	94
– resources in community languages for services, community groups and families, that will help children learn their family's first language and support parents as first teachers.	94
15. The NSW Government should extend the health and development checks in NSW early childhood education and care services to children from 3 years of age to increase opportunities for services and families to address health or developmental issues before a child starts school.	97
16. The NSW Government should work with the early childhood sector, early intervention professionals, SNAICC NSW Early Years Support, Aboriginal Community Controlled Organisations and other relevant stakeholders, to develop and implement a model and system for wrap-around support for children and families experiencing disadvantage and vulnerability. These supports should be:	100
– provided in locations where children and families experience the greatest levels of disadvantage and vulnerability	100
– flexible to respond to the needs of different communities	100

- designed to achieve greater collaboration between early childhood services and other services that support children and families. 101

Accessibility - information

17. As part of the Government's digital strategy, the NSW Department of Education should work with other NSW Government agencies, including the Department of Customer Service, to develop a comprehensive strategy to ensure all families receive information about early childhood education and care during pregnancy and the first 12 years of a child's life. 105

18. The NSW Government should advocate for the Commonwealth Government to provide: 108
 - support for services to comply with their obligations to report operating information, for example with validation checks to improve data quality 108
 - greater access to this information for comparison and information services. 108

The NSW Government should also consider ways of providing service information to families, alongside reliable, evidence-based advice and information that is relevant for the different stages of a child's life. 108

19. The NSW Government should advocate for enhancement of the National Quality Standard to highlight areas of expertise and excellence in inclusion within service quality ratings, to help families identify inclusive services and to provide incentives for services to provide inclusive education and care. 109

20. The NSW Government should advocate for services to be required to report the outcomes of assessment and ratings processes to enrolled families. This would improve the visibility and understanding of service quality ratings and the accountability of service providers. 110

21. The NSW Government should review the government-provided resources and programs for early childhood education and care to ensure information is accessible for families from culturally and linguistically diverse backgrounds, and advocate for the Commonwealth Government to do the same. These reviews should also look at opportunities to help services engage with, and provide information to families in their first language, to improve accessibility and inclusion. 111

22. The NSW Government should ensure the physical offices of Service NSW, and its outreach services, are resourced to provide information to families about early childhood education and care that is equivalent to the information available on government-run websites. It should advocate for the Commonwealth Government to also provide this information through Centrelink offices and outreach services. 113

Accessibility - funding arrangements

23. The NSW Government should review all NSW funding programs and grants that support accessibility and inclusion, consistent with Recommendation 40. 118

Affordability of services

24. The NSW Government should: 143
 - a. Recommend to the Commonwealth Government that it: 143
 - examine the circumstances and needs of families with children using early childhood services and household income of under \$20,800 143

<ul style="list-style-type: none"> – consider providing additional support to these families to access early childhood services, in particular those experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families. 	143
<ul style="list-style-type: none"> b. Provide additional fee relief for these families in accessing preschool (including preschool programs in long day care services) to help ensure cost is not a barrier to accessing preschool programs in all settings. 	143
25. The NSW Government should include in its contracts with OSHC providers (and in associated procurement processes) a requirement that providers include excursion costs as part of advertised and charged fees to improve transparency and so that CCS can be applied to reduce out-of-pocket costs for families.	143
26. The NSW Government, as part of its digital strategy, should work to improve data transparency, collection and sharing arrangements, including with the Commonwealth Government for fees, subsidies/rebates and out-of-pocket costs.	143
27. The NSW Government should recommend to the Commonwealth Government that the CCS application process for families be made less complex and easier to navigate.	153
28. The NSW Government should recommend to the Commonwealth Government that the CCS activity test requirement and eligibility criteria be reviewed to promote equal access to subsidised services for all children.	153
29. To inform family decision-making, the NSW Government should, as part of its digital strategy, work with the sector and Commonwealth Government to provide greater transparency around:	153
<ul style="list-style-type: none"> – fees charged for services (prior to applying subsidies) 	153
<ul style="list-style-type: none"> – subsidies that apply to reduce out-of-pocket costs for families. 	153
30. The NSW Government, as part of its digital strategy, should advocate to the Commonwealth Government to make CCS enrolment and attendance data publicly available to inform the planning and decision-making of service providers and governments.	161
Supply of services	
31. The NSW Government should use its system stewardship role for early childhood education and care to ensure that the flexibility and mix of services available to families meets community needs, particularly in outer regional and remote areas of NSW. In this role it should also:	164
<ul style="list-style-type: none"> – use the findings of IPART's Independent Market Monitoring Review about areas of under supply to identify priority locations 	164
<ul style="list-style-type: none"> – partner with services that are able to expand to meet demand, including by assisting services identify relevant grants and helping them resolve any obstacles. 	164
32. The NSW Government should immediately (within 12 months) update its 2018-2022 NSW Early Childhood Education Workforce Strategy to support state based initiatives and complement the National Workforce Strategy. The update should include, but not be limited to:	173
<ul style="list-style-type: none"> – Options to fund services to provide time "off the floor" for reflection, planning, coordination and professional development. 	173
<ul style="list-style-type: none"> – Specific actions aimed at the attraction and retention of identified groups, including Aboriginal and Torres Strait Islander educators, educators in regional and remote areas, educators from culturally and linguistically diverse backgrounds, and educators working with children with disability/additional needs. 	173

– Mentoring initiatives, at both the state and local level, to support students and educators. This should include mentoring/professional support networks for identified groups of educators that are designed in collaboration with the sector and relevant peak organisations.	173
– Comprehensive support for Aboriginal and Torres Strait Islander students/educators who need to leave country to study, and regional/remote students and educators for training. This should include measures to support digital access and practicum opportunities.	173
– Reframing the narrative around early childhood education and care from 'childcare' to early education to enhance understanding of the value of the work being undertaken.	173
– Investment in local workforce recruitment, qualifications, and retention.	173
– Financial support for trainee placements.	173
– A specific strategy to meet the needs of regional and remote areas and address barriers faced in these areas.	173
33. The NSW Government should work with other jurisdictions to:	173
– Progress recognition of the value of culture and language that Aboriginal and Torres Strait Islander and culturally and linguistically diverse educators bring to the education and care of children.	174
– Progress mutual recognition or pathways for international qualifications (as provided in the National Workforce Strategy).	174
– Progress a nationally consistent approach to incentives for the attraction and retention of educators for the early childhood education and care sector.	174
34. The NSW Government should examine the Victorian Early Childhood Teachers Enterprise Agreement (VECTEA) and consider its applicability for the NSW context.	174
35. The NSW Regulatory Authority (within the Department of Education) should, in consultation with the sector, develop guidance to assist services finding it difficult to maintain current services due to temporary staffing issues, such as illness or unexpected leave.	174
36. The NSW Government should review the process and criteria for applying for capital grant funding under its Start Strong Capital Works Grants Program and newly established Childcare and Economic Opportunity Fund to ensure the requirements are less onerous and time consuming.	180
37. The NSW Department of Education should explore strategic partnerships in regional and remote areas with providers to co-locate early childhood services on school premises, where available.	180
38. The NSW Government should investigate better coordination of the planning and early childhood regulatory processes, to enable initiatives such as expansion of services or extension of operating hours. This should include the provisions of the <i>State Environmental Planning Policy (Transport and Infrastructure) 2021</i> and any barriers presented by local government planning processes.	180
39. The NSW Regulatory Authority (within the Department of Education) should develop a clear waiver policy on regulatory space requirements for services located on school sites.	180
Provider costs and revenue	
40. Pending a national review of the policy and funding approach and system for early childhood education and care, in the short term the NSW Government should:	216

a.	Review all NSW funding programs and grants for the early childhood education and care sector, to ensure that:	216
–	programs are consolidated to be less fragmented, reduce administrative burdens, and promote long-term planning	216
–	the number of programs and grants are minimised (e.g. by combining programs that target the same priority groups)	216
–	all services are aware of funding opportunities and how to apply for them	216
–	administrative burdens associated with application, reporting and acquittal are minimised and the program or grant covers the cost of these activities	216
–	periods of funding are designed to provide services with security, to allow for service planning and investment in their workforce	216
–	services are provided with appropriate flexibility in service delivery	216
–	aspects of existing programs are improved to better support services to meet their inclusion responsibilities.	216
b.	Advocate for the Commonwealth Government to undertake a similar review of its funding programs and grants for the early childhood education and care sector to improve funding design while a more comprehensive review of the funding system occurs.	216
c.	As part of its review of all NSW funding programs and grants, ensure:	216
–	It works with community preschools, including those operated by Aboriginal Community Controlled Organisations, to identify urgent infrastructure maintenance needs and fund works that are required for services to provide safe and inclusive education and care.	216
–	Actual funding rates for community preschools are communicated to providers by August the year before they are due to be implemented.	216
–	Application of new SEIFA deciles and funding rates for community preschools do not reduce a service's ability to provide safe, inclusive education and care for children.	216
–	Auditing of how services spend funds is proportionate and risk-based and the timing of audits considers concurrent additional demands on a service.	216
–	When determining funding, consideration is given to the number of children previously and currently attending or enrolled in preschools operated by ACCOs to account for fluctuations in attendance relating to the transient nature of some Aboriginal communities.	216
41.	The NSW Government, as part of its digital strategy, should work to improve data transparency, collection and sharing arrangements, including with the Commonwealth Government.	217

Chapter 2 »

Our approach to the review

02

Our Terms of Reference requested us to:

- review the market and report on factors that drive accessibility, consumer choice, affordability and supply of services
- collect cost and revenue data from providers of early childhood services
- collect data on current fees and household out-of-pocket costs
- estimate benchmark prices that reflect the costs of providing quality services
- recommend ways to improve accessibility, affordability and consumer choice.

This chapter provides an overview of how we approached these tasks, including by:

- publishing an Issues Paper in April 2023 and Interim Report in October 2023, and seeking feedback through written submissions, Have Your Say consultations, online public hearings and meetings with people in the early childhood sector
- listening to feedback from families, educators, early childhood education and care service providers and representative organisations
- collecting and analysing data from and about the sector
- considering other relevant research and reviews of the sector.

2.1 We sought feedback on an Issues Paper and Interim Report

In April 2023, we published an [Issues Paper](#) that set out key issues and questions and sought feedback from families, early childhood service providers and workers, and other interested stakeholders on their experiences with and views on early childhood education and care services.

We sought feedback on our Issues Paper through submissions, as well as via a NSW Have Your Say consultation and at public hearings:

- We received 31 submissions, including non-confidential submissions from 9 providers, 7 organisations representing providers, 1 organisation representing families, 2 local governments and 4 individuals. Non-confidential submissions have been published on our [website](#).
- In response to our NSW Have Your Say consultation for our Issues Paper, we received 1,144 responses to our survey (71% from families and the community, and 23% from providers and workers), as well as 14 stories and 10 map pins raising issues in specific locations. We published an Information Paper summarising the consultation results on our [website](#).
- We held 4 online public hearings in May 2023 with about 100 participants. Transcripts are available on our [website](#).

In October 2023, we published an [Interim Report](#) (and [Overview](#)) on our draft findings about factors that drive affordability, accessibility, consumer choice and supply of early childhood services in NSW. Our Interim Report considered stakeholder feedback in response to our Issues Paper and set out our analysis and draft recommendations to address barriers to affordability and access in the sector.

We sought feedback on our Interim Report through submissions, as well as via a NSW Have Your Say consultation and at a public hearing:

- We received 42 submissions, including non-confidential submissions from 12 providers, 8 organisations representing providers, 1 organisation representing families, 1 local government and 7 individuals working in early childhood services and 3 organisations representing workers. Non-confidential submissions have been published on our [website](#).
- In response to our NSW Have Your Say consultation for our Interim Report, we received 316 responses to our survey (37% from families and the community, and 67% from providers and workers), as well as 9 stories commenting on specific issues.
- We held an online public hearing in October 2023 with about 100 participants. The transcript is available on our [website](#).

Throughout our review, we also engaged directly with the sector and key stakeholders:

- We held over 40 meetings with stakeholders across the sector including with providers, organisations representing providers and/or workers and organisations representing families and children including those from Aboriginal and Torres Strait Islander families, and those with disability/additional needs.
- We undertook 2 site visits to early childhood services in Lightning Ridge in north-western NSW and Roselands in south-western Sydney to gain a better understanding of service provision to children in different parts of the state, from different cultures and with specific needs.
- We participated in consultation run by Multicultural NSW/NSW Department of Education that involved 10 roundtables in Sydney and regional centres to hear directly from culturally and linguistically diverse families and communities.
- We undertook consultation with children attending OSHC to seek their feedback on their experiences of the services they attend.

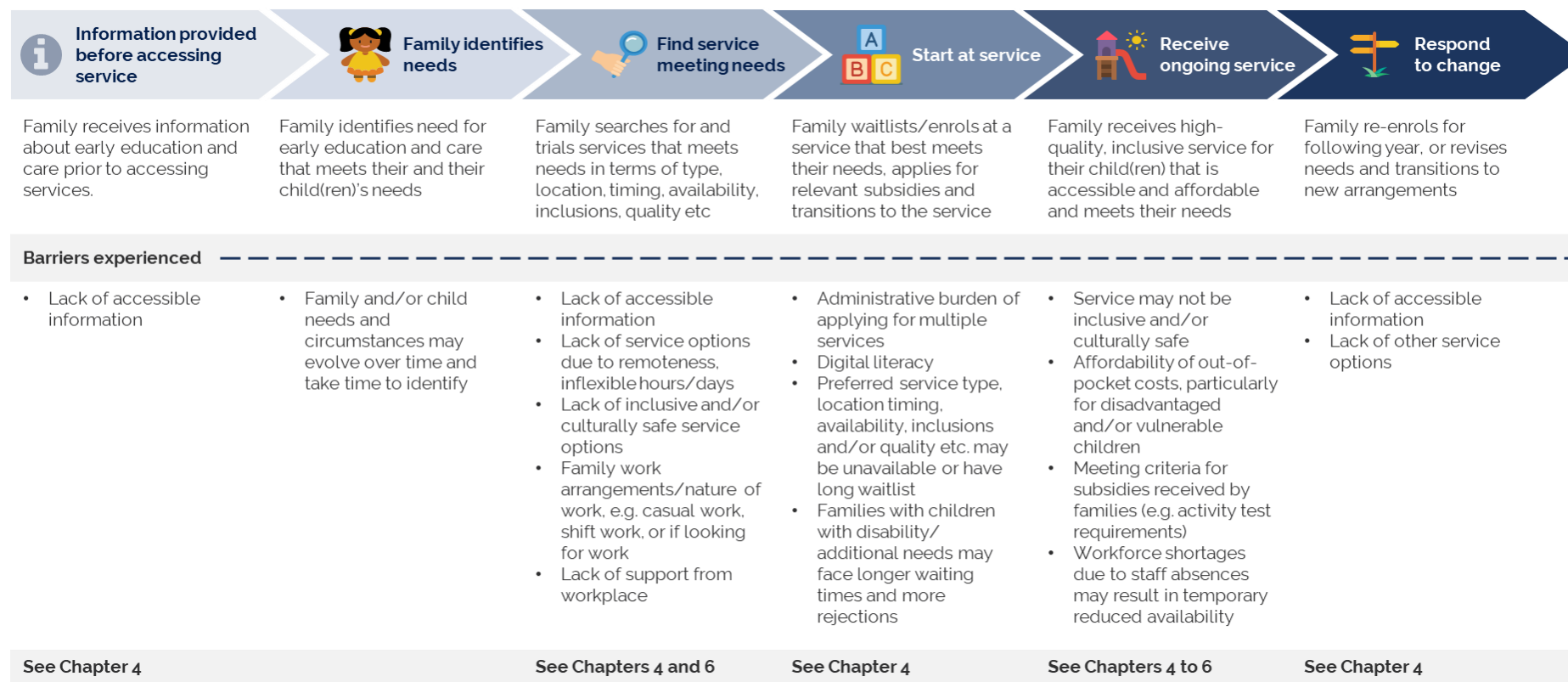
We also engaged regularly with relevant government agencies in NSW, other states and the Commonwealth.

2.2 We heard from families

We heard from a diverse range of families, and organisations that represent them, through our consultations, public hearings and our NSW Have Your Say consultation. About 800 parents and carers expressed their views and concerns about the accessibility, choice and affordability of services through our NSW Have Your Say Issues Paper survey.

The journey for families as they access early childhood education and care involves a number of stages as shown in Figure 2.1. At each stage families may experience barriers to or factors that impact the accessibility, choice and/or affordability of early childhood services.

Figure 2.1 Family journey in accessing early childhood services



Families and organisations raised the following key issues associated with the journey for families in accessing early childhood services that meet their needs:

- Families living in regional and remote areas have limited options for early childhood education and care. Some have no centre-based services in their area, and making alternative care arrangements can be stressful and costly. Children in these areas may be more likely to receive a low quality of care, or miss out on early childhood education and care altogether.¹⁴
- Families with children with disability/additional needs can have more difficulty and stress accessing services and securing a place due to exclusion or discriminatory enrolment practices, especially for children under 2 years old.¹⁵
- Families with children with disability/additional needs and Aboriginal and Torres Strait Islander families living in regional and remote areas face additional barriers to accessing services.¹⁶
- Aboriginal and Torres Strait Islander families prefer and benefit from culturally safe and inclusive services, and some services, processes and funding models are less accessible for Aboriginal and Torres Strait Islander families because they are not culturally sensitive or appropriate.¹⁷
- Some culturally and linguistically diverse families have trouble accessing services due to language barriers and/or cultural differences.¹⁸
- Many families prefer or could benefit from wrap-around support, particularly families experiencing disadvantage and/or vulnerability, Aboriginal and Torres Strait Islander families, culturally and linguistically diverse families and families with children with disability/additional needs.¹⁹
- High out-of-pocket costs are a significant affordability barrier for some families in accessing services, particularly in the context of recent cost of living increases, resulting in families being less able to afford to use services as often as they would like, or at all and a barrier to parents and carers workforce participation.²⁰
- Some families find the current CCS funding model and complex application process present barriers to accessing subsidised services, resulting in some families not receiving CCS payments they should be entitled to. They consider the system should be easier to navigate, more flexible and equitable.²¹

These issues are discussed in more detail in Chapter 4 on factors driving accessibility and choice, and Chapter 5 on factors driving affordability of early childhood services.

We heard from families and community organisations at NSW DoE multicultural roundtables

As part of the overall objective of all families having access to affordable, safe, quality early childhood education and care, the NSW Department of Education (DoE) has a specific focus on supporting multicultural children and families to access early childhood education and care. The Department has been working with multicultural communities and community organisations to understand the needs and barriers for families, to effectively design and plan responses that complement existing early childhood policy, programs and funding supporting availability and affordability of early childhood education and care. This included 10 regional roundtables held in consultation with Multicultural NSW across the State through June 2023.

We heard from children participating in OSHC services

We consulted with children attending OSHC services to seek their feedback on their experiences of the services they attend. Figure 2.2 and Box 2.1 summarise the feedback from children in OSHC.

Figure 2.2 What children in OSHC value



Source: Feedback from OSHC consultation.

Box 2.1 Children in outside school hours care value inclusion and togetherness

Under Article 12 of the *UN Convention on the Rights of the Child*, children have the right to have their thoughts heard about decisions which impact them. In recognition of this right we sought the perspectives of children attending outside school hours care services.

Seven services volunteered to participate in our consultation with children. We sent these services a resource pack with activities designed to engage with the opinions of children aged 5 – 12 years old. Our questions were:

- "What does 'being included' mean to me?"
- "How can we help others feel more included?"

With the supervision of service staff, children had the opportunity to contribute to a mind map or make a creative piece (such as a poster or written story). We received responses from 4 services.

The results suggest that children feel being included leads to positive outcomes for everyone. Children associated inclusion with being friends with others, playing together, and feeling happy. Other responses emphasised belonging, respect, sharing, equality and joining in (see Figure 2.2).

Although responses did not highlight issues of discrimination, some children acknowledged that social or physical differences can lead to exclusion. Some responses noted the importance of playing with children who "have no friends" or those who "are different from you". A poster submitted by one service showed the inclusion of a child from a different cultural background.

We have considered children's perspectives in developing our recommendations for improving the accessibility and inclusivity of outside school hours care. In particular, we have considered the needs of diverse children to meaningfully participate in outside school hours care alongside their peers.

2.3 We heard from educators and their organisations

We heard from people working in the sector (including early childhood educators and teachers), as well as organisations that represent them, through our consultations, public hearings, meetings and our NSW Have Your Say consultation.

These stakeholders told us that workforce shortages in the sector are having a significant impact on the availability of services for families, even at current levels of supply. In their view, these shortages are now the highest risk that governments should consider in making decisions about growth and investment in the sector. They raised the following key issues:

- Workers are poorly remunerated relative to those in jobs requiring similar skills or with similar demands, affecting both recruitment and retention.²²
- Workers receive insufficient respect and recognition – there is a negative perception of the sector that does not reflect its importance or value to society – the sector is still seen as providing 'childcare' or 'childminding' instead of early childhood education that is an integral part of a child's learning and development.²³
- There is a lack of opportunities in the sector for professional and career development likely due to providers' rising costs/lack of funds, and the inability to release workers to upskill due to workforce shortages.²⁴
- There are barriers for Aboriginal workers or workers in regional and remote areas to complete their early childhood qualifications, including financial barriers, as well as difficulty accessing courses in their area.²⁵
- Staffing ratio and teacher qualification requirements are higher in NSW than other jurisdictions (except for OSHC). While this supports high quality services, it adds to the cost of services and contributes to worker shortages.²⁶
- Administrative burdens on staff are high, exacerbating the work pressures being felt by workers from the long hours, poor pay and work conditions, and lack of relief staff.²⁷
- There has been a loss of experience and expertise in the sector – many staff do not feel confident in their ability to provide inclusive care for children with additional needs, and less experienced staff have little support upon entering the sector.²⁸

These issues are discussed in more detail in Chapter 6 on factors driving supply of early childhood services.

2.4 We heard from service providers and their organisations

We heard from providers of early childhood services, as well as organisations that represent them, through our consultations, public hearings, meetings and our NSW Have Your Say consultation.

These stakeholders also told us that workforce shortages in the sector are currently the most prominent factor having a significant impact on the availability of services, with most saying they have had trouble recruiting and retaining staff. They also raised concerns about rising operating and capital costs, as well as the complexity and viability of how services are funded. They told us about the following key issues:

- Rising operating and capital costs of service delivery limits providers' capacity to invest in service improvement or expansion and results in further strain on the workforce and pressure to raise fees.²⁹
- Labour is the largest cost to providers and is reported as the hardest to manage and control, especially given current workforce shortages, and requirements around staffing ratios and staff qualification standards, though most feedback on the higher minimum requirements were positive, despite the additional costs involved.³⁰
- Delivering inclusive education and care to children with additional needs is a significant determinant of increased labour costs and existing funding programs do not cover the entire cost to providers, creating an incentive for providers to not take children with additional needs.³¹
- Rent costs have increased in recent months due to trends in the property market and maintenance costs can be quite substantial, especially for not-for-profit services using older facilities.³²
- The current funding model does not support operational viability and inclusive high-quality care in the sector, and is complex, lacks transparency, is administratively burdensome and difficult to navigate.³³
- Many providers report cross-subsidising within and between centres and services to maintain viability (for example covering the higher costs of services for 0 to 2 year olds, through fees for lower cost services for 3 to 5 year olds, and/or covering costs of centres operating at a loss, through revenue from centres where willingness to pay is higher).³⁴

These issues are discussed in more detail in Chapter 7 on provider costs and revenue in delivering early childhood services.

2.5 We collected data from and about the early childhood sector

We also engaged with service providers, the ACCC, NSW DoE and Commonwealth DoE to collect key data required to undertake our analysis and complete the tasks outlined in our Terms of Reference for the review, including:

- service level data from large (with more than 40 services), medium (with 5 to 39 services) and small (with 1 to 4 services) sized providers of long day care and outside school hours care in NSW, including service costs and revenue
- service level data from small (fewer than 5 services) and medium (5 to 30 services) providers of long day care, outside school hours care, preschool and family day care
- community preschools' public financial reports
- NSW Department of Education data on 101 public schools with preschools
- early childhood education and care educator award rate information from NSW Department of Education
- Early Childhood Education and Care National Workforce Census 2021 dataset
- NSW Department of Education early childhood education and care program funding data
- Commonwealth Department of Education Child Care Subsidy administrative data at child and service level
- Commonwealth Department of Education Inclusion Support Program funding aggregated data.

Chapter 3 »

Overview of the NSW early childhood sector

03

There are nearly 6,000 regulated early childhood education and care services in NSW. These services include long day care, family day care, preschool, occasional care and outside school hours care (OSHC) services, and they are regulated under the National Quality Framework.

The National Quality Framework provides a national approach to regulation, assessment and quality improvement for early childhood services across Australia. In NSW, mobile preschool services and occasional care services are similarly regulated under the *Children's Education and Care Services (Supplementary Provisions) Act 2011*.







This chapter presents key information about the sector including:

- sector composition
- workforce size, distribution and demographics
- government funding for early childhood education and care.

3.1 Sector composition

Figure 3.1 provides an overview of the sector by service type, including the number of children attending, hours of operation and how many services there are in NSW.

Figure 3.1 Overview of early childhood education and care sector in NSW 2022-23

	NSW Department of Education preschool	Standalone community and mobile preschool	Long day care	Family day care	Outside school hours care (OSHC)
 Age range (years)	3-5	3-5	0-5	0-12	5-12
 CCS eligible	No	No	Yes	Yes	Yes
 Numbers attending	~4,200	~47,300	~253,600	~20,500	~127,600
 Average operating hours/day	6	7.5	10-11	Varied	Varied
 Services	101 (99 centre-based and 2 distance education)	~660 ^a	~3,440	~130	~1,570
 Provider type	NSW Government run and managed (school based)	1% private FP 90% private NFP 5% government managed 4% independent	76% private FP 17% private NFP 5% government managed 2% independent	53% private FP 22% private NFP 25% government managed	48% private FP 42% private NFP 5% government managed 5% independent schools

^a In addition, there are also about 50 long day care services that also provide a community preschool service and about 30 mobile services that are not captured as community preschools in the NQAITS data. Notes: "FP" means "for-profit" and "NFP" means "not-for-profit". Does not include occasional care. Family day care services operate differently to other service types – they oversee and coordinate a number of educators who then provide the service in their own home.

Source: Commonwealth DoE CCS child data, NSW DoE NQAITS July 2023 data, Community Preschool (CPS) Census August 2022 data, Email to IPART, NSW DoE, 7 December 2023 and IPART analysis.

Table 3.1 provides demographic information on children currently accessing early childhood education and care in NSW including the percentage of children:

- from culturally and linguistically diverse backgrounds
- with disability
- from refugee backgrounds
- from Aboriginal and Torres Strait Islander backgrounds.

Table 3.1 Proportion of children accessing early childhood services from different demographic groups by service type (% of total children) 2021

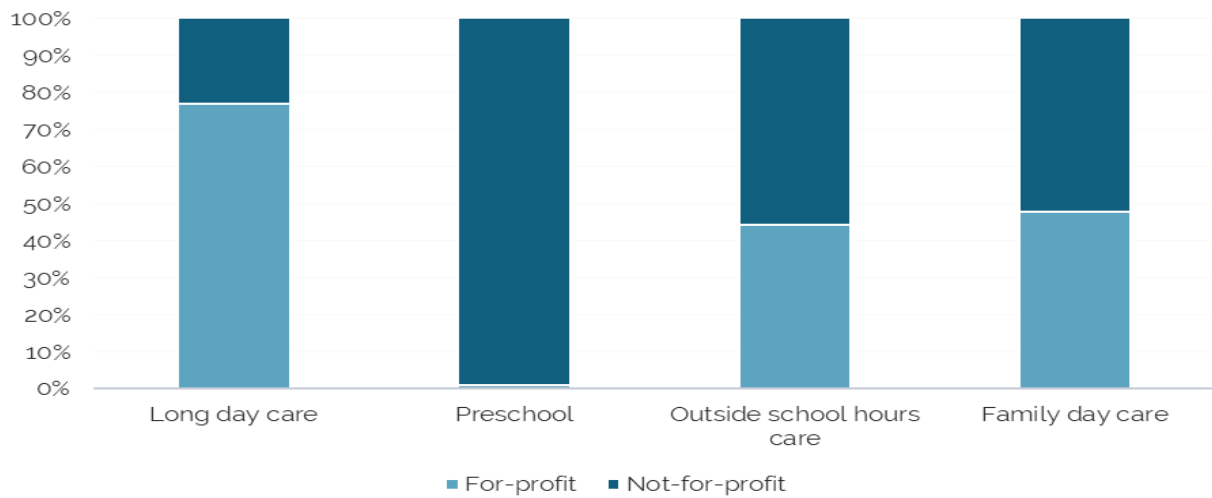
NSW	Long day care	Family day care	OSHC	VAC	Total
Children from culturally and linguistically diverse backgrounds	28.2	33.8	16.3	17.2	24.1
Children with disabilities or underlying long-term health conditions					
All disabilities or underlying long term health conditions	7.1	1.7	4.3	6.0	6.0
Learning	3.5	0.5	1.6	2.4	2.7
Communication	4.4	0.6	1.1	1.7	3.0
Mobility	0.8	0.4	0.2	0.2	0.6
Self-care	2.4	0.8	0.4	0.7	1.6
Interpersonal	3.6	0.5	2.2	2.8	3.0
Other	2.4	0.5	1.2	2.0	1.9
Children of humanitarian / refugee background	0.5	1.9	0.3	0.3	0.5
Children from Aboriginal and Torres Strait Islander background	4.9	4.3	3.1	4.5	4.3

Notes: "VAC" means "vacation care services". The total includes children accessing In-Home Care which is not included in our review.

Source: 2021 Early Childhood Education and Care National Workforce Census State and Regional Data Tables.

Early childhood services are provided by a mix of provider management types. Figure 3.2 shows the share of licensed places by service and provider type.

Figure 3.2 Share of licensed places by service and provider type in NSW



Note: Based on data from April to June 2023. There are 9 preschool services that are classified as 'for-profit' in the NQAITS data that NSW DoE has confirmed are actually 'not-for-profit' services.

Source: NSW Department of Education NQAITS July 2023 data, Email to IPART, NSW DoE, 7 December 2023 and IPART analysis.

The supply of services and places across SEIFA deciles^b in NSW ranked by the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) are presented in Table 3.2. There are proportionally fewer total places in areas of greater disadvantage, (deciles 1-3) than in more advantaged deciles (8-10). For example, over 20% of total places are in decile 10 and only 7% in decile 1. This is driven by the larger numbers of long day care and outside school hours care places in more advantaged areas. There are, however, a higher proportion of places in preschools, family day care, and mobile preschools, occasional care, and Multifunctional Aboriginal Children's Services (MACS) in areas of greater disadvantage.

^b Each SEIFA decile represents 10% of areas in NSW. Decile 1 contains the most disadvantaged areas and decile 10 contains the most advantaged areas.

Table 3.2 Number of places by service type and SEIFA decile 2023

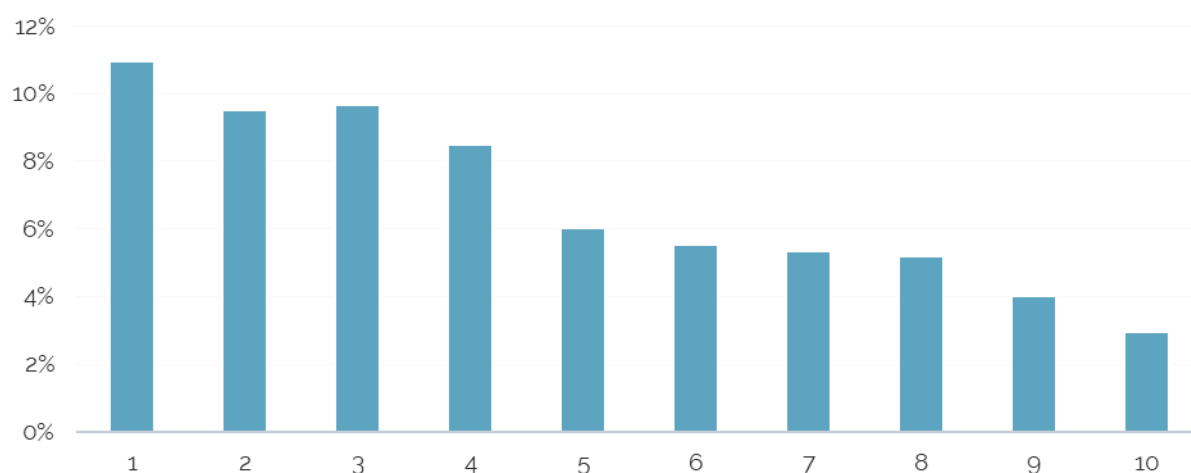
SEIFA IRSAD	Long day care	OSHC	Preschool	Family day care	Mobile, Occasional care and MACS
1	13,490	5,089	2,778	2,751	843
2	13,663	5,643	3,437	2,751	1,156
3	19,288	7,675	3,799	3,040	898
4	17,408	9,200	2,707	2,236	381
5	16,789	8,902	2,946	1,457	208
6	16,871	9,439	1,592	1,446	63
7	19,770	11,446	1,586	1,440	127
8	17,429	13,088	1,646	1,289	155
9	24,446	16,866	2,005	1,573	152
10	40,377	34,590	5,201	2,303	140
Total	199,351	121,938	27,697	20,283	4,123

Note: Family day care places have been estimated using CCS administrative data on the number of children attending in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023, ABS SEIFA IRSAD rankings, and IPART analysis. [QA ref: D23/28773 TAB: ID2-ID4, C288]

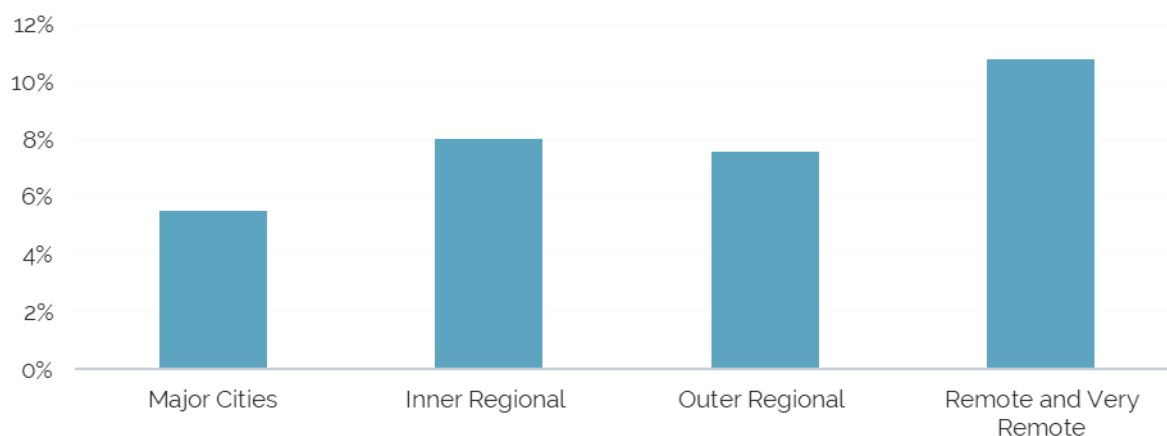
The proportions of children with disability/additional needs enrolled in early childhood education and care services are higher in areas of socio-economic disadvantage and increase with level of remoteness. This is shown in Figure 3.3 and Figure 3.4.

Figure 3.3 Proportion of children with disability/additional needs enrolled in NSW services by SEIFA decile



Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis. [QA Ref – D23/29638, TAB: Figures for IMMR]

Figure 3.4 Proportion of children with disability/additional needs enrolled in NSW services by remoteness area



Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis. QA Ref – D23/29638, TAB: Figures for IMMR

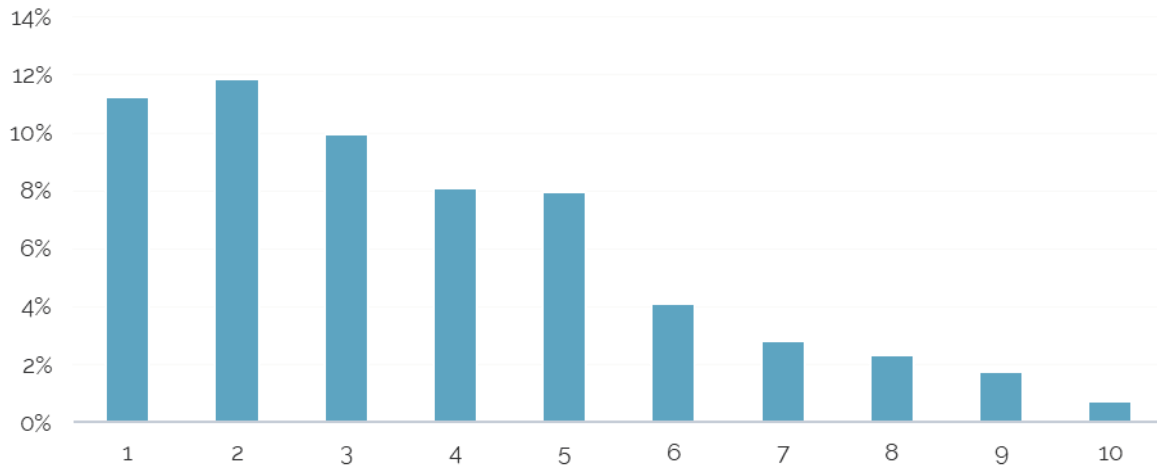
Table 3.5 shows proportions of Aboriginal and Torres Strait Islander children within the general population increase with remoteness. Figure 3.5 shows that the proportions of Aboriginal and Torres Strait Islander children enrolled in early childhood services are higher in areas of socio-economic disadvantage.

Table 3.3 Location of Aboriginal and Torres Strait Islander children in NSW compared with general population

Location by remoteness area	General population children 0-12 years	Aboriginal children 0-12 years	Aboriginal children 0-12 years (%)
Major cities	967,363	38,156	3.9
Inner regional	238,550	30,000	12.6
Outer regional and remote	64,930	11,840	18.2

Source, ABS, 2021 [QA Ref: D23/29638 Sheet ATSI summary cols D-F, rows 24,28,32]

Figure 3.5 Proportion of Aboriginal and Torres Strait Islander children enrolled in NSW services by SEIFA decile



Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis QA Ref – D23/29638, TAB: Figures for IMMR

IPART's independent market monitoring report provided to the Minister for Education and Early Learning assesses at a more granular level where there may be a shortage of licensed places.

3.2 Workforce

The following sections provide an overview of the early childhood education and care sector workforce.

3.2.1 The majority of workers are employed in long day care or OSHC services

In 2021, the early childhood sector in NSW employed over 79,000 people.³⁵ The majority (62%) of workers were employed in long day care services, 23% employed in OSHC services (including vacation care), 5% in family day care services, and 10% in preschools.

The early childhood education and care National Workforce Census found that, in NSW:

- 58% of workers were paid at the award rate
- 21% of workers were paid up to 10% above the award rate
- 7% of workers were paid more than 10% above the award rate.^{c, 36}

Australia's workforce in the early childhood education and care sector comprised about 216,000 workers in 2021, with about one-third of workers working within NSW. This was an increase of about 25% in total workforce since 2016 when the workforce comprised about 174,000 workers. In 2016, the proportion of workers working in NSW was similar to that in 2021, with around 58,000 workers (about one-third) employed in NSW.

^c These percentages do not include the preschool workforce and do not add to 100% as some workers reported that they did not know how their wages compared to the award wage.

Long day care had the majority of workers in 2021, employing more than 60% of early childhood education and care workers in both NSW and Australia.

Table 3.4 Size of early childhood education and care workforce 2021

Total workforce	Long day care	Family day care	OSHC	VAC	Total
NSW	48,995	4,341	10,312	7,841	71,489
Australia	146,726	13,091	31,085	24,679	215,580
NSW as % of Australia	33.4	33.2	33.2	31.8	33.2

Notes: Does not include preschool workforce. "VAC" means "vacation care services".

Source: 2021 Early Childhood Education and Care National Workforce Census State and Regional Data Tables (Table 1.1.1).

3.2.2 Average length of experience in the sector per worker varies across different service types

In 2021, the average length of experience in the early childhood sector per worker in NSW was 7.2 years. Workers in the family day care sector had the highest average length of experience per worker among the service types at 10.4 years. Long day care (7.5 years), outside school hours care (5.5 years) and vacation care (5.4 years) all had an average length of experience per worker of under 8 years. Workers with less than 4 years experience in the sector made up about 43% of the total workforce in NSW.

Table 3.5 Distribution of worker experience in the sector across service types in NSW 2021

All staff	Long day care	Family day care	OSHC	VAC	Total
<1 year experience	5,078	165	1,683	1,044	7,970
1-3 years experience	12,187	729	3,350	2,729	18,995
4-6 years experience	9,005	875	1,397	1,213	12,490
7-9 years experience	4,779	595	509	406	6,289
10+ years experience	12,236	1,657	1,368	1,027	16,289
Average experience (in years)	7.5	10.4	5.5	5.4	7.2
Not specified	0	0	805	584	1,390
Total specified	42,301	3,919	6,850	5,348	58,418
Total not specified	984	104	2,262	1,655	5,005
Total staff	43,285	4,022	9,112	7,003	63,423

Note: "VAC" means "vacation care services".

Source: 2021 Early Childhood Education and Care National Workforce Census State and Regional Data Tables (Table 1.9.2).

3.2.3 The majority of the workforce is female and under 35 years old

The distribution of age range for workers in the sector is generally skewed towards younger age groups. In 2021, the age group from 20-29 years contributed to 36% of the total workforce. This is consistent with the growth in the workforce from 2016 to 2021 and that workers with less than 4 years experience in the sector contributed to about 43% of the total workforce. Family day care was the only service type where the number of workers increased as age increased and the largest age groups of workers were those over 40 years.

Table 3.6 Distribution of worker age groups across service types in NSW 2021

Age Groups	Long day care	Family day care	OSHC	VAC	Total
15-19	2,604	10	1,096	762	4,487
20-24	8,458	94	3,512	2,822	14,949
25-29	7,985	187	1,488	1,188	10,890
30-34	6,911	369	778	636	8,719
35-39	5,979	578	641	484	7,707
40-44	4,887	714	559	405	6,582
45-49	4,089	726	661	441	5,949
50-54	3,286	638	555	395	4,906
55 and over	4,796	1,025	1,021	708	7,601

Note: "VAC" means "vacation care services". The total includes workers employed under In-Home Care which is not included in our review.

Source: 2021 Early Childhood Education and Care National Workforce Census State and Regional Data Tables (Table 1.2.2).

In 2021, the large majority of workers in the sector and across all service types were female. There were less than 6,000 males employed in the sector compared to over 66,000 females. The distribution of gender across different service types is shown in Table 3.7.

Table 3.7 Distribution of worker gender across service types in NSW 2021

Gender (%)	Long day care	Family day care	OSHC	VAC	Total
Male	4.2	2.9	19.3	20.2	8.1
Female	95.6	97.0	80.5	79.7	91.8
Other / Non-binary	0.1	0.1	0.2	0.1	0.1

Note: "VAC" means "vacation care services". The total includes workers employed under In-Home Care which is not included in our review.

Source: 2021 Early Childhood Education and Care National Workforce Census State and Regional Data Tables (Table 1.2.2).

3.2.4 83% of the NSW workforce have early childhood qualifications

In Australia, 86% of all contact staff had early childhood education and care related qualifications. In NSW, the ratio was slightly smaller with 83% having qualifications in 2021. There were a total about 71,800 contact staff in NSW, of which approximately 3% were from Aboriginal and Torres Strait Islander backgrounds. The distribution of qualifications in NSW is shown in Table 3.8.

Table 3.8 Qualifications of Indigenous and non-Indigenous paid contact staff in NSW 2021

Highest level of qualification completed in NSW	Indigenous staff (%)	Non-Indigenous staff (%)	Total (%)
Bachelor degree and above	8.8	14.0	13.8
Bachelor degree pass 4 years (or equivalent) and above	6.3	10.2	10.1
Bachelor degree pass 3 years (or equivalent)	2.5	3.8	3.8
Advanced Diploma/Diploma	27.7	36.4	36.1
Certificate III/IV	43.0	31.6	32.0
Below Certificate III	1.4	1.2	1.2
Subtotal staff with an early childhood education and care-related qualification	81.0	83.2	83.1
Total staff without an early childhood education and care-related qualification	19.0	16.8	16.9

Note: Does not include workers in preschools.

Source: 2021 Early Childhood Education and Care National Workforce Census State and Regional Data Tables (Table 3.7.2).

3.3 Government funding for early childhood education and care

Both Commonwealth and state governments fund early childhood education and care in Australia, and the models for funding have changed over the years. Historically, preschool was the responsibility of state governments, linked to their responsibility for school education.³⁷ With the emergence of long day care, the Commonwealth's primary focus has been on support for parents', particularly women's, workforce participation.³⁸ The distinction between 'education' and 'care' persists to this day in the funding arrangements, even though the National Quality Framework (which commenced in 2012) introduced an integrated quality framework for both education and care across long day care, family day care, preschool, and outside school hours care services.³⁹

3.3.1 Commonwealth and state subsidies are available to families

In NSW, there are 3 main subsidies available to families to assist them with the costs of using early childhood services.

Commonwealth Child Care Subsidy (CCS)

The CCS is a subsidy applied to reduce the costs of using eligible early childhood services. Eligible services include long day care, family day care and OSHC, but not preschool.⁴⁰ As of July 2023, the maximum amount of CCS a family can receive is 90% of charged fees.^{d,41} Families who earn between \$80,000 and \$530,000 receive a subsidy starting from 90% and decreasing by 1% for each \$5,000 of income they earn over \$80,000.⁴²

The amount of subsidy a family is eligible to receive for their child(ren) depends on a family's total yearly income, the number of children in their care and the number of recognised activity hours that parents/carers do each fortnight.⁴³

The CCS is paid direct to service providers and the family to whom it applies pays the rest of the fee.

Commonwealth Additional Child Care Subsidy (ACCS)

Some families who are eligible for CCS funding can apply for the ACCS to be eligible for extra financial help to cover the costs of using early childhood services. To be eligible for the ACCS, a parent/carer must be eligible for the CCS⁴⁴ and meet the requirements for one of the following categories of funding:

- an eligible grandparent getting an income support payment⁴⁵
- transitioning to work from certain income support payments⁴⁶
- experiencing temporary financial hardship⁴⁷
- caring for a child who is at risk of harm, abuse or neglect.⁴⁸

NSW Government preschool fee relief

Preschool fee relief funding currently reduces preschool fees up to a maximum of \$4,220 per year for 3-5 year old children who attend community and mobile preschools and \$2,110 per year for eligible preschool programs for 4-5 year old children in long day care.⁴⁹ From 2024, fee relief will also include a trial of \$500 fee relief for 3 year old children in long day care preschool programs.⁵⁰

For children enrolled in community or mobile preschool, the amount of fee relief a family can receive is scaled by the number of hours a child is enrolled. To receive the full rate of fee relief, a child must be enrolled for at least 15 hours a week (600 hours per year).⁵¹

Families with children attending NSW Department of Education (DoE) preschools do not receive fee relief. NSW DoE preschools are currently supported through separate funding arrangements to provide enrolled children 600 hours of free preschool per year.⁵²

^d A higher CCS rate may apply if a parent or carer has more than one CCS eligible child aged 5 years or younger.

Table 3.9 Available subsidies and eligibility by service type

Subsidy/rebate	Long day care	Family day care	OSHC	Preschool (incl. mobile)	Occasional care
Commonwealth CCS	✓	✓	✓	✗	✓ (If within long day care)
Commonwealth ACCS	✓	✓	✓	✗	✓ (If within long day care)
NSW Government preschool fee relief	✓ (Only for eligible programs)	✗	✗	✓	✗

Source: NSW Department of Education, Australian Government Services Australia

3.3.2 Commonwealth and state governments also subsidise services

Providers can also receive government funding through programs administered by the Commonwealth and NSW Governments. Generally speaking, the Commonwealth Government provides funding to services which are eligible for CCS (long day care, family day care and OSHC) while the NSW Government provides funds to community and Department preschools, which are not eligible for CCS. For example:

- The Commonwealth Community Childcare Fund offers grants for providers operating in areas of limited supply, disadvantaged areas, and providers facing unforeseen circumstances.⁵³
- The Commonwealth Inclusion Support Program provides support for eligible early childhood services to build their capacity and capability to include children with additional needs and offers subsidies to providers employing workers for inclusive care.⁵⁴
- The NSW Disability and Inclusion Program supports community preschools to deliver inclusive education and care to children with disability and additional needs.⁵⁵
- The NSW Department of Education also pays subsidies on a per child basis to community preschools⁵⁶ and operates and fully funds 101 Department preschools^{e,57} (and the NSW Government has committed to 100 more⁵⁸).

^e Including 99 centre-based preschools and 2 distance education preschool services.

Chapter 4 »

Factors driving accessibility and
choice of services



All families should be able to access high quality early childhood education and care which suits their needs and aligns with their values. Research has shown that the first 5 years of a child's life is critical for their learning and development.⁵⁹ Participation in high quality early childhood services supports developmental outcomes, social wellbeing and inclusion to ensure the best start for children as they transition to school.⁶⁰

Access to early childhood education and care also supports parents who, for example, would like to find work, increase their work hours or study for a qualification.

Accessibility can be described through several complex and overlapping factors:

- Availability of services (i.e. time/location/flexibility) and choice
 - Are there services in a family's local area that meet that family's needs and preferences?
 - Can the family reach the locations of services?
 - Are there enough suitable places available?
 - Do the times and days available suit the family's needs?
- Inclusion (and non-discrimination)
 - Are there services which are inclusive and culturally safe for all families?
 - Are there services which reflect the family's culture, values and aspirations?
 - Do the available services cater for the needs of the family and their child/children?
 - Are any children or families being excluded from a service?
- Affordability
 - Can the family afford to attend available services? (see Chapter 5)
- Information
 - Can families access information to make informed decisions and effectively navigate the early childhood system?

These factors contribute to a family's overall experience of the early childhood system.

Families' experiences are also influenced by their unique backgrounds and circumstances. Parents, organisations and providers have told us that families more likely to experience difficulty accessing a service include those:

- with children with disability/additional needs^f
- from Aboriginal and Torres Strait Islander backgrounds
- living in outer regional and remote areas
- with children under 2 years old
- from culturally and linguistically diverse backgrounds
- experiencing disadvantage and vulnerability.

The long-term benefits of early childhood education and care are especially impactful for children experiencing disadvantage or vulnerability.⁶¹ These children are also more likely to be developmentally vulnerable.⁶² However, in many cases, it is the families that would benefit most from early childhood education and care that have the most trouble accessing it. In working to address disadvantage and improve life-long outcomes for all children, it is especially important for these families to be able to access affordable, high quality early childhood services.

This chapter discusses how availability, inclusion and information about the early childhood system affect the ability of the diverse families of NSW to access and benefit from early childhood education and care. We also consider the impacts of workforce and funding arrangements and how these affect accessibility and inclusion for families.

Box 4.1 Children with disability/additional needs – how we use this term

In this report, we use the term "children with disability/additional needs" to refer to children:

- with a formal diagnosis of disability or developmental delay (e.g. physical, intellectual and sensory disabilities; neurodevelopmental disorders; and health conditions)
- without a formal diagnosis, but who may display behaviours consistent with a diagnosis of disability or developmental delay
- with mental health, behavioural and wellbeing difficulties, including those who have experienced trauma.

We acknowledge that it can be difficult for some families to access health services to receive assessment, diagnosis and therapy for their children. We have chosen to use the broad term of "children with disability/additional needs" to encompass the range of needs of children who require additional support from early childhood educators.

^f See Box 4.1 for an explanation of how we use the term "children with disability/additional needs" in this report.

4.1 Availability and choice

There are a range of circumstances that can make it more difficult for families to access services that meet their needs and preferences.⁶³ Often, access and choice are limited by the availability of services in the places and times that work for families.

Only 35% of parents who responded to our Issues Paper NSW Have Your Say consultation felt that it is easy to access services which suit their family's needs. We heard from many families about the impacts of not being able to access the services they need, including mental health consequences, financial insecurity and being unable to return to work.

Factors that drive families' access to services include:

- availability of services and different service types near home⁶⁴
- costs of transport⁶⁵ and access to transport⁶⁶
- hours of care offered by local services, including their flexibility⁶⁷
- availability of early childhood places at local services⁶⁸
- availability of local services which meet the diverse needs of family, such as services equipped to adequately provide education and care for children with disability/additional needs.⁶⁹

These issues tend to affect some families more often than others, such as Aboriginal and Torres Strait Islander families⁷⁰, families in outer regional and remote areas⁷¹, families with sole parents, and families with parents who are casual or shift workers.

4.1.1 Families' access to services depends on where they live

The number of services and types of service a family can access varies greatly depending on where they live. While some families may be able to choose from a range of services near home, other families may have access to few services, or none.

For some families, this is the greatest barrier to accessing early childhood education and care. Overall, parents responding to our Issues Paper survey said that increasing the number of services was the second-most important factor to improve accessibility (with affordability being the most important).

In a report published in 2022, the Mitchell Institute for Education and Health Policy found that around 9 million Australians, including close to 570,000 children, live in areas where long day care is most scarce (the Mitchell Institute report did not include preschool or family day care places in its analysis). The Mitchell Institute used a measure of more than 3 children per long day care place as the threshold for scarcity.⁷²

The Mitchell Institute found that families in regional and remote areas are more likely to be living in areas of most long day care scarcity, which can limit their options and make it more difficult to access services.⁷³ We have heard that some of these families rely on alternative early childhood arrangements, such as distance education programs, because they cannot access a suitable centre-based service. However, the time and financial burden for parents of supervising, administering and resourcing distance education is a considerable barrier to access.⁷⁴ As of 2020, fewer than 200 children across Australia were accessing recognised 4-year-old programs through distance education.⁷⁵

The Mitchell Institute also found that areas with greater levels of socio-economic disadvantage have fewer long day care places per child. This suggests that families in these areas could have greater difficulty accessing services.⁷⁶

Our own analysis of the supply of early childhood education and care places shows that, once preschool and family day care places are included, the shortage of places in regional and remote areas and in areas of greater socio-economic disadvantage is less acute than the Mitchell Institute found. Our analysis shows how important preschool and family day care are as providers of services in regional and remote areas and in disadvantaged areas (see Chapter 6 for more information).

Other evidence also supports the finding that in some areas the problem is lack of suitable places rather than a lack of places per se. The Front Project found some areas had "only partial coverage of the breadth of service types".⁷⁷ Royal Far West described choice as "still a distant goal" for many regional and remote families living in the areas of NSW with the lowest supply of services.⁷⁸

Additionally, in both regional and remote areas and disadvantaged areas, there tend to be fewer high-quality services for families to choose from.⁷⁹

Box 4.2 provides an overview of feedback from stakeholders about access and choice for families in outer regional and remote NSW.

Box 4.2 What we have heard – families in outer regional and remote NSW have limited access and choice

Stakeholders have highlighted considerable barriers for families in outer regional and remote areas of NSW to access suitable, quality early childhood education and care.

- Several submissions including those from Uniting and Royal Far West call attention to the lack of access and choice for families in underserved areas.
- The Isolated Children's Parents' Association told us that many families have no suitable services in their local area. For many isolated families, the process of securing early childhood education is "stressful and guilt-inducing". Families may need to significantly rearrange their work and home lives, or access multiple services or programs.⁸⁰
- The Isolated Children's Parents' Association described how families who have limited or no access to centre-based services may rely on a range of other early childhood education and care arrangements:
 - Distance education programs allow children to attend an online preschool program within the home. Parents are required to supervise, resource and administer the lessons, which can create family stress and limit a parent's ability to work. Children may not receive the same quality of education and may miss out on vital health and developmental checks.
 - Some families have access to a mobile preschool service, although the operations of these services can be limited due to, for example, inadequate and insecure funding. For some children, mobile preschools provide their only contact with people outside the home.
 - Some families employ an educator to provide In Home Care. The high costs of paying and accommodating an educator, and difficulties finding and retaining them, mean it is not a feasible option for many families.
 - Some families travel long distances to access a centre-based service, which can have considerable financial and time costs.
 - As a last resort, some families enrol with local unregistered services offering care within another family's home in order to secure care arrangements and opportunities for their children's social development.⁸¹
- The families of transient workers experience additional barriers and costs to access early childhood services, which can lead to the separation of families.⁸²
- In a case study, Royal Far West demonstrated how a lack of services particularly impacts children with disability/additional needs because they may miss out on developmental assessments or be unable to access timely or affordable therapy and early intervention.⁸³

4.1.2 Some families are unable to find an early childhood place at a local service

Even in areas with multiple services to choose from, many families have reported that it is difficult to secure an early childhood place. We have heard that services often have very long waiting lists and are unable to meet local demand.⁸⁴

One parent explained:

Being on waiting list[s] for a long time didn't give us a choice of selecting the Cent[re] we want. It was basically base[d] on the availability of the centre not our choice.

Forty-one parents who responded to our Issues Paper survey told us that at least one of their children could not access a service because there were no places. Many parents reported being on waiting lists for multiple services for extended periods of time.

Some parents reported that services in their areas are completely full, that the days they required were not available, or that they were unable to gain mid-year entry into a service. Parents told us that being unable to find an early childhood place created uncertainty and stress for their families, and often made it difficult or impossible to return to work.

For many parents who wish to access outside school hours care, the service located at a child's school may be the only practical choice. If there are no available places in these services, parents may have no access to formal early childhood services for their children.

Early childhood places for children under 2 years are the most scarce

Families with children aged under 2 years are the most impacted by a lack of available places:⁸⁵

- Over half the parents who reported being unable to access services due to lack of available places only had children under the age of 2.
- Of the parents who were unable to access services, only 10% of parents who had children aged 3-5 years attributed this to long waiting lists or lack of available places. This compares with almost 25% of parents who had children under one year old.
- Several parents reported having their child on a waiting list before or since birth but being unable to enrol in a service up to a year and a half later.

There are shortages of early childhood places in remote areas

Families living in remote areas are particularly impacted by a shortage of places because there are often a limited number of services available. For example, we heard from a parent whose 7-month-old child had been on a waiting list for their local centre for over 13 months. With the nearest major town 65km away from home, this family had limited, or possibly no other options for accessing early childhood education and care.

Shortages of places and services significantly affect the accessibility of early childhood services for families and these shortages are caused by underlying supply issues. We describe the mechanisms contributing to overall supply in Chapter 6, and make findings and recommendations to address these issues.

4.1.3 Some families need different, extended or flexible care arrangements

Some families have trouble accessing early childhood education and care because the days or hours of care offered by services are unsuitable for their needs. Different or more flexible arrangements required by families can include:

- extended hours of operation
- shorter or longer session lengths
- flexibility to access care on different days each week (e.g. through a rotating fortnightly or monthly schedule)
- flexibility to change care arrangements or schedules at short notice
- access to occasional and casual care options.

Additionally, some families argue that the definition and number of allowable absences provided under the Child Care Subsidy is too restrictive and limits the accessibility and affordability of services.

Certain families are more likely to have trouble accessing services due to unsuitable or inflexible service operating hours:

- Working families can find the hours offered by preschools are unsuitable.
- Frontline, shift and casual workers may require a range of more flexible or extended care arrangements to meet their needs. For example, they may need care schedules organised on a fortnightly or monthly basis (rather than weekly).⁸⁶
- Sole parent/carer families may have a greater need for extended or flexible hours of care than families where care is shared between multiple parents/carers.^{87, 9}
- Some families with children aged 0-2 years may need or prefer different care arrangements, such as shorter session lengths, care at short notice and in-home care options.

The days and hours of care offered by services are not suitable for all families

Over 20% of the parents responding to our Issues Paper survey ranked extending service operating hours as the first or second most important aspect to improve accessibility. Currently, many service types available for younger children, aged 0-5 years, offer hours of care to suit parents working Monday to Friday during standard business hours (9am – 5pm). This can leave parents who work different hours with limited, or no options for early childhood education and care.⁸⁸

The NSW Productivity Commission's What Parents Want survey found that NSW has by far the lowest proportion of early childhood services with flexible hours (before 7am or after 6.30pm or on weekends) of any state. It suggested that strengthening planning guidelines could enable more providers to offer extended hours of care.⁸⁹ We have recommended in Chapter 6, that the NSW Government should investigate better coordination of the planning and early childhood regulatory processes, to enable initiatives such as expansion of services or extension of operating hours, including any barriers presented by local government planning processes.

⁹ Families who have limited family and/or community support networks could also benefit for the same reasons.

The shorter hours of care offered by preschools (9am to 3pm), in addition to longer holiday periods, make these services especially difficult to access for families with sole parents or with both parents working. We have heard that the limited and inflexible hours of preschool have prevented parents returning to work or increasing their working hours.⁹⁰ As preschool is the dominant service type in outer regional and remote areas of the state, this can have a significant impact on accessibility for families in these areas. We outline these issues further in Chapter 6 and recommend that the NSW Government take a system stewardship role to ensure that the flexibility and mix of services available to families meets community needs.

Preschool programs are available in long day care settings for families that need longer hours of care. However, some parents responding to our Issues Paper survey expressed a preference for stand-alone preschool services or felt that they offer higher quality care compared with long day care services. This preference may also be related to the cost of preschools compared with long day care, which has been noted by some parents.

Although arrangements such as overnight care may be accessible for some families through family day care or occasional care services, we have heard that the availability of these services has decreased significantly in recent years. Other options, such as hiring a nanny, can be expensive and less secure compared with other forms of care.⁹¹

Some parents report that unsuitable or inflexible operating days/hours stopped them from being able to access services for at least one of their children. Other families and stakeholders told us that to access the required care, families often use non-preferred care arrangements.

We heard that arranging care for the days and hours needed can be stressful for families, who must often make significant and disruptive changes to their lives, including their transport, work and home responsibilities and schedules. This is especially the case for families with multiple children. While parents with multiple young children may have difficulties securing places at the same services for the same days, parents with both younger and older children can struggle to coordinate pick-up and drop-off schedules for both school and early childhood services.

4.1.4 Funding arrangements can affect access for some families

The funding arrangements for services and availability of subsidies and support for families can affect the accessibility of early childhood education and care for some families. This is particularly the case for children in areas where preschools are the dominant form of service, and access to long day care or family day care is limited, or not culturally safe.

The NSW Start Strong program provides fee relief for children in community and mobile preschools and program payments for preschool services for eligible children in long day care. These are outlined in Box 4.3.

Box 4.3 NSW Start Strong funding for children in preschool

The NSW Start Strong program provides fee relief to families with 3-5 year old children in community and mobile preschools. This provides affordable preschool for 600 hours a year (15 hours a week). It also provides fee relief for families with children in preschool programs in long day care that services use to reduce weekly fees, in addition to Child Care Subsidy payments.

In addition to fee relief, the NSW Start Strong program provides program payments to preschools for each eligible child. These payments vary based on:

- the number of hours a child attends the preschool
- the Socio-Economic Index for Areas (SEIFA) applying to the preschool's location (determined by the average income of families with children aged 0-5 in the preschool's area)
- application of equity loadings for:
 - Aboriginal and Torres Strait Islander children
 - children from low income backgrounds
 - children with disability/additional needs
- application of locational loadings for preschools in outer regional, remote and very remote areas
- application of loadings for children with English language needs
- higher base rates for families with triplets or multiple children above triplets.

Sources: NSW Department of Education, [Start Strong for Families](#), [Start Strong for Community Preschools Program Guidelines](#).

The fee relief arrangements for community and mobile preschool can limit access for families to the hours of affordable care covered by fee relief payments – roughly 2.5 days a week. This can limit the ability of parents and carers to participate in the workforce. It can also limit access for children who would benefit from longer attendance in early childhood education and care. SNAICC^h NSW Early Years Support and Aboriginal Community-Controlled Organisations (ACCOs) operating community preschools have explained that longer attendance is critical for children who are at risk of entering Out of Home Care. In many cases, the ACCOs fund this attendance from other sources, which reduces their capacity to deliver other services to children and families.⁹²

^h SNAICC – National voice for our children is the national non-governmental peak body for Aboriginal and Torres Strait Islander children. It is governed by a board of directors made up of Aboriginal and Torres Strait Islander community-controlled children's and families' services.

We recommend urgent action to provide additional fee relief for vulnerable children

We consider the NSW Government should urgently provide additional fee relief for the most vulnerable children in the state to support longer attendance for these children at community, mobile and Department preschools. We also recommend the NSW Government, when negotiating the next national preschool funding agreement (from 2026), should advocate for Commonwealth funding to support longer attendance for children in areas where there are no other available services, or no other suitable services.

KU Children's Services supports this recommendation, noting that any increased preschool attendance for children with disability/additional needs must be matched with increased program funding under the NSW Disability and Inclusion Program.⁹³ SNAICC NSW Early Years Support proposes that Aboriginal and Torres Strait Islander children should not have limits placed on their access to the NSW Start Strong fee relief scheme, because the current 600 hour limit means that children who can access other services have to attend multiple services to access fulltime care. SNAICC NSW Early Years Support and ACCOs highlight how this is disruptive for vulnerable Aboriginal children and their families who need culturally appropriate and supportive education and care.⁹⁴

Goodstart Early Learning and the Early Learning and Care Council of Australia (ELACCA) support this recommendation and suggest that additional fee relief should be available for all children experiencing disadvantage and vulnerability, regardless of setting.⁹⁵ We note that families of children attending services attracting Child Care Subsidy (CCS) funding, do not experience the same fee relief restrictions as families of children attending sessional preschool. Our recommendations in Chapter 5 address the affordability of CCS-funded services for these families.

Goodstart Early Learning also disagrees with our recommendation for the NSW Government to negotiate for Commonwealth funding to support longer attendance for children in areas where there are no other services, or no other suitable services. It argues that this is not aligned with the purpose of the Preschool Reform Agreement and that a better solution would be for funding reform that supports establishment of long care services in communities that need them but where the 'thin market' renders such services non-viable.⁹⁶

We agree that this funding reform for establishment of long care services may be required in some areas and it should be part of the NSW Government's system stewardship role (see Recommendation 31) to determine the locations where this is the best solution. However, there will be other areas of the state where children experiencing vulnerability and disadvantage need to attend preschool for more days than are currently subsidised under the Start Strong fee relief program. SNAICC NSW Early Years Support and ACCOs have outlined this need for Aboriginal and Torres Strait Islander children who attend culturally safe and supportive preschools operated by ACCOs. We consider that additional funding should be available to support longer attendance for these children.

Recommendations

4. The NSW Government should urgently provide additional fee relief for the most vulnerable children in the state to support longer attendance for these children at community, mobile and Department preschools.
5. The NSW Government, when negotiating the next preschool funding agreement (from 2026), should advocate for Commonwealth funding to support longer attendance for children in areas where there are no other available services, or no other suitable services. This would:
 - support parents and carers who want to participate in the workforce
 - increase access for children who would benefit from longer attendance.

4.1.5 Families need more flexible options, including occasional care

There are few options for families requiring formal paid care at short notice. As previously noted, stakeholders have indicated that the availability of occasional care services has decreased considerably in recent years. The operating model of most centre-based care services means that they also cannot accommodate families requiring a change to schedules or additional days of care, especially at short notice.

This particularly affects parents and carers who have casual or insecure work arrangements. Recent workforce trends suggest that the number of casual workers across the country is rising – between 2021 and 2022 there was an increase of approximately 300,000 casual workers across the country.⁹⁷ Therefore, ensuring early childhood services are available to meet the needs of parents with these working patterns is a growing issue. The number of casual workers in Australia now accounts for around one quarter of our total workforce. Part-time employment also increased in July 2023, while full-time employment decreased.⁹⁸

Some parents told us that it felt difficult or impossible for them to find occasional care, or care for less than 2 days per week.

Parents of children aged 5-12 years are also impacted by this inflexibility at outside school hours care services. Those who are unable to secure a session when needed may have to leave their children unsupervised when they are uncomfortable to do so or turn down opportunities to increase their working hours.

There is capacity within the early childhood system that is currently under-utilised and could be used to provide short-term or casual care. Data from the Commonwealth Department of Education shows that, in some service types, children are attending for roughly half the hours they are enrolled. This is shown in Table 4.1.

Table 4.1 Percentage of average enrolled hours attended and not attended

Service type	% of enrolled hours attended	% of enrolled hours not attended
Long day care	56	44
Family day care	61	39
Outside school hours care	44	56

Source: Commonwealth DoE CCS child data and IPART analysis.

The difference between hours enrolled and hours attended may arise in the following scenarios:

- For hours of education and care that are not used by children with permanent bookings. For example, if a service operates from 7am to 6pm and a child with a permanent booking regularly attends between 9am and 4pm, the service has 4 hours over the day that are not used. These hours could be made available for short-term/occasional care for other families using the service.
- For hours or days of care when children with permanent bookings are unwell or on holidays. For example, if a child is unwell or is away on holidays and does not attend a service for days they have a permanent booking, those days of care can be offered to another family using the service for casual use.

We consider that the regulatory and funding systems should create appropriate incentives for services and families to make any spare capacity available for short-term and casual bookings for other families using the service. These incentives may include:

- For services, being able to charge:
 - fees at an appropriate level for both the child with a permanent booking and any child that attends for hours that the permanent booking does not use through illness or preference
 - a nominal administration fee, or higher hourly rate for casual or occasional bookings
- For families – receiving a discount or refund for any hours of permanent booking they do not use, where those hours have been used by another family.

Incentives would need to be set at the optimal level to encourage families to “release” any hours they do not need and for services to make these hours available for children within a service at which they are already enrolled.

Finding



6. There is capacity in some services that is currently under-utilised and could be used to provide occasional or casual care for children within a service at which they are already enrolled.

This finding complements the 2-year Flexible Initiatives Trial announced by the NSW Government, that has been designed to target the barriers to services meeting the needs of families for flexible early childhood education and care offerings. The trial will provide grants for services to test and trial new or adapted operating models.⁹⁹

We recommend that regulatory and funding systems create incentives for services and families to make any spare capacity available

Our Interim Report included a draft recommendation that, as part of a digital strategy, the NSW Government should establish a system that incorporates digital tools, to make spare capacity in early childhood services available for occasional and casual bookings. Some stakeholders disagreed with this recommendation, noting that:

- casual bookings are not optimal for child learning outcomes, safety and security - a determining factor in a child's experience of quality education and care is their connection with their educators and teachers
- many providers already accommodate changes of days and additional days for families needing flexibility when these are available and use third party software to do this
- there is little demand for hours before 8am and after 4pm.¹⁰⁰

Another stakeholder supported the idea of greater funding and systems support to enable a service to make spare capacity available for casual and occasional care for children and families that are already enrolled.¹⁰¹

While consistency in care is preferable for child learning and wellbeing, some families have no choice but to seek flexibility in the education and care of their children. It is important that the regulatory and funding systems create incentives for services and families to make any spare capacity available for those who need flexibility. We recognise, as stakeholders have noted, that platforms developed by third party software providers can help achieve this and are already in use.¹⁰²

Recommendation



6. The NSW Government should ensure that regulatory and funding systems create appropriate incentives for services and families to make any spare capacity available for occasional and casual bookings for other children within a service at which they are already enrolled.

4.1.6 Families with children aged under 2 may prefer or benefit from more flexibility

Some stakeholders have indicated that the typical hours, session lengths and kinds of care offered by services do not align with the needs, values and preferences of all families with children aged under 2. We have heard that some of these families prefer care arrangements which may include:

- different hours, such as shorter session lengths or more flexible start and end times¹⁰³
- in home care or nanny-provided care arrangements¹⁰⁴
- gradual, transitional care arrangements for children entering services for the first time¹⁰⁵

- an emphasis on continuity of care, strong educator-child relationships, and the role of the parent in children's social development¹⁰⁶
- a shift in focus away from educational outcomes/curricula, and towards other criteria.¹⁰⁷

Muslim Women Australia, the Parents Work Collective and some parents responding to our Issues Paper survey argue that families should receive greater support to make these kinds of arrangements more accessible and affordable.

One parent explained:

I would love to have affordable subsidised care in my home for example as I now work from home but I am not eligible...this means that the only affordable option is to send my son to a day care.

Some stakeholders have suggested that family day care is disproportionately popular with parents of children under the age of 2.¹⁰⁸ This may be because of the strong educator-child relationships and flexibility of care offered by this service type. However, the evidence suggests that the uptake of places by parents of children under the age of 2 is about the same between family day care and long day care. It is possible that there is unmet demand for more places in family day care places for children under the age of 2, but there is no available data to measure this.

We note that subsidies are currently available under the Child Care Package for In Home Care for certain families who cannot access other types of approved care. The Commonwealth Government commissioned PricewaterhouseCoopers to review the In Home Care program, including exploring existing early childhood service programs and types to provide increased support and flexibility for families. This review was completed in mid-2023, with findings feeding into the ACCC and Commonwealth Productivity Commission reviews.¹⁰⁹

4.1.7 Families could benefit from greater support from their workplaces

Some stakeholders suggest that employers could play a role in ensuring better access to early childhood education and care. For example:

- Families could benefit from complementary workplace flexibility to support parents who need to access services at the times and places they are available.¹¹⁰
- Employer-sponsored services could help to address accessibility barriers for frontline, casual and shift workers. These services could provide greater flexibility in terms of hours, session lengths, scheduling and care at short notice for staff in workplaces such as hospitals.¹¹¹

A range of factors has reduced the incentives for employer involvement in early childhood education and care, including changes to government subsidies and working arrangements, particularly since the COVID-19 pandemic.

We agree that complementary flexibility from employers, where feasible, helps families access early childhood services. We note, however, that the ability for employers to offer flexibility is restricted for some roles and in some industries. Families who cannot access flexible work arrangements are therefore more likely to need greater flexibility within the early childhood system to have equitable access.

In NSW, the number of frontline workers continues to grow annually, with full-time equivalent nurses, teachers, and police officer roles increasing by 2.3% in 2021.¹¹² There is likely to be a corresponding increase in the needs of these workers for early childhood education and care that allows them to participate in the workforce at the times they are rostered to work.

The NSW Government could consider working with relevant unions, the business community and experienced providers of employer-sponsored early childhood services, to develop a strategy to support access to early childhood education and care for the children of frontline, casual and shift workers. Such a strategy could:

- Support additional places in early childhood services
- Provide certainty to early childhood service providers about demand for extended opening hours.

Additional support for workers would also likely provide benefits to employers, including increased availability of workers and reputational benefits.

Finding



7. Families would benefit from greater support from their workplaces to address accessibility barriers, including:
 - complementary flexibility in working arrangements, where feasible
 - employer-sponsored or facilitated early childhood services, particularly for frontline, casual and shift workers.

4.1.8 Families need affordable and reliable transport to access services

Access to transport can determine if a family is able to access early childhood education and care, regardless how many services are in their local area.¹¹³ Families need access to safe, reliable and affordable transport options.

A family may experience transport disadvantage if they have trouble accessing transport, or have difficulties associated with the costs of maintaining private transport.¹¹⁴ Families with young children are particularly vulnerable to the impacts of transport disadvantage. Some families are more likely than others to experience transport disadvantage, including:

- low-income families
- culturally and linguistically diverse families
- Aboriginal and Torres Strait Islander families
- families that include someone with a disability/additional needs
- families living in outer regional and remote areas
- families living in outer-urban areas (or 'urban fringe' areas).¹¹⁵

Some parents told us that the most important factor for improving the accessibility of services in their areas was improving public transport for getting to and from services. Examples of transport-related barriers shared by parents who responded to our Issues Paper survey include:

- A parent with a disability, who cannot drive, but who could walk to an early childhood service if there was a service close to home or take public transport if it were available.
- A parent who takes their children to an early childhood service by taxi, 5 days a week, because they have no other transport options.

Transport access is especially important for families living in outer regional and remote areas, where there may be little or no access to public transport.¹¹⁶ Some services may only be accessible via private transport, and it may take families several hours by car to reach their closest service.

To support their children's needs and development, some isolated families access a centre-based service alongside other forms of education and care (e.g. by attending a long day care centre twice per month as well as participating in a distance education program at home).¹¹⁷ For these families, access to reliable and affordable private transport is important to access in-person services for their children's social and developmental wellbeing.

Families experiencing vulnerability and those living in disadvantaged areas are also more likely to experience transport access barriers.¹¹⁸ In particular, we heard that many Aboriginal and Torres Strait Islander families have trouble accessing transport, especially those living in outer regional and remote areas with little or no public transport.¹¹⁹ For Aboriginal and Torres Strait Islander people in remote communities, attendance rates have been directly linked to a reliance on dedicated transport services.¹²⁰ SNAICC NSW Early Years Support explain that, in remote areas of the state, if a service does not have dedicated transport, Aboriginal and Torres Strait Islander families will not send their children in extreme weather conditions because it is unsafe to do so.¹²¹

The Hive, Mt Druitt (United Way Australia) notes that some families in its area of Western Sydney do not have access to a car or have a driver's licence and the public transport system can be unreliable.¹²² These families also experience transport disadvantage that affects their access to early childhood education and care. While our finding and recommendation here are focused on families in outer regional and remote areas, our recommendation in section 4.2.4, on wrap-around supports, could address access to transport for other families experiencing disadvantage and vulnerability.

Finding



8. Families in outer regional and remote areas of NSW experience greater barriers to access early childhood services, particularly for children to attend services other than outside school hours care. These barriers include:
 - access to, or cost of transport
 - access to, or cost of digital devices, reliable broadband internet and mobile phone reception.

We recommend additional subsidies for families in outer regional and remote areas

The [Preschool Drive Subsidy Pilot](#) has provided subsidies to eligible families in remote and very remote communities where their children attend a preschool program at a participating preschool. This pilot has been delivered in 2022 and 2023 through a partnership between NSW Department of Education and Transport for NSW. It is unclear whether this program will continue in future years. The Isolated Children's Parents' Association suggests that the program should be continued and expanded to support affordable access for some families who are unable to cover travel costs associated with the long commute to services. The Isolated Children's Parents' Association also proposes that the Commonwealth Government extend the Assistance for Isolated Children Allowance to include 3 and 4-year old children enrolled in distance education programs.¹²³

Some services also offer wrap-around support in the form of bus programs to support local children's attendance. We describe these services in more detail in sections 4.2.2 and 4.2.4 and outline our recommendation that the NSW Government work with the sector to develop a model of wrap-around supports for families experiencing disadvantage and vulnerability that could include support with access to transport.

In addition to wrap-around supports for families experiencing disadvantage and vulnerability, we consider the NSW Government should continue and expand the Preschool Drive Subsidy program to provide additional financial support for families in outer regional and remote areas of the state to help with the additional costs these families encounter to access services. These subsidies should be available to support families who enrol their children at all service types and could be tailored to the particular access needs of each eligible family.

Recommendation



7. The NSW Government should continue and expand the Preschool Drive Subsidy program to provide additional financial support for families in outer regional and remote areas of the state to help with the additional costs these families encounter to access services. These subsidies should be available to support families who enrol their children at all service types and could be tailored to the particular access needs of each eligible family.

4.1.9 Some families cannot access a service which meets their diverse needs

Even if a family has services available in their area which provide early childhood education and care at suitable times, their options can still be limited by other needs and preferences.

We have heard that:

- Families with children with disability/additional needs can have difficulty finding services which can adequately cater for their children's needs (discussed further in section 4.2.1).
- Aboriginal and Torres Strait Islander families often prefer services run by Aboriginal Community-Controlled Organisations, and some families may not feel comfortable to attend mainstream services (discussed further in section 4.2.2).

If a family is unable to access a local service which aligns with their needs, values and preferences, they may choose not to attend any available service, or they may enrol with a service which they feel does not provide adequate or quality care. We discuss inclusion for these child and family groups further in section 4.2.

4.1.10 Some families choose not to participate in early childhood services

Some families choose not to participate in early childhood education and care. This can be for a range of reasons related to a family's values, preferences, circumstances and access to information. For example, they may:

- prefer parental care, especially for young children aged 0-2 years
- rely on extended family or community networks for care and support as a preference or because of affordability
- feel that they are best equipped to care for their children with disability/additional needs
- feel they do not need other care arrangements
- lack awareness of the value of early childhood education and care.

Around 16% of the parents responding to our Issues Paper survey who had a child that was not enrolled in a service, reported that this was because they prefer care to be provided by a family member or friend. The NSW Productivity Commission also found that many families who do not use any services do so out of personal preference, rather than due to affordability or availability issues.¹²⁴

It is important that families have choice about their participation in early childhood education and care and that their decisions are well-informed and not impeded by barriers to access.

We discuss access to information about early childhood education and care in section 4.4.

4.2 Inclusion

Inclusive services allow every child to meaningfully participate in activities, receive adequate care and enjoy the benefits of early childhood education and care alongside their peers. All children have the right to inclusive early childhood education and care. These rights are supported by the [National Quality Framework](#) and the [Disability Discrimination Act 1992 \(Cth\)](#).

The [Early Years Learning Framework](#) identifies that inclusion involves taking into account all children's social, cultural and linguistic diversity (including ways of learning, abilities, disabilities, gender, family circumstances and geographic location) in curriculum decision-making processes, to ensure that:

- all children's experiences are recognised and valued
- all children have equitable access to resources and participation, and opportunities to demonstrate their learning and to value difference.¹²⁵

Most parents who responded to our Issues Paper survey (almost 70%) felt that the services in their area are inclusive towards their family.

Unfortunately, not all early childhood services are inclusive for all children.¹²⁶ This is especially so for children with disability/additional needs. Children from Aboriginal and Torres Strait Islander backgrounds and children from diverse cultural and language backgrounds are also more likely to experience barriers to equitable participation.¹²⁷

A number of stakeholders have called for government to take a stronger role in ensuring that services meet quality, access and inclusion expectations and for funding arrangements that reflect the higher cost of providing inclusive education and care.¹²⁸

4.2.1 Children with disability/additional needs face barriers to inclusion

Data available from the NSW Department of Education (for preschools) and the Workforce Census (for other types of service) shows the proportion of children attending different service types that are identified as having a disability/additional needs. This is represented in Table 4.2.

Table 4.2 Proportion of children in services with disability/additional needs

Service type	Proportion of children with disability/additional needs (%)
Centre based day care	7.1
Family day care	1.7
Outside school hours care	4.3
Outside school hours care – vacation	6.0
Community preschool	7.2
Government preschool	6.1

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis.

We have heard that children with disability/additional needs, and their families, benefit from services that have:

- staff experienced in inclusive education and care
- established links with early intervention and allied health services
- collaborative relationships with families and therapists.¹²⁹

Stakeholders told us that families with children with disability/additional needs experience greater difficulty securing a place in a service that can provide inclusive education and care, in some cases due to exclusionary enrolment practices.¹³⁰ This experience is supported by research.¹³¹

Box 4.4 provides an overview of the experiences and perspectives stakeholders shared with us.

Box 4.4 What we have heard – children with disability/additional needs face barriers to inclusion

Around 7% of the parents who responded to our Issues Paper survey had at least one child with a disability/additional needs.

Stakeholders told us that these families experience unique challenges to access inclusive early childhood services, and some families are excluded from services.

- SDN Children's Services highlighted that it is more difficult for families with children with disability/additional needs to find an early childhood place, particularly for children under 2 years old.¹³²
- Uniting submitted that choice can be narrow, or even non-existent for families who have special support needs.¹³³
- Some parents shared that they were excluded from services, or were unable to find a service which could provide adequate or inclusive education and care for their child with disability/additional needs.
- EarlyEd outlined that families with children with disability/additional needs can find it stressful or overwhelming to find an early childhood place, with some families asked to undergo excessive and inconvenient probation periods which do not result in ongoing enrolment.¹³⁴
- STaR Ltd told us that children with disability/additional needs may be accepted at a service and later asked to leave. In some cases, this is because of complaints from other parents about behaviour which is considered disruptive.¹³⁵
- Responding to our Issues Paper survey, 34% of parents with a child with disability/additional needs felt that services in their area were not inclusive towards their family, compared with just 14% for other families.
- Stakeholders indicated that services may be particularly reluctant to enrol children with behavioural issues or severe medical conditions.¹³⁶

Not-for-profit services enrol a higher proportion of children with disability/additional needs

We heard that for-profit services are sometimes reluctant to accept enrolment of children with disabilities and additional needs.¹³⁷ Not-for-profit services, on the other hand, tend to have a higher enrolment of children with disabilities and additional needs.¹³⁸

This is reflected in data from the Commonwealth Workforce Censusⁱ, outlined in Table 4.3, that shows there is a higher proportion of children with disability/additional needs enrolled in not-for-profit services compared with for-profit services across all service types included in this dataset.

Table 4.3 Proportion of children with disability/additional needs in not-for-profit services compared with for-profit services

Service type	Proportion of children with disability/additional needs (%)
Centre based day care – not-for-profit	9
Centre based day care – for-profit	6
Family day care – not-for profit	3
Family day care – for-profit	1
Outside school hours care – not-for-profit	5
Outside school hours care – for-profit	4
Outside school hours care vacation – not-for-profit	7
Outside school hours care vacation – for-profit	5

Sources: 2021 National Workforce Census and IPART analysis.

We acknowledge that this data represents an average across the sector in NSW and that there is considerable variation at the service level.

Some services may be reluctant to enrol children with disabilities and additional needs because, for example:

- the service or staff feel they lack the expertise or resources to be inclusive of all children¹³⁹
- the child's behaviour is seen as too disruptive by staff or other parents¹⁴⁰
- there can be a higher cost of providing education and care for children with disability/additional needs (including administrative burdens and funding gaps associated with the inclusion support programs).¹⁴¹

Existing support and funding programs could be improved

Both the Commonwealth and NSW Governments have programs and funding to support the inclusion of children with disability/additional needs in early childhood services:

- Commonwealth Inclusion Support Program – for children in centre-based day care (i.e. long day care and occasional care), family day care, and outside school hours care
- NSW Disability and Inclusion Program – for children in community preschools
- NSW Start Strong funding – for community preschools to achieve equitable outcomes for children in priority cohorts, including children with disability/additional needs.

ⁱ This does not include Government and community preschools.

The objectives and scope of the Commonwealth and NSW inclusion programs are broadly similar. They both offer a range of supports for services to provide inclusive education and care, including:

- Capacity building and support for educators and services
- Funding for additional educators (where this is needed)
- Supports for services needing specialist equipment and/or capital works.

The detail of the support and funding provided by these programs, and the administrative and evidentiary requirements, are different. Children may attend more than one type of service and each service must separately apply for assistance.

Stakeholders identify positive aspects of both programs, as well as improvements that could be made to enable services to provide more inclusive education and care for children with disability/additional needs. We heard that:

- The financial assistance available through both the Commonwealth Inclusion Support Program and NSW Disability and Inclusion Program does not reflect the cost of providing inclusive services for children with disability/additional needs. As an example, many stakeholders pointed out that one of the eligible categories for Disability and Inclusion Program spending is to employ additional staff to increase the adult to child ratio; however, the hourly rate of financial assistance under the Disability and Inclusion Program is lower than the hourly rate of an appropriately trained educator.¹⁴²
- Services are not adequately funded for the administration, coordination and professional development and peer support that is necessary to provide inclusive education and care for children with disability/additional needs, including:
 - coordination of allied health and early intervention professionals
 - additional administration time applying for assistance under either the Commonwealth Inclusion Support Program or the NSW Disability and Inclusion Program
 - additional time for support for, and coordination with parents and carers
 - additional time for educator professional development, reflection and support from peers and mentors.¹⁴³

This can be a disincentive for some services to enrol children with disability/additional needs and it can contribute to under-resourcing that leads to educator burnout.

- The administrative and evidentiary requirements for each program are burdensome and therefore, costly for services.¹⁴⁴
- Children without a diagnosis may miss out on the additional support they need because they cannot satisfy the evidentiary requirements of these programs.¹⁴⁵ This can particularly impact children from lower socio-economic backgrounds, Aboriginal and Torres Strait Islander children and children in outer regional and remote areas, who experience greater difficulty accessing the services of health professionals.¹⁴⁶ For example, SNAICC NSW Early Years Support outlines the difficulties encountered by Aboriginal and Torres Strait Islander children:

ACCOs generally require a higher staff ratio to support children who present with possible trauma related behaviours. Currently funding does not support this cohort of children without a paediatric diagnosis. Without culturally safe supports and access to paediatric specialists, families struggle to engage with culturally unsafe services, and will have difficulty in accessing a diagnosis. Additionally, fear of being reported to child protection service historically prevents families from accessing these supports.¹⁴⁷

SNAICC NSW Early Years Support and ACCOs argue that observational assessments from educators, that are accepted for funding applications under the NSW Disability and Inclusion Program, should also be accepted under the Commonwealth Inclusion Support Program. They propose additional training and certification of educators to enable them to make referrals to specialists and/or applications for funding under the relevant inclusion support program.¹⁴⁸

- Many children who would benefit from the funding and support available through Commonwealth programs are ineligible because of their residence status (for example, non-permanent residents and refugee status children with temporary visas).¹⁴⁹
- Services value being able to access specialist equipment quickly through the Commonwealth Inclusion Support Program's specialist equipment library.¹⁵⁰

The NSW Disability and Inclusion Program has been recently evaluated by the Social Policy Research Centre at the University of NSW and the Australian Institute of Family Studies. Overall, the evaluation found that:

The Disability Inclusion Program provides critical supports for NSW community preschools to meaningfully include children with disability and high learning support needs in early education programs with benefits for all children.¹⁵¹

It made a number of recommendations to improve the program and the NSW Department of Education has published its response to these recommendations.¹⁵²

The evidence the Social Policy Research Centre and Australian Institute of Family Studies collected through surveys of parents and interviews with service staff, about administrative burdens and the need for additional educators for meaningful inclusion of children with higher support needs, is consistent with the feedback we received in consultation for this review. Its analysis of applications for funding under the High Learning Support Needs stream of the program in 2020 also supports what we have heard from stakeholders – that applications based on observations by preschool educators are less likely to be successful than applications made with documentary evidence.¹⁵³

The NSW Department of Education has advised that:

- between 2019 and 2022, 86% of applications for high learning support needs funding under the Disability and Inclusion Program were found to be eligible
- in 2022, 90% of these applications were found to be eligible.

It has also made changes to the program in 2023 that it expects will result in further increases to the rate of successful applications for high learning support needs funding.¹⁵⁴

Deloitte Access Economics has also recently completed a review of the Commonwealth Inclusion Support Program.¹⁵⁵ The findings of this review will be considered by the ACCC and Productivity Commission reviews.

The feedback we have heard from stakeholders and the findings and recommendations of the recent evaluation of the NSW Disability and Inclusion Program suggest that there are elements of the Commonwealth and NSW inclusion programs that could be improved to support inclusion of children with disability/additional needs, educators and early childhood services.

We recommend short-term improvements to existing inclusion support programs and development of a nationally consistent program in the longer term

Ideally, there would be a single, nationally consistent program to support the inclusion of children with disability/additional needs in early childhood services in accordance with established best-practice. There is widespread agreement across the sector about the key components of such a program, including adequate funding and support for:

- additional educators
- capacity building within a service
- educator or service coordination, administration and support for allied health professionals and families, that may involve a 'key worker'
- professional development and mentoring for educators
- minor capital works and specialist equipment.

We consider that the development of a nationally consistent program should be a priority for the Commonwealth, States and Territories, to deliver the most effective and efficient support for children with disabilities/additional needs. There is significant expertise and commitment within the early childhood sector, including among early intervention professionals, that should be engaged to develop this nationally-consistent program. It is essential that any inclusion program for children with disability/additional needs in early childhood services:

- is aligned with the National Disability Insurance Scheme (NDIS)
- ensures that children who are not eligible for assistance under the NDIS, but who need inclusion support, can receive it
- is developed in consultation with SNAICC and Aboriginal Community Controlled Organisations, to ensure it supports culturally appropriate inclusion of Aboriginal and Torres Strait Islander children with disability/additional needs.

Community Learning Australia notes that there should also be greater funding for the inclusion support agencies that help to deliver elements of existing inclusion programs.¹⁵⁶

Development of a nationally consistent inclusion program is consistent with our priority recommendation that the Australian state, territory and commonwealth governments should work together to develop an integrated funding approach to early childhood education and care.

Recognising that a nationally consistent inclusion program is a long term goal, in the short term, we recommend the NSW Government immediately address elements in the Disability and Inclusion Program that can be improved. In particular, we recommend that all services that enrol children with disability/additional needs receive additional funding to cover the cost of coordination, administration and support time, and the investment in educators, that is necessary to provide inclusive education and care. This funding should be linked to the number of children with disability/additional needs enrolled in the service.^j

We consider the NSW Government should advocate for immediate improvements to Commonwealth Inclusion Support Program, consistent with the improvements we have recommended for the NSW Disability and Inclusion Program, and that the Commonwealth program allow for applications supported by observational assessments from educators. This would ensure that children with disability/additional needs in NSW receive the same program support, regardless of the type of service they may attend.

Stakeholders responding to our Interim Report support these recommendations for improvements to existing inclusion support programs.¹⁵⁷ Some stakeholders call for a greater role for the NSW Government in inclusion support for children across all service types. For example, Goodstart Early Learning notes that the Commonwealth Inclusion Support Program provides limited funding for capability building within a service and it argues that this capability building to support children who are developmentally vulnerable but undiagnosed is a state responsibility.¹⁵⁸ We consider that these issues should be resolved in the development of a nationally consistent inclusion support program to ensure that children receive the support they need, regardless of the type of service they attend.

Existing funding and programs provide support for services and educators to deliver high quality inclusive education and care in accordance with their legal obligations around discrimination and the requirements of the National Quality Standard and the Early Years Learning Framework. However, educator time away from direct interaction with children is likely to be one of the first cuts made by services when there are other day-to-day pressures, including workforce shortages. We consider that there should be greater, explicit funding for these activities, to ensure they occur.

This complements the recommendation we outline in Chapter 1, that the NSW Government should develop an early childhood education and care workforce strategy that includes enabling educators to deliver services at high quality. This involves having time away from direct interaction with children to plan, reflect, coordinate and engage with families and other professionals such as health and disability care providers. It also includes undertaking professional development such as training, mentoring, and networking with other educators and other services. All these activities are just as important to quality services as direct interaction with children and should be adequately funded and prioritised as part of a workforce strategy.

^j In 2021-22, there were about 2,900 children accessing the NSW Disability and Inclusion Program. In 2022-23 in NSW, there were about 7,300 children accessing the Commonwealth High Learning Support Needs Funding under the Inclusion Support Program.

Recommendations

8. The NSW Government should advocate for development of a nationally consistent program to support the inclusion of children with disability/additional needs in early childhood services in accordance with established best practice. This program should include adequate funding and support for:

 - additional suitably qualified educators
 - capacity building within a service
 - educator or service coordination, administration and support for allied health professionals and families, that may involve a 'key worker'
 - professional development and mentoring for educators
 - minor capital works and specialist equipment.
9. In the short term, the NSW Government should immediately improve the Disability and Inclusion Program to better support inclusive education and care for children with disability/additional needs in NSW community preschools, reflecting the findings and recommendations of the recent evaluation of this program. This should include increasing the hourly rates for payments to services with eligible children, to reflect both:

 - the direct costs of eligible activities (including, but not limited to, engaging suitably qualified additional staff), and
 - the additional costs associated with coordination, administration, planning and support time that is necessary to provide inclusive education and care.

To complement the Minor Capital Works component of the NSW Disability and Inclusion Program, the NSW Government should also consider exploring opportunities to work with the Commonwealth Inclusion Support Program to expand the availability of the Specialist Equipment Library under the Commonwealth program to community preschools in NSW.
10. The NSW Government should advocate for immediate improvements to the Commonwealth Inclusion Support Program, consistent with the improvements we have recommended for the NSW Disability and Inclusion Program, and to allow for applications supported by observational assessments from educators.

Allied health service provision within early childhood settings can be disruptive and burdensome

Children with disability/additional needs, including those with National Disability Insurance Scheme (NDIS) funding, are entitled to have their allied health professionals deliver therapies within the early childhood setting. Services have told us that, while these arrangements can provide a greater choice of therapists and allied health services for individual families, they can be disruptive for all children in a service, and may create burdens for service staff who must coordinate access with each allied health professional. Given the higher enrolment of children with a disability/additional needs in not-for-profit services, these impacts are disproportionately experienced by these services.¹⁵⁹

We have been told that many services use a 'Working Together Agreement' (WTA), which is a tool that the director of a service, the family and any allied health professional can use to set out roles, the focus of therapy visits and expectations for working in the service to ensure that therapy occurs in an inclusive way in line with regulatory requirements.¹⁶⁰

We are aware of services that have chosen different models of service provision to address the issues of disruption and burden arising from individualised therapy, while still ensuring that children with disability/additional needs receive the allied health services they need.¹⁶¹ Some providers have described these less individualised therapy arrangements as best practice for all children as they promote social inclusion¹⁶² and help to increase the specialist knowledge of educators in a service.¹⁶³ Examples of this service model include the Koorana preschools at Roselands and Lakemba in Sydney and The Infants' Home at Ashfield in Sydney. Box 4.5 provides an overview of Koorana's approach to allied health service provision within its preschools.

This model of service provision may also be more accessible for some families who may otherwise miss out on early intervention for their children. As The Hive, Mt Druitt (United Way Australia) explains, embedding early intervention within early learning services can reduce barriers and leverage the relationships services have with families.¹⁶⁴

Box 4.5 Koorana Preschools – model of allied health service provision

Koorana Child and Family Services is a community owned, not-for-profit organisation. It currently operates 2 preschools in Sydney, at Lakemba and Roselands. 25% of children attending Koorana preschools have a disability/additional needs.

Rather than coordinating with children's individual allied health professionals to deliver therapy within its preschools, Koorana employs a team of allied health professionals to deliver therapies to all eligible children, including:

- Speech pathologists
- Occupational therapists
- Specialist teachers
- Physiotherapists
- Psychologists

This model of allied health service provision benefits children by:

- Eliminating or reducing the disruption to children's routines.
- Allowing therapy sessions to be delivered in a space and environment that is familiar to the children, without the need to eliminate children from any learning experiences or peers they may be engaging with.
- Allowing health professionals and specialist teachers to have a degree of flexibility in delivering therapy to meet the needs of the child rather than being dictated by solely the health professional's or specialist teacher's availability.
- Encouraging collaboration between educators and allied health professionals where:
 - information about a child's development is shared
 - consistent approach is shared and implemented
 - skills of educators to best meet the developmental needs of children with disabilities and additional needs is supported and developed
 - resources used by allied health professionals are permanently available within the service for children, educators and families to use outside therapy sessions.

These arrangements also significantly reduce the burden for educators associated with coordinating visits to a service by numerous allied health professionals.

Families enrolling their children at Koorana are informed of the integrative model at enrolment.

Source: Koorana Child and Family Services

Other services, such as KU Children's Services (KU), also provide a range of coordinated supports for children with disability/additional needs and their families. For example, KU provides:

- Early intervention services, including:
 - group programs at various locations in the Sydney region
 - therapy through a team of therapists, including assessments and ongoing support
 - key worker transdisciplinary support, where one professional is the primary support for a child and family, working with a team of professionals who share the responsibilities of evaluating, planning and implementing services.
- Support services for children with autism spectrum disorder and their families.¹⁶⁵

We understand that there are a range of views about delivery of allied health service provision within early childhood services and that different models may suit different families.

In section 4.2.4, we outline our findings and recommendations about wrap-around supports for children and families experiencing disadvantage and vulnerability. We envisage that a system of wrap-around supports for families in the greatest need across the state will also assist many children with disability/additional needs and improve the coordination and collaboration of professionals who are responsible for their inclusive education and care.

Finding



9. Action is needed to improve allied health service provision within early childhood services to:
 - avoid disruption to the routines of children receiving therapy and others at an early childhood service
 - reduce burdens and increase efficiency for therapists and early childhood service staff
 - achieve better coordination and collaboration between early childhood service staff and therapists, which has a range of benefits for children, families and educators.

Children from diverse cultural backgrounds with disability/additional needs encounter greater barriers to inclusion

Stakeholders have highlighted that children from diverse cultural backgrounds who have a disability/additional needs encounter additional barriers to inclusion. These child and family groups may include:

- Aboriginal and Torres Strait Islander families¹⁶⁶
- families from culturally and linguistically diverse backgrounds¹⁶⁷
- families from refugee backgrounds.¹⁶⁸

These children and families may be more likely to have experienced trauma.¹⁶⁹ They may be reluctant to identify their needs because of past experiences and because of concerns about how their child's disability/additional needs may be accepted and understood by a service, government agencies and/or their own community.¹⁷⁰

For all of these families, culturally-safe, trauma-informed care is essential for inclusion.¹⁷¹

Stakeholders identified the benefit of this care being delivered by educators with lived experiences. For example, SNAICC outlined that there is a difference between the care provided by educators trained in cultural safety and trauma and the innate understanding Aboriginal educators have of the complexities of trauma and cultural experiences.¹⁷²

There are factors limiting inclusion of children with disability/additional needs in outside school hours care (OSHC)

Stakeholders identified that there are factors that limit outside school hours care services providing inclusive education and care to children with disability/additional needs. These include:

- A lack of qualification requirements and high turnover of staff can mean some OSHC staff are not equipped to provide inclusive education and care.¹⁷³
- OSHC services co-located with schools are often limited in their access to adequate space and facilities. This particularly impacts children with disability/additional needs, who may require quiet spaces, including to help them transition from the school day to OSHC. It also restricts the capacity of educators to prepare for an OSHC session, hold private discussions with parents and store OSHC resources.¹⁷⁴

OSHC services also reported, similar to other service types, that funding under the Commonwealth Inclusion Support Program does not cover the costs of inclusive education and care for children with disability/additional needs, as outlined above.¹⁷⁵

The results of our consultation with children in OSHC, outlined in Chapter 2, suggests that children feel being included leads to positive outcomes for everyone and that social or physical differences can lead to exclusion. It is important, therefore, to ensure that the OSHC environment is conducive to inclusive education and care. Wherever possible, this should include dedicated spaces for OSHC services that are co-located with schools or arrangements with school principals to use shared spaces in a way that supports inclusion for all children.

Finding



10. Outside school hours care services that are co-located with schools often have limited access to adequate space and facilities to provide inclusive care for children with disability/additional needs.

We recommend improvements for inclusion of children with disability/additional needs at outside school hours care services on school sites

Stakeholders support our recommendation that the NSW Department of Education should ensure that the facilities available for OSHC services on school sites are conducive to provision of inclusive education and care.¹⁷⁶ Some have also suggested that OSHC provision should be part of the capital works plan for each school to ensure sufficient OSHC space is a high priority in every school's forward capital works plan.¹⁷⁷ We encourage the Department to include OSHC service provision in forward capital works plans, wherever this is appropriate.

Recommendation



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

4.2.2 Aboriginal and Torres Strait Islander families face barriers to access and inclusion

It is widely recognised that participation in high quality early childhood education and care benefits children's developmental outcomes. Access and participation are particularly important for Aboriginal and Torres Strait Islander children who are among the most developmentally vulnerable children in our community. SNAICC NSW Early Years Support outlines that:

- in NSW, 59.5% of Aboriginal and Torres Strait Islander children are developmentally vulnerable in at least one domain by the time they start school
- rates of developmental vulnerability rise steadily with increasing remoteness and/or socioeconomic disadvantage.¹⁷⁸

SNAICC NSW Early Years Support notes the importance of the link between developmental vulnerability and living in remote and/or more disadvantaged areas, because Aboriginal and Torres Strait Islander children are more likely to live in these places than their non-Indigenous peers:

Because Aboriginal and Torres Strait Islander children are more likely to have concurrent disadvantages than their non-Indigenous peers, they are more likely to have poorer developmental outcomes.

...this disadvantage is further exacerbated by an alarming trend toward a widening gap in the quality of early childhood education and care services between NSW's most advantaged and disadvantaged communities. Evidence shows that disadvantaged children benefit most from attending high quality ECE programs but gain nothing and may even be harmed by attending low quality programs. In practice, this means that Aboriginal and Torres Strait Islander children who live in Australia's most disadvantaged communities, and who stand to gain the most from quality early childhood education and care, are less likely to have access to it.¹⁷⁹

SNAICC NSW Early Years Support argues that, to help improve access and participation in quality early childhood education and care for Aboriginal and Torres Strait Islander children, existing policies, which largely focus on the economic benefits of early childhood education and care, should be reframed. These policies must place equal importance on adequately addressing the social determinants of wellbeing that impact children, including breaking the cycle of intergenerational poverty and disadvantage.¹⁸⁰

Aboriginal Community-Controlled Organisations provide culturally supportive, integrated education and family support services

We have heard that Aboriginal children and families benefit from integrated education and family support services that are provided in culturally supportive environments by Aboriginal Community-Controlled Organisations (ACCOs).¹⁸¹ SNAICC NSW Early Years Support explains:

The foundation of local cultures upon which ACCOs are built, ensure that culture is at the centre of not only what is provided, but also how services are delivered, and community members are supported. This is significant in light of the robust body of evidence demonstrating that maintaining connection to Country and culture enhances wellbeing outcomes and is a strong protective factor for Aboriginal and Torres Strait Islander children and families. . . . ACCO led early childhood education and care services' commitment to hiring Aboriginal staff makes families feel connected to the service and know that it is a culturally safe setting for their children, and that their children are learning in the context of culture, family and community.¹⁸²

There are currently 8 Aboriginal Child and Family Services (ACFCs) and 7 Multifunctional Aboriginal Children's Services (MACS) in NSW that provide culturally supportive and integrated services, including early childhood education and care, to Aboriginal and Torres Strait Islander children and families. Six more ACFCs are scheduled to be opened across the state over the next 3 years.¹⁸³ Box 4.6 provides an overview of the Walanbaa Dhurruli Early Learning Centre, which is an ACFC in Lightning Ridge, NSW.

Box 4.6 Walanbaa Dhurruli Early Learning Centre – culturally supportive integrated service

The Walanbaa Dhurruli Early Learning Centre is an Aboriginal Child and Family Centre (ACFC) located in Lightning Ridge, NSW. It is one of 8 ACFCs across the state that provide culturally safe services and support for children and families. ACFCs are operated by Aboriginal Community-Controlled Organisations. Walanbaa is the only ACFC in NSW that is located on Aboriginal-owned land. This gives community a true sense of being Aboriginal Community Controlled.

Walanbaa provides a range of services to its community, including:

- Centre-based care for children aged 0-5 years, provided by Aboriginal educators and including culturally affirming curricula and Aboriginal language. All educators identify as Aboriginal and the language and culture taught at the centre is the local language of the area, "Yuwaalaraay"
- Transport for children to and from the early learning centre
- Practical assistance to local families and Elders, as required, including:
 - grocery items and lunches for school aged children
 - transport to medical and other appointments
 - parent and family support programs, including Parents as First Teachers
 - community and sporting events, Sorry Business and Elders health support
 - financial advice, court support and legal assistance, transport to court
 - family wellbeing and family violence prevention program
- Coordination of community medical services such as: Royal Flying Doctors, Australian Hearing (Spirit of Sound), STEPS Vision Screening for Children and Children's Developmental Health Checks quarterly, fortnightly Elders' health checks
- Hosting of free community events in collaboration with other organisations/services to support local families. This has included:
 - Celebration of days of cultural significance, e.g. NAIDOC, National Indigenous Children's Day, Youth Week and many other community events, with food, drink, games, entertainment and prizes
 - Kids & Traffic safety (bike and road safety program for children).

Walanbaa also supports other communities/ services in the region, as required. For example, it is currently hosting the Lightning Ridge Preschool, whose premises was destroyed by fire in December 2019. It has also supported surrounding communities with food, education and cultural packs.

Source: Walanbaa Dhurruli Early Learning Centre

The outcomes for children attending Walanbaa Dhurruli Early Learning Centre demonstrate the benefits of integrated and culturally supportive education and family support being delivered by ACCOs. None of the children attending Walanbaa are in out of home care. This compares with 43.8% of Aboriginal and Torres Strait Islander children in NSW in out of home care at 30 June 2022.¹⁸⁴

In addition to the ACFCs and MACS, there are 11 ACCO-operated preschools in NSW providing culturally supportive, integrated education and family support services that improve accessibility for Aboriginal and Torres Strait Islander children. However, unlike ACFCs and MACS, ACCO-operated preschools do not receive dedicated funding to provide family supports. We discuss the challenges this presents for these preschools below.

Finding



11. Aboriginal Community-Controlled Organisations provide culturally supportive, integrated education and family support services that improve accessibility for Aboriginal and Torres Strait Islander children.

Funding models for ACCO-operated services affect their ability to provide inclusive education and care

As outlined above, there are 3 types of ACCO-operated early childhood services in NSW, with different core funding arrangements:

- ACFCs – funded by the NSW Department of Community and Justice
- MACS – funded by the Commonwealth through the Community Child Care Fund
- Community preschools – funded by the NSW Department of Education through the Start Strong program.

The ability of ACCO-operated early childhood services to deliver inclusive education and care, including integrated supports for children and families, depends on the adequacy of their funding. ACCOs identify that the ACFC funding model facilitates the greatest level of integrated support of all the funding models; MACS are funded to provide some additional integrated supports; while the funding available to community preschools does not allow services to provide the supports that Aboriginal and Torres Strait Islander children need.

In fulfilling their cultural responsibilities, some ACCO-operated community preschools provide integrated supports at the expense of other aspects of their operations. Some of the examples we heard about are outlined in Box 4.7.

Box 4.7 Impacts of inadequate funding for ACCO-operated community preschools

ACCO-operated preschools told us about some of the challenges they experience in delivering culturally supportive and integrated education and family supports:

- A director of a service in Western Sydney has not paid themselves a salary for the past 4 years because there have been insufficient funds available after providing integrated supports, cultural programs and salaries for other educators.
- Numerous services cannot afford essential building maintenance. One preschool on the mid-north coast cannot afford routine kitchen maintenance to ensure it is safe and compliant. These building maintenance issues impact service quality ratings.
- Services in Western NSW cannot afford airconditioning or buses to transport children to and from the service, which means that children do not attend in extreme weather conditions.

Source: Meeting Notes – SNAICC and ACCOs, 14, 15 and 16 November 2023.

In addition to their core funding, all ACCO-operated early childhood services apply for funding from various state and Commonwealth programs and some also seek philanthropic funding to fill the gap between government funding and the needs of their community. These services do not have the ability to raise funds through higher fees from families and many carry large debts from unpaid fees, with no prospect of recovery.

We recommend a review of funding models for ACCO-operated early childhood services

SNAICC NSW Early Years Support and ACCOs have called for an overhaul of the funding models for ACCO-operated early childhood services, to ensure all service types are able to provide:

- inclusive education and care, including the associated operational funding for infrastructure maintenance, educator and administration costs
- wrap-around supports for children and families
- cultural programs, including language.¹⁸⁵

Social Ventures Australia also highlights that:

The different funding models for ACFCs and Multi-functional Aboriginal Children's Services (MACS) result in complexity and significant challenges that require secure and increased funding, support and infrastructure to ensure optimum delivery and redress disparities which threaten the operation of some services. We also note that major funding challenges exist for Aboriginal preschools.¹⁸⁶

Given our finding that ACCO-operated early childhood services provide culturally supportive, integrated education and family support services that improve accessibility for Aboriginal and Torres Strait Islander children, it is essential that these services are adequately funded. We consider that all ACCO-operated service types should be funded to provide the services and programs identified by SNAICC NSW Early Years Support and that the NSW and Commonwealth Governments should agree on a funding model to achieve this.

As SNAICC NSW Early Years Supports identifies, services need long-term, secure funding that supports employment security, is flexible for services to respond to the needs of their communities and empowers community-led decision making.¹⁸⁷

Recommendation



12. The NSW Government should work with the Commonwealth Government to agree on a funding model for all early childhood education and care services operated by Aboriginal Community Controlled Organisations. This funding should be long term, secure and flexible, to enable services to provide:
 - inclusive education and care, including the associated operational funding for infrastructure maintenance, educator and administration costs
 - wrap-around supports for children and families
 - cultural programs, including language.

We discuss funding arrangements for inclusive education and care further in section 4.2, funding to address the backlog of maintenance issues at services in section 7.5 and the NSW Government taking a system stewardship role to plan and help deliver service expansions where they are needed in section 6.1.

Cultural programs that include language are an essential component of inclusive education and care for Aboriginal and Torres Strait Islander children

SNAICC NSW Early Years Support and ACCOs have highlighted the importance of cultural programs for Aboriginal and Torres Strait Islander children that include teaching of Aboriginal languages. SNAICC points to the robust body of evidence that maintaining connection to Country and culture enhances wellbeing and developmental outcomes and is a strong protective factor for Aboriginal and Torres Strait Islander children and families.¹⁸⁸

Currently, ACCO-operated services can apply for separate funding for culture and language programs, such as the [Ninganah No More Aboriginal languages program](#).

SNAICC NSW Early Years Support and ACCOs argue that funding to deliver cultural programs for Aboriginal and Torres Strait Islander should be included in core, ongoing funding for ACCO-operated services. This will ensure that services can develop a contextualised program to best fit community need and build relationships between Aboriginal children and elders, who hold and share cultural knowledge. They note that Aboriginal culture is not learned through tertiary study, it is passed on. For this reason, cultural programs need to be flexible to allow payment to elders for their cultural contribution and sharing their knowledge with Aboriginal children in ACCO-operated early childhood services. They explain the value of having a grandmother, aunty or cousins spending time at a service:

This is an invaluable resource...nan is not an educator, but adds so much value, her input should be recognised and she should get paid, the contribution being made to the services is enormous.¹⁸⁹

We have heard of services delivering cultural programs without funding because they are unable to meet funding program guidelines. These services may pay elders to share cultural knowledge between generations for the benefit of Aboriginal and Torres Strait Islander children at the expense of other areas of their operations because of the cultural responsibility they have to children and families.

Our recommendation 12, above, includes flexible funding for cultural programs as part of core, ongoing funding for all ACCO-operated early childhood services.

All services should be culturally safe and supportive for Aboriginal and Torres Strait Islander children and families

We know that many Aboriginal and Torres Strait Islander families prefer for their children to attend Aboriginal-run services like ACFCs or MACS, but these are not accessible to all Aboriginal and Torres Strait Islander children in the state.¹⁹⁰ It is therefore essential that all services can provide education and care that is culturally safe and supportive for Aboriginal and Torres Strait Islander children and families.

SNAICC NSW Early Years Support proposes that a cultural competence framework should be developed in partnership with Aboriginal and Torres Strait Islander Peaks and ACCOs to support the implementation and assessment of the guiding principles of the National Quality Framework. SNAICC NSW Early Years Support argues that this would ensure that Aboriginal and Torres Strait Islander cultures and ways of knowing, doing and being are embedded in curricula. The framework should include criteria for the assessment of mainstream services supporting Aboriginal and Torres Strait Islander children.¹⁹¹

The NSW Department of Education's Regulatory Authority is currently working on an Aboriginal Cultural Safety Framework to guide mainstream early childhood services and their staff on achieving and maintaining cultural safety for Aboriginal and Torres Strait Islander children, families and communities and all children attending early childhood services. Box 4.8 provides an overview of the framework.

Box 4.8 Overview of NSW Aboriginal Cultural Safety Framework

The Aboriginal Cultural Safety Framework (the Framework) will include a set of tools and resources that will assist and support early childhood services in NSW to enhance their programs, services and delivery to become more culturally safe and responsive for Aboriginal children and their families.

By providing clear expectations, standards and guidance, the Framework will help:

- improve cultural safety and responsiveness, increasing the participation of Aboriginal children and their families in early childhood services
- Aboriginal children and families feel they belong in any early childhood service
- all children learn and understand more about Aboriginal people and their cultures.

The Framework is being managed and implemented in a fluid and flexible way by the NSW Regulatory Authority, using a co-design approach with input from diverse providers and services in the sector, including Aboriginal people and communities.

The Framework is closely aligned to the guiding principles of the *Children (Education and Care Services) National Law*. It responds directly to The National Agreement on Closing The Gap, specifically Socio-economic Outcome 3 – Aboriginal and Torres Strait Islander children are engaged in high quality, culturally appropriate early childhood education in their early years. The Framework also reflects the National Quality Standards and the Early Years Learning Frameworks under the National Quality Framework.

When the Framework is complete, it will be the first of its kind for early childhood education and care in Australia.

Source: NSW Department of Education

'Innovative Solutions Support', under the Commonwealth Inclusion Support Program is also available for long day care, family day care and outside school hours care services who are seeking assistance to address barriers to inclusion for Aboriginal and Torres Strait Islander children. This support may include cultural advice and mentoring, for example, services from cultural experts such as Indigenous community elders.¹⁹²

As noted in section 4.2.1, stakeholders have identified there are administrative burdens associated with applying for assistance under the Commonwealth Inclusion Support Program. There is no equivalent assistance provided to preschools in NSW.

We have made a recommendation to improve inclusion for Aboriginal and Torres Strait Islander children and families

Stakeholders responding to our Interim Report support the development of the NSW Aboriginal Cultural Safety Framework. Community Early Learning Australia notes the framework should be developed in consultation with First Nations families and community organisations and that these organisations should be paid appropriately for both providing input and sharing the resources via their channels.¹⁹³ Goodstart Early Learning suggests that implementation of the framework should include professional development and support for educators. Goodstart further argues that additional funding should be available on a needs basis at a local level for services to engage with the local Aboriginal community.¹⁹⁴

Recommendation



13. The NSW Department of Education should ensure that its current work on an Aboriginal Cultural Safety Framework includes development of resources and strategies for services to:
 - provide culturally safe and inclusive education and care for Aboriginal and Torres Strait Islander children and their families
 - enhance all children's knowledge and understanding of Aboriginal and Torres Strait Islander people and their cultures.

A range of factors impact access and inclusion for Aboriginal and Torres Strait Islander children and families

SNAICC NSW Early Years Support notes that the Australian Children's Education & Care Quality Authority (ACEQA) has identified that Aboriginal and Torres Strait Islander families are more likely to participate in early childhood services when local Aboriginal staff are employed, because:

- Aboriginal staff adopt a more informal approach to service delivery
- they have a better understanding of protocols and issues in the local community
- they help families feel more at ease and assured that their culture will be respected, acknowledged and valued.¹⁹⁵

Recruiting and retaining Aboriginal staff is therefore essential to increase participation rates for Aboriginal and Torres Strait Islander children and to ensure services can provide continuous care based on trusting relationships.¹⁹⁶ We discuss the barriers to recruiting and retaining Aboriginal staff in more detail in section 4.3 and workforce capacity and capability more generally in section 6.3.

SNAICC NSW Early Years Support also identified the following issues that impact access and inclusion for Aboriginal and Torres Strait Islander children and families:

- the inadequacy and short-term nature of funding programs and its impact on planning, staffing and service delivery¹⁹⁷ – we address this in more detail in section 4.5

- affordability of early childhood education and care for families and the operation of the "activity test" that limits access to the Commonwealth Child Care Subsidy¹⁹⁸ – we address this in more detail in section 5.2.

4.2.3 Culturally and linguistically diverse families face barriers to inclusion

Data from the NSW Department of Education (for preschools) and the Workforce Census (for Child Care Subsidy (CCS) -funded services) shows that:

- 27% of children aged 0-5 in early childhood services are from families where a language other than English is spoken at home
- 18% of children aged 6-12 in early childhood services are from families where a language other than English is spoken at home.

In government preschools, children from families where a language other than English is spoken at home represent around half of all enrolments. This suggests that government preschools are particularly important for these families.

We have heard that culturally and linguistically diverse families feel included at an early childhood service where educators and other staff:

- are aware of the cultural communities they serve¹⁹⁹
- foster personal, trusting relationships with local families²⁰⁰
- provide opportunities for children to learn and develop in their home/community language²⁰¹
- encourage respect and belonging by engaging with the shared values of children and families²⁰²
- acknowledge and enquire about different families' diets, celebrations, languages, family structures and ways of living²⁰³
- include bilingual staff and staff with connections to the local community.²⁰⁴

Unfortunately, some families have difficulty accessing an early childhood service that fits their needs, values and preferences and they may feel that local services are not inclusive or culturally safe.

Box 4.9 provides an overview of the experiences and perspectives stakeholders shared with us.

Box 4.9 What we heard: inclusion of culturally and linguistically diverse families

- Muslim Women Australia highlighted that families may be hesitant to engage with services due to historical attitudes and educational practices which discouraged or prohibited the cultural, linguistic and spiritual development of children from multicultural backgrounds.²⁰⁵
- Uniting and Catholic Schools NSW called attention to parts of Western Sydney, where more than 50% of families come from linguistic or cultural backgrounds other than English-speaking, and some are experiencing disadvantage.²⁰⁶ Parent feedback provided by Uniting suggests that there are inclusion barriers for these families. Some families report that services are unable to support their child with cultural needs or disability support.²⁰⁷
- Muslim Women Australia told us that some culturally and linguistically diverse families, especially those with children aged 0-2, need or prefer more flexible care arrangements, such as:
 - more flexible service models which can better accommodate parental work commitments
 - In Home Care / nannying arrangements which align with an emphasis on the roles of parental care and close educator-child relationships ²⁰⁸
- Stakeholders have told us that greater assistance is needed from governments to create and provide resources to services, community organisations and families in languages other than English to support children learning their family's first language. This is important to maintain cultural connections and allow children to communicate with older generations in their family and community.

As part of the overall objective of all families having access to affordable, safe, quality early childhood education and care, the NSW Department of Education has a specific focus on supporting multicultural children and families to access early childhood education and care. The Department has been working with multicultural communities and community organisations to understand the needs and barriers for families, to effectively design and plan responses that complement existing early childhood policy, programs and funding supporting availability and affordability of early childhood education and care.

The Department, with IPART, held 10 regional roundtables in consultation with Multicultural NSW across the state through June 2023. It is currently working with the feedback received in these sessions to develop its policies and programs to support multicultural children and families to access early childhood services.

'Innovative Solutions Support', under the Commonwealth Inclusion Support Program is also available for long day care, family day care and outside school hours care services who are seeking assistance to address barriers to inclusion for culturally and linguistically diverse children.

This support may include:

- cultural advice and mentoring, for example, services from cultural experts such as bilingual support workers
- bilingual support, for example, translating and interpreting services and/or bilingual workers to engage with parents or carers and/or work with educators to help settle a child from a culturally and linguistically diverse, refugee or humanitarian background.²⁰⁹

As noted in section 4.2.1, stakeholders have identified there are administrative burdens associated with applying for assistance under the Commonwealth Inclusion Support Program. There is no equivalent assistance provided to preschools in NSW.

Educators from multicultural backgrounds help to provide culturally safe and inclusive care

We have heard from stakeholders that educators from multicultural backgrounds make considerable contributions to early childhood services across the state and they help to provide culturally safe and inclusive care.

Stakeholders told us that multicultural educators can provide:

- Representation that is important for all children and families to support social inclusion and particularly for multicultural children and families. As Muslim Women Australia explained, "You can't be what you can't see".
- Experience and cultural knowledge and values that they share with other educators and children.
- Languages other than English that help families and services communicate and help to support children to learn their family's first language.
- Connections with community that help to build trust and understanding between early childhood services and multicultural communities.²¹⁰

We heard that multicultural educators want to be recognised for these contributions. In section 4.3 we discuss the barriers to recruiting and retaining educators from culturally and linguistically diverse backgrounds; and in section 6.3 we outline our findings and recommendations on issues related to the early childhood workforce. These include findings and recommendations about multicultural educators.

We have made a recommendation to improve inclusion of children and families from culturally and linguistically diverse backgrounds

Stakeholders responding to our Interim Report support our recommendation about the resources and support that should be provided as part of the NSW Government's strategy to support multicultural children and families to access early childhood education and care.²¹¹

Community Early Learning Australia notes that resources should be developed in consultation with culturally diverse families and community organisations who understand their community's needs and that these organisations should be paid appropriately for both providing input and sharing the resources via their channels.²¹²

Recommendation

- ✓ 14. The NSW Government should ensure that its current work on a strategy to support multicultural children and families to access early childhood education and care includes development of:
- resources and support for services to provide culturally safe and inclusive care, including translating and interpreting services and/or bilingual support for families with children in preschool
 - resources in community languages for services, community groups and families, that will help children learn their family's first language and support parents as first teachers.

4.2.4 Wrap-around services support inclusion and wellbeing for all children

Wrap-around, or integrated, services provide support for children and families that are in addition to traditional "education and care" services provided under the Early Years Learning Framework. Examples of these additional services include:

- allied and other health services (such as hearing, eyesight and dental) provided within the early childhood service
- transport for children to and from an early childhood service
- assistance navigating the early childhood, school and national disability insurance systems, including applying for funding and other supports
- family supports, such as relationship, financial and legal counselling and other social services
- practical assistance with clothes washing, showering, meals, grocery items
- transport to other appointments and services, as required
- community playgroups, connections with elders and community groups, community events.

The objective of wrap-around service provision is to support children and families and give children the best start in life. A range of early childhood services and other organisations provide wrap-around services for their communities. Box 4.10 provides examples of wrap-around service provision that we have heard about through consultation for this review.

Box 4.10 Examples of wrap-around service provision for children and families

- ACFCs and MACS provide wrap-around services to meet the needs of their communities. An example is the Walanbaa Dhuralli Early Learning Centre at Lightning Ridge, described in more detail in Box 4.6.
- The Infants' Home at Ashfield provides centre-based long day care and family day care, as well as a range of other family supports, including integrated allied health services, assistance for families experiencing mental health issues, community playgroup, free parenting programs and post-natal support services.
- Muslim Women Australia provides a range of wrap-around services to its community, including:
 - supporting women to access Legal Aid, housing and accommodation, education and training, domestic violence support, health services, police, aged care, employment, childcare and immigration services
 - programs for Muslim women, youths, seniors and mothers to nurture women's health and well-being in a safe, supported environment.
- Koorana Preschools provide integrated allied health services for children with disability/additional needs in its services, described in more detail in Box 4.5.
- KU Children's Services provides key worker transdisciplinary support as part of its early intervention services, where one professional is the primary support for a child and family, working with a team of professionals who share the responsibilities of evaluating, planning and implementing services.
- The Hive, Mt Druitt (United Way Australia), undertakes:
 - *Early Learning Linker* roles to support families to overcome barriers to access early education for their child
 - *Child Health Linker* roles to support families who have a child with a developmental delay or disability access diagnostic assessments, disability supports within services and the NDIS, and connect to specialists and allied health professionals.
- The Strong Start Successful Learners partnership model operates in the Hunter region to support families up to 2 years prior to school entry, building capacity by facilitating access to early supports (screening, assessments, playgroup, early education, parent programs, NDIS Early Childhood Approach program), that build towards successful planning for school. It uses a relational focus and holistic approach to achieve these outcomes recognising that success is achieved when families and professionals work together in shared responsibility.

NSW Government initiatives aim to support child development in the first 2000 days

Brighter Beginnings is a NSW Government multi-agency program that aims to provide all children in NSW the best start in life by delivering evidence-based supports across the first 2000 days of life (pregnancy to age 5). Brighter Beginnings brings together 8 government agencies including NSW Health, Department of Communities and Justice, Aboriginal Affairs NSW, Department of Customer Service, Department of Education, The Cabinet Office, Department of Regional NSW, and Multicultural NSW. The Department of Education is responsible for coordinating and supporting this cross-agency collaboration and implementation.

Brighter Beginnings seeks to:

- increase universal access to education, health and community services
- provide targeted early interventions to families experiencing disadvantage
- improve families' experience and outcomes in their interaction with government
- raise awareness and understanding of the importance of the time from pregnancy to primary school on a child's development.

This collaboration is delivering five accelerator initiatives:

- Pregnancy Family Conferencing (Pregnancy) - conferencing services to provide early family support (co-led by NSW Health and Department of Communities and Justice).
- Sustaining NSW Families (Pregnancy to age 2) - a nurse-led sustained health home visiting for families living in areas of socio-economic disadvantage (led by NSW Health).
- Digital Baby Book (Birth to age 5) – digital version of current paper-based Baby Book (Blue Book) (led by NSW Health).
- Aboriginal Child and Family Centres (ACFCs) (Birth to age 8) - expansion of culturally safe services and supports for Aboriginal families with children aged 0-8 years (led by Department of Communities and Justice).
- [Health and development checks](#) in NSW early childhood education and care services for 4-year olds (co-led by NSW Health and the Department of Education).²¹³

These initiatives provide a coordinated element of wrap-around support for children and families across a range of government services.

We recommend health and development checks for children from 3 years of age

SNAICC NSW Early Years Support and services operated by Aboriginal Community Controlled Organisations (ACCOs) told us that providing health checks to children 4 years of age is too late to address health and developmental issues before children start school. These stakeholders highlight that services and families need additional support beyond health and development checks, including access to allied health professionals to address issues that the checks identify.²¹⁴

We recommend that the health and development checks in NSW early childhood education and care services should be provided to children from 3 years of age, to increase the opportunities for services and families to help children be ready to start school. We also discuss access to allied health professionals as part of a model of wrap-around supports, below.

Recommendation



15. The NSW Government should extend the health and development checks in NSW early childhood education and care services to children from 3 years of age to increase opportunities for services and families to address health or developmental issues before a child starts school.

Increased, targeted wrap-around services would improve access and inclusion for children and families experiencing disadvantage and vulnerability

All families benefit from a level of wrap-around support, particularly for their first child, when they are accessing new services and learning new skills. Children and families experiencing disadvantage or vulnerability may require additional assistance to have equal opportunity. For these children and families, their experience of social, economic and political systems intersect and combine, requiring responses that consider and address their unique circumstances. We have received consistent feedback from stakeholders that increased, targeted support for these children and families is needed to improve child development outcomes, including through improved access to, and inclusion in, early childhood services.

Social Ventures Australia^k notes:

A child's circumstances affect their health and developmental outcomes. The more disadvantaged a child's circumstances, the poorer their health and developmental outcomes are likely to be. Early intervention is, therefore, critical. Research shows that the failure to redress early inequalities results in wide disparity gaps in rates of health and developmental outcomes in adulthood.

There are growing calls for greater wrap-around support to be provided to children and families experiencing disadvantage and vulnerability, with early childhood services facilitating these supports. For example:

- The South Australian Royal Commission into early childhood education and care identifies that integrated service delivery through early childhood services or similar models can have a meaningful impact on community outcomes.²¹⁵
- Social Ventures Australia identifies that integrated child and family centres have the potential to meet many of the needs of children and socio-economic vulnerability and they can help shift these outcomes and fill a major gap in the current early years landscape. With a holistic response to the needs of children and their families, these centres can help to improve the condition under which families are raising young children.²¹⁶
- Royal Far West^l sought Commonwealth Government funding for its "Better Learning Better Lives" program to improve the educational and health outcomes for children living in rural and remote locations. This flexible program would include services such as early intervention and screening, allied health therapy, well-being mental health services, capacity building for parents and educators and community navigation and service coordination for families.²¹⁷

^k Social Ventures Australia is a not-for-profit organisation that works with partners to alleviate disadvantage.

^l Royal Far West is a national charity that is dedicated to improving the health and wellbeing of country children.

The nature and extent of appropriate wrap-around support depends on the unique circumstances and background of the child, their family and community. These can include, for example, aspects like cultural and linguistic background, disability/additional needs, or complex trauma. It can also depend on existing availability of health, education, transport and social supports within a geographical area. Stakeholders have told us that wrap-around service provision can help to ensure families feel supported and safe, where families need only tell their stories once, avoiding the possibility of re-traumatisation.²¹⁸

To deliver wrap-around supports where they are most needed, the NSW Government would need to:

- identify the child, family or community characteristics that are associated with higher need for wrap-around supports
- identify the model/s of service delivery, or combination of models, that are most effective.

We have identified 2 models of service delivery that could be considered for delivery of wrap-around supports: the "key worker" model, and the "hub and spoke" model:

- **Key worker model** – Key worker as a single point of contact for a family, helping to:
 - collaborate with other health and early childhood professionals to facilitate sharing of skills and knowledge to help achieve the family's goals for a child
 - coordinate access to a range of health, education, transport and social systems.
- **Hub and spoke model** – One early childhood service or other social service provider operating as a 'hub', coordinating supports for a network of services (spokes), with the capacity to engage and coordinate required supports, including teams of allied health professionals.

These models are not alternative options. For example, the key worker model could be used within a hub and spoke system to provide effective wrap-around supports for families. In addition to these models, services in areas where families experience disadvantage and vulnerability may need funding for supports such as transporting children to and from early childhood services.^{m,219}

The key worker model forms part of the national guidelines on Best Practice in Early Childhood Intervention, that were developed by Reimagine Australia (previously known as Early Childhood Intervention Australia) with funding from the National Disability Insurance Agency.²²⁰ These guidelines help early childhood intervention practitioners work in a way that supports the best outcomes for children with developmental delay and/or disability, and their families.

As a recognised "best practice" approach for children with disability/additional needs, this model could be used for broader wrap-around supports for children and families in early childhood services. In areas where families are experiencing disadvantage and vulnerability, key worker support is likely to be highly effective and efficient to ensure families receive the assistance they need at various stages in their child's life. It is also likely to provide critical support for educators including sharing of knowledge and skills and ensuring educators do not have to perform this collaboration and coordination role in addition to their core educator responsibilities.

^m Stakeholders have noted that this funding should cover the costs of a vehicle, maintenance, staff and training to ensure the transport service complies with all regulatory requirements.

The appropriate mix of wrap-around support may depend on community characteristics, the availability of services in a geographical area, the need within an early childhood service and the capacity of an early childhood service. For example, in an area where there are adequate health, education, transport and other social supports, a key worker could be a nominated person within an early childhood service, or an external service provider, that is assigned and funded to assist a family.

In areas without adequate health, education, transport and other social supports, the hub and spoke model may also be effective. The "hub" provider could be funded to engage and coordinate the required supports, such as teams of allied health professionals, transport services, family counselling and more, depending on the needs of communities in the hub's region or network. These supports would be available for the services within the network.

Aboriginal Child and Family Centres (ACFCs) currently operate as integrated child and family centres, providing a hub for their communities. Many ACFCs have long waiting lists, which suggests there is high unmet demand for their services. We consider that, with additional funding and support, there may be potential for ACFCs to:

- provide greater support to their communities, particularly through coordinated access to allied health professionals
- extend their support to surrounding early childhood services and communities in their region.

This would extend the reach of wrap-around support to more Aboriginal children and families experiencing vulnerability and disadvantage. This is likely to be most impactful in outer regional and remote areas of the state, where there are fewer early childhood services and allied health professionals.

Other services operated by Aboriginal Community Controlled Organisations (ACCOs) – MACS and community preschools – also provide wrap-around supports for their communities but without the same level of funding as ACFCs. From our discussions with ACCO-operated services, we understand that ACCO-operated community preschools receive the least funding support of all these services.²²¹ The high need for wrap-around supports for Aboriginal families and children and inadequate funding to deliver meaningful support can affect the financial viability of a service and the quality of inclusive education and care a service can provide to children. It also imposes burdens on educators and other service staff. We consider there is an urgent need to increase funding for wrap-around supports provided by ACCO-operated community preschools to address these issues and we have addressed this in Recommendation 40.

SNAICC NSW Early Years Support highlights the need for allied health professionals to provide culturally appropriate and trauma-informed services for Aboriginal and Torres Strait Islander children and families so they feel safe and secure. It proposes a dedicated allied health team to provide 'clinics on country', covering different regions and rotating around the state to provide direct services to ACCO-operated early childhood services.²²² We support this proposal, as part of a model of wrap around supports for Aboriginal and Torres Strait Islander children and families.

Social Ventures Australia recommends a national framework for Integrated Child and Family Centres and identifies the "structural enablers" that are required to implement this model of wrap-around support, including an effective funding model and collaboration and partnerships between the Commonwealth and state governments.²²³ These enablers are likely to be broadly similar for other models of wrap-around support.

We consider the NSW Government should advocate for a national approach or framework for wrap-around supports for children and families experiencing vulnerability and disadvantage. In the absence of such an approach, the NSW Government should develop and implement a model for the children and families in NSW who have the greatest need.

We have recommended that the NSW Government, including the Department of Communities and Justice, work with early intervention specialists, the early childhood sector, SNAICC NSW Early Years Support and Aboriginal Community Controlled Organisations, to develop appropriate models of wrap-around support for children and families experiencing disadvantage and vulnerability.

Stakeholders responding to our Interim Report strongly support this recommendation and the key-worker model of providing wrap-around supports for children and families experiencing disadvantage and vulnerability.²²⁴ Community Early Learning Australia argues that the design of a model of wrap-around supports should be guided by the concept of proportionate universalism, to be available to all children at a scale and intensity proportionate to the degree of need.²²⁵ The Early Learning and Care Council of Australia (ELACCA) suggests that the NSW Government consider partnering with philanthropy to trial models of wrap-around support, and establish proof of concept.²²⁶

Findings

- 12. Increased, targeted wrap-around supports are needed to improve access and inclusion for children and families experiencing disadvantage and vulnerability. Different families and communities have different needs for wrap-around supports.
- 13. There is an urgent need to increase funding for wrap-around supports provided by community preschools operated by Aboriginal Community Controlled Organisations to support inclusion of Aboriginal and Torres Strait Islander children and families.

Recommendation

- 16. The NSW Government should work with the early childhood sector, early intervention professionals, SNAICC NSW Early Years Support, Aboriginal Community Controlled Organisations and other relevant stakeholders, to develop and implement a model and system for wrap-around support for children and families experiencing disadvantage and vulnerability. These supports should be:
 - provided in locations where children and families experience the greatest levels of disadvantage and vulnerability
 - flexible to respond to the needs of different communities

- designed to achieve greater collaboration between early childhood services and other services that support children and families.

4.3 Workforce impacts on accessibility and inclusion

Stakeholders have identified that the strength, diversity and expertise of the workforce are crucial components to improve accessibility and inclusion in the early childhood sector. This section outlines workforce issues and barriers specifically related to inclusion. These issues are strongly linked to the wider challenges of attracting and retaining early childhood teachers and educators to the sector that we outlined in section 6.3).

To ensure inclusion and best outcomes for all children, stakeholders identified the importance of a diverse and representative workforce with links to the communities in which they work.²²⁷ They also identified that Aboriginal and culturally and linguistically diverse educators and teachers bring a range of unique knowledge, skills and perspectives to the sector which benefit services, children and their families.²²⁸

4.3.1 There are barriers to attracting and retaining certain worker groups

Stakeholders identified the following barriers to attracting and retaining workers from particular groups:

- Aboriginal educators:
 - Prohibitive cost of qualifications, including travel, digital supports, support leaving country and community²²⁹
 - Need for mentoring and support to help retain workers/ experience
 - Lack of formal recognition within qualifications and the regulatory framework of the value of cultural expertise and language
 - Need for fully supported and culturally-appropriate training programs
 - Diploma and bachelor level qualifications may not be equipping educators to provide culturally inclusive and trauma-informed care²³⁰
- Culturally and linguistically diverse educators:
 - No mutual recognition for overseas-qualified educators/teachers²³¹
 - Lack of formal recognition in the regulatory framework of the value of cultural expertise and language
 - Need for fully funded/supported qualifications and/or fast-tracked pathways for those with experience/international qualifications²³²
- Regional and remote educators:
 - Barriers for completing qualifications, including challenges of online study, such as a lack of in-person support, access to internet/devices and digital literacy, and access to practicum opportunities

- Cost of qualifications, travel, accommodation, digital supports, etc.²³³

We have heard about the importance of professional networks and mentoring for supporting all educators and teachers entering the workforce, with stakeholders noting the value of targeted professional networks for sector professionals from different cultural backgrounds and remote areas.²³⁴

Stakeholders highlighted the additional workforce-related challenges for children in remote locations who are enrolled in distance early childhood programs and require supervision by a live-in educator (“governess”) or parent.²³⁵ Our recommendation for a subsidy for families in outer regional and remote areas of NSW whose children participate in early childhood services, would help with the additional costs for families with children enrolled in distance early childhood programs.

In Chapter 6, we identify broader workforce-related issues, including workforce shortages, and make recommendations to address these issues that impact accessibility, inclusion and supply. These recommendations include that the NSW Government should update its 2018-2022 NSW Early Childhood Education Workforce Strategy to support state-based initiatives and complement the National Workforce Strategy, to include:

- Mentoring initiatives, at both the state and local level, to support students and educators. This should include mentoring/professional support networks for identified groups of educators (including Aboriginal and Torres Strait Islander educators and educators working with children with disability/additional needs) that are designed in collaboration with the sector and relevant peak organisations.
- Comprehensive support for Aboriginal students/educators who need to leave country to study and outer regional/remote students and educators for training. This should include measures to support digital access and practicum opportunities.

We have also recommended that the NSW Government should work with other jurisdictions to:

- Progress recognition of the value of culture and language that Aboriginal and Torres Strait Islander and culturally and linguistically diverse educators bring to the education and care of children.
- Progress mutual recognition or pathways for international qualifications (as provided in the National Workforce Strategy).

4.3.2 There is a need for greater expertise in inclusive education and care

We heard that there is a need for workforce strategies to support the capacity building and retention of staff to provide quality inclusive education and care for all children, especially children with disability/additional needs.²³⁶ In particular:

- diploma and bachelor level qualifications do not always equip workers to provide inclusive, culturally safe and trauma-informed education and care²³⁷
- there is limited or no time or resources for workers to undertake professional development²³⁸
- there is a lack of mentoring and support on the job²³⁹

- workforce shortages/attrition and an increasingly casualised workforce may be eroding expertise in the sector and negatively impacting quality provision.²⁴⁰

SNAICC NSW Early Years Support and ACCOs have called for additional training and certification of educators so they can screen and refer children for specialist early intervention. This would help ensure children and families receive assistance as early as possible. They note that educators would need to be adequately remunerated for this additional role.²⁴¹

Our recommendations in section 4.2.2 aim to address the need for funding to support educators undertaking professional development to build capacity for inclusion of children with disability/additional needs.

In Chapter 6, we make further findings and recommendations to address the need for workforce strategies to support capacity building and retention of staff to provide quality inclusive education and care for all children. As outlined in section 4.3.1, this includes mentoring initiatives to support educators working with children with disability/additional needs.

4.4 Information about early childhood education and care

Families need accessible and accurate information to make informed decisions about early childhood education and care. This is important to ensure all families are aware of the benefits of early childhood education and care and they can confidently identify and engage with the services that meet their unique needs, circumstances, values and preferences.

There are 3 points at which families may seek or need information about early childhood services:

1. During pregnancy and the first 12 years of a child's life
2. When they are considering enrolling their child in an early childhood service
3. When enrolled at an early childhood service.

It is important that families receive relevant information at the appropriate time. Table 4.4 outlines the types of information families may need about early childhood services at each stage.

Table 4.4 Information families need about early childhood services by stage

During pregnancy and first 12 years	Thinking about enrolment	When enrolled
<ul style="list-style-type: none"> • The benefits for children and their families of participating in early childhood education and care • Service types and the differences between them • Availability of the Child Care Subsidy • How to find information about individual services 	<ul style="list-style-type: none"> • Service types and the differences between them • Locations of early childhood services, hours of operating and availability of care • Fees and out of pocket costs • Quality ratings and reviews of services • How to identify whether a service is inclusive and the strengths of individual services • The extent of support for children with disability/additional needs • Processes around enrolment and waiting lists 	<ul style="list-style-type: none"> • Outcomes of assessment and rating processes • Availability of health and other development checks

During pregnancy and first 12 years	Thinking about enrolment	When enrolled
	<ul style="list-style-type: none"> Processes around applying for and receiving the Child Care Subsidy 	

Some families may need this information in languages other than English.²⁴² For Aboriginal and Torres Strait Islander families, this information should be available in culturally appropriate and safe settings that focus on connection to country and language.

Unfortunately, many parents find the process of engaging with the early childhood sector stressful and confusing. For example, research has found that often, parents feel unable to effectively assess quality in a service, and many parents do not know what the National Quality Framework is. Instead, parents often rely on 'gut feeling' and word of mouth to identify quality services.²⁴³

As well as uncertainty around quality, parents can experience gaps in knowledge about the early childhood system, including the differences between service types and how the Child Care Subsidy and other state and Commonwealth funding programs work.²⁴⁴ Research by the NSW Productivity Commission has found that many parents in NSW feel uncertain about the out-of-pocket expense of early childhood education and care.²⁴⁵

Responses to our Issues Paper survey support these findings, with only 42% of parents reporting that they feel relevant information is available to help them make decisions about services.

4.4.1 Families need relevant information at the appropriate time

As outlined in Table 4.4, families need different types of information about early childhood services at different stages in their children's lives. How this information is communicated matters. The means of communication must reflect the awareness, resources and motivations of different families at the different stages.

All families should receive information about early childhood education and care during pregnancy and the first 12 years of a child's life

We have heard from stakeholders that, while some children do not participate in early childhood education and care because of family choice, others may not participate because their families may not understand the benefits of this participation.²⁴⁶ All families should receive information about the benefits of early childhood education and care during pregnancy and the first 12 years of a child's life, as well as general information about the early childhood system and where to access further information about early childhood services.

One parent told us:

I found it difficult to find out about family daycare...I didn't know where to look. I only found long daycare through google. I later learnt there are council websites, I didn't know this / there was no info through Community Health Nurses where to look for this...where else does a parent discover such things? Information should be provided to new parents about Early Childhood Education – a lot of people think it's only for parents who "have to" work...they don't understand the development benefit of preschools and Early Education Centres.

The NSW Government's Brighter Beginnings program (described in section 4.2.4) includes initiatives that provide opportunities to share information about early childhood education and care with new parents, including:

- early intervention through conferencing services for expectant parents and their families
- health home visits by child and family health nurses for identified mothers and families
- digital health records and information.

We recommend a comprehensive strategy to ensure families receive information about early childhood education and care

We consider there are more opportunities to share information about early childhood education and care with families as they engage with NSW Government agencies around the time a child is born and throughout the first 12 years of a child's life, including through NSW Health and the Department of Customer Service (e.g. Service NSW and NSW Registry of Births, Deaths and Marriages). We recommend that the NSW Department of Education work with these agencies (and any other relevant agencies) to develop a comprehensive strategy to ensure all families receive information about early childhood education and care during pregnancy and the first 12 years of a child's life.

Stakeholders responding to the Interim Report support this recommendation.²⁴⁷ The Early Learning and Care Council of Australia notes that this strategy should not duplicate existing programs and it should be developed in consultation with the Australian Children's Education and Care Quality Authority (ACECQA) to ensure national consistency.²⁴⁸

Recommendation



17. As part of the Government's digital strategy, the NSW Department of Education should work with other NSW Government agencies, including the Department of Customer Service, to develop a comprehensive strategy to ensure all families receive information about early childhood education and care during pregnancy and the first 12 years of a child's life.

4.4.2 Existing resources are not always accurate or helpful for families

Currently, families have access to a range of resources that provide information about early childhood services. These resources provide information that may assist families at every stage, and particularly when they are thinking about enrolling a child in a service. They include, but are not limited to:

- Online resources, such as:
 - government-run websites (e.g. Starting Blocks, Service NSW and local council websites)
 - commercial search and compare websites (e.g. Care For Kids, KindiCare and Toddle)
 - resources specific to service types (e.g. NSW Family Day Care Association Inc. and Australian Home Childcare Association)
 - provider-specific websites, (e.g. Goodstart Early Learning and G8 Education)
 - customer reviews on Google and social media websites.
- Community-based resources within a family's existing networks, such as:
 - community, cultural and religious groups and organisations
 - word of mouth recommendations from family, friends and community members
- Visiting services and speaking directly with staff.

Our Issues Paper survey results suggest that most parents make decisions by relying on recommendations from family and friends, visiting a service directly, and/or finding information through internet searches. Over half of parents reported using all 3 sources of information.

We have identified that Starting Blocks and commercial search and compare websites (e.g. Care For Kids, KindiCare and Toddle) are important sources of information to help families understand the early childhood system and compare services. While many of these websites provide information on part of the market, there are no services that provide information about the entire early childhood education and care sector, alongside reliable and evidence-based advice about key considerations for families.

Despite almost 80% of parents reporting that they used internet searches to help make decisions, only 38% of parents reported making use of government websites. This may indicate a preference for commercial websites or that some parents may be unaware that Starting Blocks is a government-run resource.

Unfortunately, the service information on Starting Blocks and commercial websites can be outdated, inaccurate, inconsistent or incomplete. We heard from stakeholders that improvements are needed to ensure families can access up-to-date service information, including locations, fees and out-of-pocket costs, waiting lists, quality ratings, and other markers of quality and inclusion.²⁴⁹

Services are required to report a range of operating information within prescribed time periods (including fees, opening hours and anticipated vacancies) so that accurate information can be published on the Starting Blocks website.²⁵⁰ In practice, we understand that there is patchy compliance with these obligations. This may reflect constraints on early childhood services (e.g. from workforce shortages) and poor enforcement. As a result, parents may be required to contact individual services to obtain up-to-date information. This can make it difficult for families to compare services and calculate out of pocket costs.²⁵¹

Goodstart identified this issue in its submission to the Productivity Commission's Early Childhood Education and Care inquiry and suggested a range of improvements to provide fee transparency, including mandating real time fee disclosure by services, or the Commonwealth Government using real time administration data through the Child Care Management System to Services Australia, to ensure fees are reported accurately. It also suggested that Starting Blocks provide the date fees were updated for each service, as an indication of the currency of this information for families.²⁵²

KU Children's Services notes that data validation checks can be built into systems, but cautions that this should not create added administration for services.²⁵³

We recommend better processes to ensure families can access relevant and accurate information

We consider that the operating information services report to the Commonwealth Government should be available for other comparison and information services and recommend that the NSW Government advocate for this access to improve the accuracy and usefulness of all information services. We also recommend that the NSW Government advocate for the Commonwealth Government to provide greater support and assistance to services to help them comply with their reporting obligations.

As stakeholders emphasise, it is important to avoid duplication of reporting requirements for services and there is benefit for all stakeholders in having access to consistent information that enables meaningful comparisons. Many stakeholders consider that targeted improvements to information requirements should be developed with service providers, users and ACECQA, which operates the Starting Blocks website, to ensure there is national consistency.²⁵⁴

One stakeholder suggests that a harmonised, centralised waiting list should be created by the NSW Government and made available to all service providers.²⁵⁵ Other stakeholders note that centralised systems are rarely adequate for maintaining current and complex information needed to support families with vacancy information, which can depend on age and preferred days, and the various fee structures and specifics of inclusion and education supports available.²⁵⁶

We also understand that National Quality Standard ratings are not meaningful for many families.²⁵⁷ Regardless, for the families who do consider the National Quality Standard, ratings may be perceived as unreliable due to the long periods of time between assessments (meaning that quality ratings for some services may be several years old).²⁵⁸

In Chapter 1 we outlined our recommendation that the NSW Government should develop a digital strategy for the early childhood education and care sector. Access to information for families, services and government is an essential component of this strategy.

Recommendation



18. The NSW Government should advocate for the Commonwealth Government to provide:
- support for services to comply with their obligations to report operating information, for example with validation checks to improve data quality
 - greater access to this information for comparison and information services.

The NSW Government should also consider ways of providing service information to families, alongside reliable, evidence-based advice and information that is relevant for the different stages of a child's life.

Families need more meaningful information about inclusion

For some families, existing resources do not provide all the information they want. We have heard, for example, that families need more meaningful information for them to identify services which could be considered inclusive or culturally safe for them.²⁵⁹ While equity, inclusion and diversity are embedded throughout the National Quality Standard and the approved learning frameworks, the quality ratings for each service do not provide detailed information about inclusion that may help families choose and access the right service for their child. This may include:

- Whether a service is recognised as being inclusive for:
 - children with disability/additional needs
 - Aboriginal and Torres Strait Islander children and families
 - culturally and linguistically diverse children and families
- How families of children with disability/additional needs who are finding it difficult to find a service or consider their child has been excluded from a service can get help.
- Details of languages other than English spoken by service staff.

Finding



14. Families need more meaningful information about the inclusive practices of services to help them choose and access a service that meets their unique needs, values and preferences.

We recommend greater recognition of inclusive practices to help families identify services that meet their needs

We consider that greater recognition of inclusive practices through the National Quality Standard, and the capacity to highlight areas of expertise and excellence in inclusion in the service quality ratings would help families identify the service that meets their needs, values and preferences. It would also provide incentives for services to be inclusive. This information should be available with service quality ratings on all government-run online resources.

Community Early Learning Australia supports enhancement of the NQS to highlight areas of expertise and excellence in inclusion within service quality ratings and notes that there is opportunity within Starting Blocks for services to highlight particular areas of specialisation or service strength.²⁶⁰

Goodstart Early Learning suggests that families also need clear advice on what exclusion is and how to report and escalate complaints about exclusion.²⁶¹ The NSW Department of Education could provide on its [website](#), information and advice for families of children with disability/additional needs who are finding it difficult to enrol in a service or consider their child has been excluded from a service.

Recommendation



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

Services should provide ratings updates to enrolled families

Once enrolled in a service, families are in a better position to assess many aspects of service quality, however they still rely on the periodic assessment and ratings processes for information about a service's performance. While updated information about service quality ratings is available on the various online resources and must be displayed at the service, stakeholders have called for services to be required to notify families with enrolled children of the outcome of an assessment and ratings process.²⁶²

We consider that a requirement to notify families would improve the visibility and understanding of service quality ratings and the accountability of service providers to enrolled families.

Finding



15. Outcomes of assessment and ratings processes provide important information to enrolled families about the performance of their child's early childhood service. However, this information is not routinely reported to enrolled families.

We recommend communication of outcomes of assessment and ratings process to enrolled families

We consider that a requirement to notify families would improve the visibility and understanding of service quality ratings and the accountability of service providers to enrolled families.

Community Early Learning Australia and KU Children's Services outline that services are already required to display the outcomes of assessment and ratings processes. KU Children's Services notes that services should be engaging and informing families about the assessment and rating process and involving them in development of the service's Quality Improvement Plan. Community Early Learning Australia supports extending the current requirements to ensure that these ratings are communicated and explained, noting that this will enhance families understanding of the system.²⁶³

Recommendation



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

4.4.3 Information can be difficult for families to access and understand

Some families have greater difficulty navigating the early childhood system because information is not accessible for them. Some families may have trouble accessing or using digital devices or the internet, while others may not be able to confidently communicate in English.

Families who experience barriers that impact their ability to find and understand information may:

- miss out on information about the value of early childhood education and care
- find it difficult to locate and understand information to help them choose a service that meets their family's needs
- find it difficult to enrol in a service, or understand how to enrol in a service
- find it difficult to apply for the Child Care Subsidy or understand how to apply for the subsidy and other rebates and funding programs.

Some families need resources and assistance in languages other than English

We have heard that some culturally and linguistically diverse families find it more difficult to navigate the early childhood system. It may be harder to do things like find service information, enrol in a service, or communicate with educators about the needs of their children.

Nearly a quarter of all children in early childhood services are from families where a language other than English is spoken at home.

Box 4.11 outlines feedback we received from stakeholders about difficulties culturally and linguistically diverse encounter navigating the early childhood system.

Box 4.11 What we heard - culturally and linguistically diverse families have a harder time navigating the early childhood system

- Uniting submitted that currently, all information about system navigation is in English, creating a significant barrier for some families.²⁶⁴
- Muslim Women Australia told us there are fewer opportunities to access information in non-English languages, and communications/resources take longer to be released in non-English languages. Digital literacy challenges can make it even harder for families with English as a second language to find or understand information.²⁶⁵
- Fewer culturally and linguistically diverse parents agreed with the statement "relevant information is available to help my family decide about early childhood services", compared with other parents who responded to our Issues Paper survey. Around one in 5 of these parents strongly disagreed.

We recommend a review of information about early childhood education and care for families from culturally and linguistically diverse backgrounds

This feedback suggests that there is a need for the NSW and Commonwealth Governments to review the government-provided resources and programs for early childhood education and care to ensure information is accessible for families from culturally and linguistically diverse backgrounds. This review should also look at opportunities to help services engage with, and provide information to families in their first language, to improve accessibility and inclusion.

Stakeholders responding to the Interim Report support this recommendation.²⁶⁶

Recommendation

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

Digital literacy and access can have broad impacts for families

Much of the information about early childhood services and access to funding is provided through digital channels. This means that families with limited or no access to digital devices and those who have difficulty using digital devices, have greater difficulty accessing the early childhood system.

A family may have difficulty using digital devices and tools, such as completing online forms, sending emails, creating online accounts or navigating websites. Language barriers may contribute to these challenges for some families.²⁶⁷

Some families may also have limited or no access to devices (such as laptops and smartphones), reliable broadband internet or mobile phone reception. For example, a family may live in a community that does not have infrastructure to support digital access, such mobile coverage or electricity; or a family may find the costs of broadband internet and digital devices unaffordable. Families can experience a combination of these circumstances.

Aboriginal and Torres Strait Islander families, families living in outer regional and remote areas, and families experiencing socio-economic disadvantage may be more likely to experience these difficulties in accessing the early childhood system.²⁶⁸

The Australian Digital Inclusion Index shows that 25% of Australians are 'digitally excluded'.²⁶⁹ The House of Representatives Stranding Committee on Employment, Education and Training identified the impact of this exclusion on access to education:

While Information and Communications Technology (ICT) has the potential to enhance learning for students, bridge gaps in access and increase opportunities for teacher training, there remains a 'digital divide' between Australians who have access to the internet, computer and other devices, and those who do not. This gap in access is particularly acute for Australians on low incomes and those living in geographically isolated locations.²⁷⁰

Geographically isolated families in outer regional and remote areas are particularly vulnerable to digital literacy and access challenges, for a number of reasons:

- Compared with those in metropolitan areas, households in outer regional and remote areas are less likely to have fast, reliable internet and are more likely to be sharing devices among household members.²⁷¹
- Provision of education in outer regional and remote areas is particularly dependent on digital access, especially for families who rely on online distance education programs for their preschool-aged children to access early childhood education and care.²⁷² These programs depend on reliable access to internet and devices, alongside the supervision of a parent who is confident in the use of digital tools.
- The costs of internet access are more expensive for families living in outer regional and remote areas. This can make digital connectivity unaffordable, especially for low-income families²⁷³ and families of transient workers.^{274ⁿ}

Finding



16. Digital literacy and access can impact families' ability to navigate and engage with the early childhood education and care system, including finding and choosing a service for their child, getting onto waiting lists and applying for subsidies.

ⁿ 'Transient workers' are workers who relocate regularly to find employment (e.g. people who move around during the year to find seasonal work on farms).

We recommend that Service NSW offices and outreach services be resourced to provide information about early childhood education and care

Our recommendations would address aspects of the digital literacy and access challenges faced by some families. For example, recommendation 9, to provide subsidies for families in outer regional and remote areas to address the additional costs associated with early childhood education, would help to address the costs of digital access. Recommendation 16, to develop a model of wrap-around supports for children and families experiencing disadvantage and vulnerability, could include supports to address digital literacy and accessibility barriers.

In addition to these recommendations, we consider that the physical offices of Service NSW and Centrelink, and their outreach services, should be resourced to provide information to families about early childhood education and care that is equivalent to the information available on the government-run websites. This would ensure that families without digital access can still access information to make informed decisions about early childhood education and care for their children.

Stakeholders responding to the Interim Report support this recommendation.²⁷⁵

Recommendation



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

4.5 Funding arrangements

Families and providers interact with and rely on various funding programs within the early childhood education and care system. While these programs are intended to ensure that services in NSW are accessible, affordable and inclusive, there is evidence to suggest that:

- the mix of funding arrangements is potentially inefficient, confusing and burdensome for families and providers
- aspects of individual programs can be improved.

Most providers must engage with multiple funding programs, many of which are short-term and require periodic re-application. Services typically receive funding from both Commonwealth and State funding pools. The burdens that the inefficient mix of funding arrangements create for services can impact families' access to early childhood education and care and create barriers to services providing inclusive care.

Table 4.5 shows the range of funding programs and the child and family groups they may benefit. In addition, the Commonwealth Child Care Subsidy is available for most families attending long day care, family day care and occasional care services.

In compiling this table, we exercised judgement about the components of programs that meaningfully target a child and family group, and incorporated advice from the NSW Department of Education.

Table 4.5 Programs, support and funding targeting different child and family groups in NSW

Program	First Nations families	CALD families	Disability	Additional needs	Remote locations	Vulnerable or disadvantaged
Inclusion Support Program – Cwltth	✓	✓	✓	✓		
Community Child Care Fund – Cwltth	✓				✓	✓
Early Childhood Development initiatives – NSW	✓					✓
Disability and Inclusion Program – NSW			✓	✓		
Start Strong Funding – NSW	✓		✓	✓	✓	✓
Start Strong Capital Works Grants Program – NSW	✓				✓	
Start Strong Pathways – NSW	✓	✓	✓	✓		✓
Quality and Participation Grants Program – NSW	✓				✓	✓
Aboriginal Families as Teachers (First Steps) – NSW	✓					
Ninganah No More Aboriginal languages program (First Steps) – NSW	✓					
Mobile Preschool funding program – NSW	✓		✓	✓	✓	✓
Preschool Drive Subsidy Pilot – NSW					✓	
Early Childhood Education Scholarships - professional development NSW	✓					
Early Childhood Inclusive Education Scholarships – professional development NSW	✓		✓	✓		
Sector Development Program - professional development NSW		✓	✓	✓		
Additional Child Care Subsidy – Cth ^a						✓

a. The ACCS is available to other groups in this table but only the 'vulnerable or disadvantaged' group is ticked because the ACCS provides targeted support for this group

We have heard that this funding landscape can cause problems for providers because:

- Programs can be administratively burdensome and costly for services to apply for and report on:
 - For example, services have told us about the significant cost and risk in applying for capital grants with no guarantee of success. One Multifunctional Aboriginal Children's Service described spending significant funds on architectural plans for a new preschool, but having the funding application denied. The expenditure on applying for this grant could not be recovered and this affected other service delivery. An ACFC also described spending \$8,000 on an application for a capital grant and the risk of being 'out of pocket' if the application was unsuccessful.²⁷⁶
 - ACCOs have also described the unnecessary costs of repeated applications (every 3 months) for Additional Child Care Subsidy for children in Out of Home Care. They consider the funding should be available for the term of the child's enrolment, with no further applications or adjustments unless circumstances change.²⁷⁷
 - KU Children's Services notes that competitive tenders can exclude not-for-profit and small providers who may not have the resources to fund development of bids.²⁷⁸
- They may not provide funding or specialist equipment in a timely manner.
- They may not fully cover the costs of service inclusion needs.²⁷⁹
- They can be confusing or overwhelming to navigate and engage with
 - For example, ACCOs have explained that, to secure funding for their services, and manage and report on their expenditure, directors, who are paid as educators, must be strong managers, business people/accountants and advocates. This is in addition to providing education and care to children and support for their communities.²⁸⁰
- They can be insufficiently flexible for services to deliver the assistance needed by disadvantaged and vulnerable children and families.
 - For example, Aboriginal Child and Family Centres (ACFCs) have told us that the ACFC funding guidelines limit their ability to deliver the services needed by their communities.²⁸¹
- The short-term nature of funding programs can create barriers for effective service planning and employment security for educators.²⁸²
- Providers may need to apply for additional funding for aspects of service provision that they consider are standard and necessary for quality inclusive education and care.
 - For example, ACCOs must separately apply for funding to deliver Aboriginal languages programs that are an essential component of inclusive education and care for Aboriginal children in these services.²⁸³
- Some services miss out on funding programs because they are unaware of them or they assess that the financial gain is not worth the administrative burden associated with application and acquittal.
 - For example, one ACFC explained that it has assessed there is no benefit in applying for funding under \$6,000.²⁸⁴

KU Children's Services notes that the funding system is complex with frequently changing subsidy and special purpose programs which result in high administrative load. It agrees that services should be made aware of funding opportunities and how to apply for them, and identifies that competition for resources can also result in missed opportunities for collaboration and impact.²⁸⁵

For families, the current funding models can be confusing, overwhelming, and in some cases culturally insensitive, or unresponsive to their children's inclusion needs. Parents have told us that understanding and applying for programs such as the Child Care Subsidy can be challenging, especially for first-time parents. Services operated by ACCOs have also told us that some families need assistance applying for the Child Care Subsidy and liaising with Centrelink when there are errors and delays. There is an unfunded cost to services who provide this assistance.²⁸⁶

SNAICC NSW Early Years Support outlines that ACCOs need adequate, long term, flexible funding to deliver their integrated services to Aboriginal and Torres Strait Islander families. It describes Aboriginal Child and Family Centres as being "caught in the crossfire of Commonwealth-State politics",²⁸⁷ and provides examples of ACCOs facing funding gaps that are not experienced by services in more affluent areas. It highlights the following example:

In NSW preschools are funded for children to attend at a maximum of 3 days a week. Many Aboriginal families who access ACCO preschool programs often won't send their children elsewhere. In response to this need, ACCOs often allow children to attend 5 days if families are deemed at risk and are consequently penalised in their funding model.²⁸⁸

The need for long term funding for ACCOs that covers the full cost of service provision (including overheads) and flexibility to design and deliver services has also been recognised by the Productivity Commission in its Review of the National Agreement on Closing the Gap. It notes the impact of short-term, insecure funding on the ACCO workforce, including:

- difficulty attracting and retaining skilled workers when ACCOs can only offer short-term, insecure employment
- limitations on what ACCOs can do to develop their employees.

The Productivity Commission also notes that having to manage multiple small contracts/ funding sources is inefficient, as the need to make frequent funding applications and juggle different timeframes, rules and reporting requirements detracts from ACCOs' core work of supporting communities.²⁸⁹

SNAICC NSW Early Years Support and ACCOs have highlighted that the available funding for their services is never enough and, increasingly, services are looking for philanthropic funding and loans from "social impact investors" to cover shortfalls and provide opportunities for growth and further support for their communities. They explain:

Philanthropic funding fills in the gaps a lot now, we've found great relationships with the partner, it's flexible.

...they're very flexible in how we utilise our funding. Guidelines are completely different. They know we need to shift money around. It's about having good relationships and partnerships. They're on the ground, they come in and visit the service, they know what's happening. They're here supporting us. They trust us that we know the community and we know what they need. It's a worse process with government funding, we're always looking at additional funding and always reporting. I'm reporting to 15 different funding bodies at the moment.²⁹⁰

An example of a project funded with the assistance of social impact investment, is the Jarjum Centre Inc preschool in Goonellabah. Over 8 years, the Jarjum Board tried to secure capital grant for new premises, because the existing premises was not purpose-built, it was located in an area known for violence, vandalism and drug use, and it was considered unsuitable for a preschool. Construction of a new, purpose-built preschool facility, with increased capacity, was made possible with loans from social impact investors.²⁹¹ While the outcome for Jarjum's community is positive and the project has been successful, ACCOs consider they should not have to advocate for so long or take on significant debt to provide these outcomes for their communities.

As discussed in Chapter 1 the funding system for early childhood education and care services is complex, fragmented and potentially inefficient, and can lead to perverse outcomes for providers and for families wanting to use those services. We consider that the funding system needs to be overhauled at a national level. Such an overhaul will require extensive consultation and therefore take time. In the meantime, we consider there is significant opportunity for the NSW Government to improve the design of existing funding programs to support inclusion in the early childhood sector in NSW.

Stakeholders responding to the Interim Report expressed strong support for our recommendation to review all NSW funding programs and grants that support accessibility and inclusion.²⁹²

Recommendation



23. The NSW Government should review all NSW funding programs and grants that support accessibility and inclusion, consistent with Recommendation 40.

We discuss the funding system in more detail in Chapter 7, and make a recommendation for the NSW Government to review all NSW funding programs and grants for the early childhood education and care sector.

Chapter 5 »

Factors driving affordability of
services

05

Affordability is a broad concept that can be understood in many different ways. It can be considered in terms of the:



Cost of using services compared to a family's household income



Cost of using services compared to additional income a family can earn by having their child(ren) in a service



Parent perceptions and financial and non-financial factors around decisions to return to work and/or use services

What one family considers to be 'affordable' early childhood services may be 'unaffordable' for another family.

This is because affordability is influenced and driven by multiple factors, including:

- the actual prices families face, that is, the out-of-pocket cost to families of using early childhood services^o
- family (or carer) characteristics such as the age and number of children, household income level and family composition (e.g. sole parents)
- how much additional income could be earned by using (or using more) early childhood services
- the level of subsidy or rebate a family is eligible to receive
- the number of subsidised hours a family is eligible to receive under the Child Care Subsidy (CCS) activity test
- family (or carer) perceptions of value for money and lifestyle choices, or preference for a certain type or quality of service.²⁹³

Therefore, what is and is not considered to be affordable for services will be different across families in NSW. Even families who are in similar financial situations may have differing ideas about what they consider to be affordable.

This chapter presents feedback we have heard from families and the sector about the affordability of services, including that:

- High out-of-pocket costs are a barrier to accessing services and workforce participation for some families (see section 5.1).
- Difficult to navigate funding arrangements, including the CCS, impact family out-of-pocket costs (see section 5.2).

^o I.e. the fees charged by a service provider, less any subsidy or rebate.

It also presents key findings of our analysis of out-of-pocket costs to families and affordability measures, and our recommendations to help address barriers to the affordability of early childhood services, including through:

- providing additional financial support to the lowest-income families and other families and children experiencing disadvantage and/or vulnerability
- improving access to subsidies by reviewing the CCS application process and reviewing the CCS activity test requirement
- encouraging service providers to incorporate additional out-of-pocket costs into their fee structure
- improving data collection, sharing and transparency of service fees and out-of-pocket costs.

5.1 Out-of-pocket costs

Family out-of-pocket costs of early childhood services include regular service fees a family pays less any subsidies and/or rebates, plus any other additional out-of-pocket costs such as:

- supplying food or nappies for their children to use at the service
- additional fees, including for educational excursions, extracurricular activities and building fund contributions.

Stakeholders have told us that high out-of-pocket costs are a barrier to accessing services and to workforce participation for some families (see Box 5.1 and Box 5.2). As a result, some families reduce the number of hours their child(ren) attends services or withdraw from them entirely. Consequently, some children miss out on the developmental benefits of participating in early childhood services and some parents are not able to participate in the workforce as often as they would prefer to, if at all.

We found that on average, families in NSW typically spend about 7% of their disposable (after tax) household income per year to use early childhood services. This is in line with the international affordability benchmark of 7% recommended by the Mitchell Institute.²⁹⁴ However, our analysis also shows that some low household income families may be spending substantially higher proportions of their income on using early childhood services.

To address affordability barriers, we have made the following recommendations:

- Lowest-income families and other families experiencing disadvantage and/or vulnerability should receive additional support to access early childhood services.
- Where possible, providers should incorporate additional out-of-pocket costs into their fee-structure so that the CCS can be applied to all costs of using early childhood services.
- Improvements should be made to data collection, sharing and transparency of service fees and out-of-pocket costs as part of a digital strategy for the early childhood education and care sector (as outlined in Chapter 1).

5.1.1 Average service fees and out-of-pocket costs

In line with our Terms of Reference, we collected fee and household out-of-pocket cost information across different children and family groups, geographies, service types, and provider types from:

- Commonwealth Department of Education Child Care Subsidy administrative data
- NSW Department of Education preschools and community preschools census data
- [Care for Kids](#) data
- a sample of early childhood service websites.

Table 5.1 shows the average service fee and out-of-pocket cost per child to families in NSW who used early childhood services in 2021-22. As shown, NSW Department of Education (DoE) preschool services were, and are currently, provided to families free of charge. The out-of-pocket costs shown in this table represents the costs to families after CCS and/or fee relief has been applied. It does not include additional out-of-pocket costs such as for educational excursions, extracurricular activities and building fund contributions.

A comparison between the service fee per hour and the out-of-pocket cost per hour demonstrates that on average, over 50% of the costs of using early childhood services are subsidised. Average fees and out-of-pocket costs are generally higher for long day care and family day care compared to outside school hours care (OSHC), mainly as a result of higher labour costs due to staffing ratio requirements for younger children.

Table 5.1 Average service fees and family out-of-pocket costs per child in NSW (2021-22) (\$ nominal)

Service type	Service fee cost/hour	Out-of-pocket cost/hour	% of fees out-of-pocket
Long day care			
(0-2 years)	\$11.88	\$5.20	44%
(3-5 years)	\$11.20	\$4.95	44%
Family day care			
(0-2 years)	\$11.65	\$4.88	42%
(3-5 years)	\$11.41	\$4.60	40%
Outside school hours care	\$7.67	\$3.64	47%
Preschool – NSW DoE	\$0.00	\$0.00	-
Preschool – community	\$43/day ^a	\$16/day	37%
Occasional care	\$11.27	\$3.95	35%

^a This figure is the average of the fees (before application of fee-relief) reported on the service websites of about 200 preschool services. Source: Commonwealth DoE CCS data, NSW DoE data, Community Preschool (CPS) Census August 2022 data, NQAITS data, Care for Kids data, service websites and IPART analysis.

From 10 July 2023, there have been increases to the amount of CCS families can receive.²⁹⁵ The maximum amount of CCS has been raised from 85% to 90% for families earning up to \$80,000 per year. Therefore, we can expect that the out-of-pocket costs of using long day care, family day care, outside school hours care and occasional care services are likely to have decreased since 2021-2022 (not including the effects of inflation).

5.1.2 Out-of-pocket costs across service types and geographies

Table 5.2 shows the average per child out-of-pocket cost to families in NSW who used early childhood services in 2021-22. The out-of-pocket costs shown in this table represent the costs to families after CCS and/or fee relief has been applied. It does not include additional out-of-pocket costs such as for educational excursions, extracurricular activities and building fund contributions.

Figure 5.1 to Figure 5.3 show the median and range, or distribution of out-of-pocket costs to families for long day care, family day care and OSHC in NSW over time since 2018-19. While out-of-pocket costs for long day care and family day care have increased over time, for OSHC they have remained steady (not including inflation).

Table 5.2 Average family out-of-pocket cost per child in NSW 2021-22 (\$ nominal)

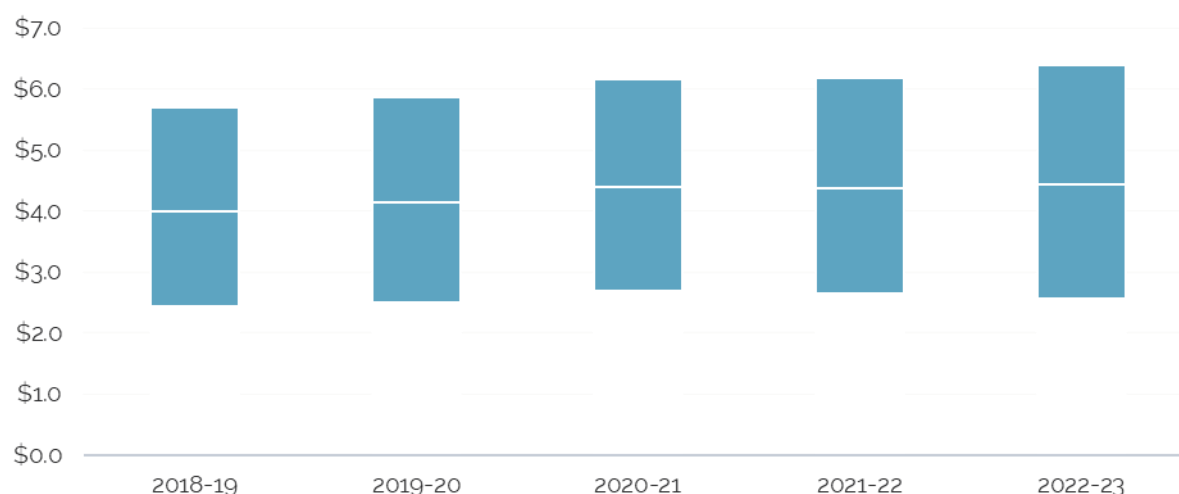
Service type	Out-of-pocket cost/hour	Out-of-pocket cost/year
Long day care		
(0-2 years)	\$5.20	\$4,409 (for 16hrs/wk)
(3-5 years)	\$4.95	\$5,200 (for 20hrs/wk)
Family day care		
(0-2 years)	\$4.88	\$2,802 (for 11hrs/wk)
(3-5 years)	\$4.60	\$2,919 (for 12hrs/wk)
Outside School Hours Care	\$3.64	\$893 (for 5hrs/wk)
Preschool – NSW DoE^P	\$0.00	\$0 (for 2.5 days/wk)
Preschool – community	\$16/day	\$1,918 (for 3 days /wk)
Occasional care	\$3.94	\$1,855 (for 9hrs/wk)

Note: The number of hours per week is the average number of hours per week per child for that service type and age group (where applicable).

Source: Commonwealth DoE CCS data, NSW DoE data, Community Preschool (CPS) Census August 2022 data, NQAITS data, Care for Kids data, service websites and IPART analysis.

^P NSW DoE preschools provided fee-free services in 2022 and currently offer fee-free services in 2023.

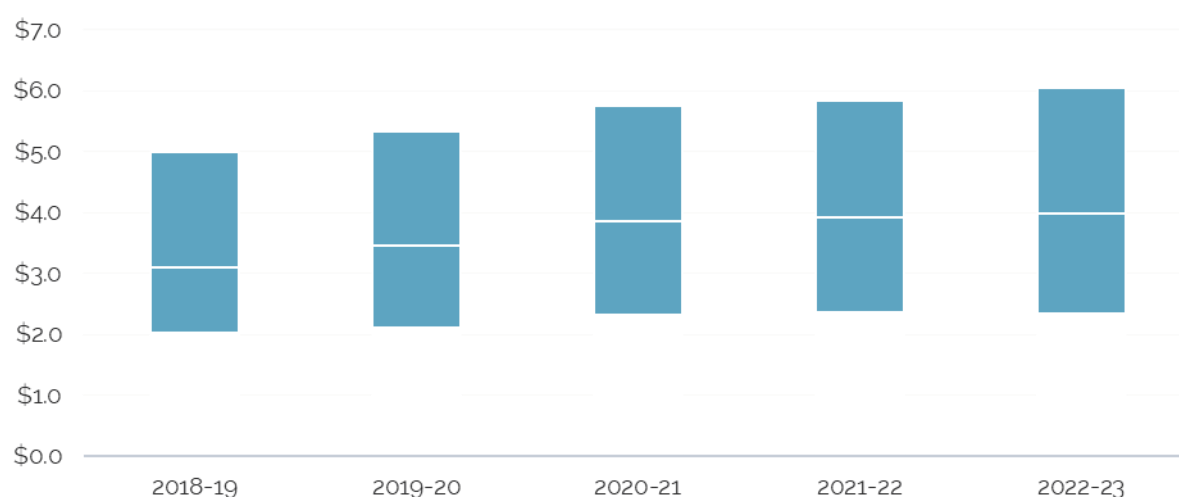
Figure 5.1 Distribution of family out-of-pocket cost/hour per child for long day care in NSW from 2018-19 to 2022-23 (\$ nominal)



Notes: Each box represents the interquartile range (the middle 50% of services) in each financial year. The top of the box is the 75th percentile and the bottom is the 25th percentile. The median is represented by the white line. Data for 2022-23 only includes data for the first 6 months of the year.

Source: Commonwealth DoE CCS child data, IPART analysis.

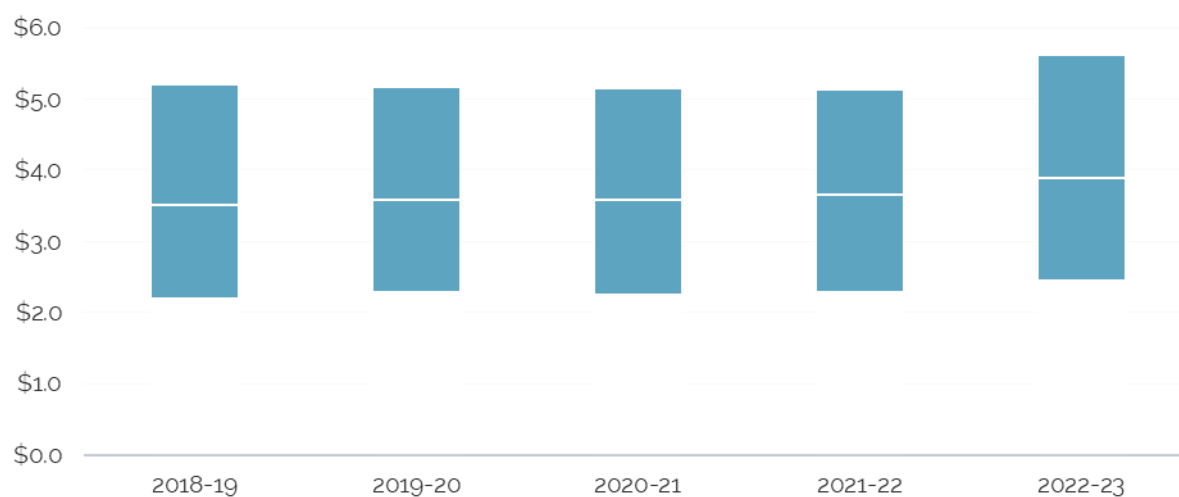
Figure 5.2 Distribution of family out-of-pocket cost/hour per child for family day care in NSW from 2018-19 to 2022-23 (\$ nominal)



Notes: Each box represents the interquartile range (the middle 50% of services) in each financial year. The top of the box is the 75th percentile and the bottom is the 25th percentile. The median is represented by the white line. Data for 2022-23 only includes data for the first 6 months of the year.

Source: Commonwealth DoE CCS child data and IPART analysis.

Figure 5.3 Distribution family out-of-pocket cost/hour per child OSHC in NSW from 2018-19 to 2022-23 (\$ nominal)

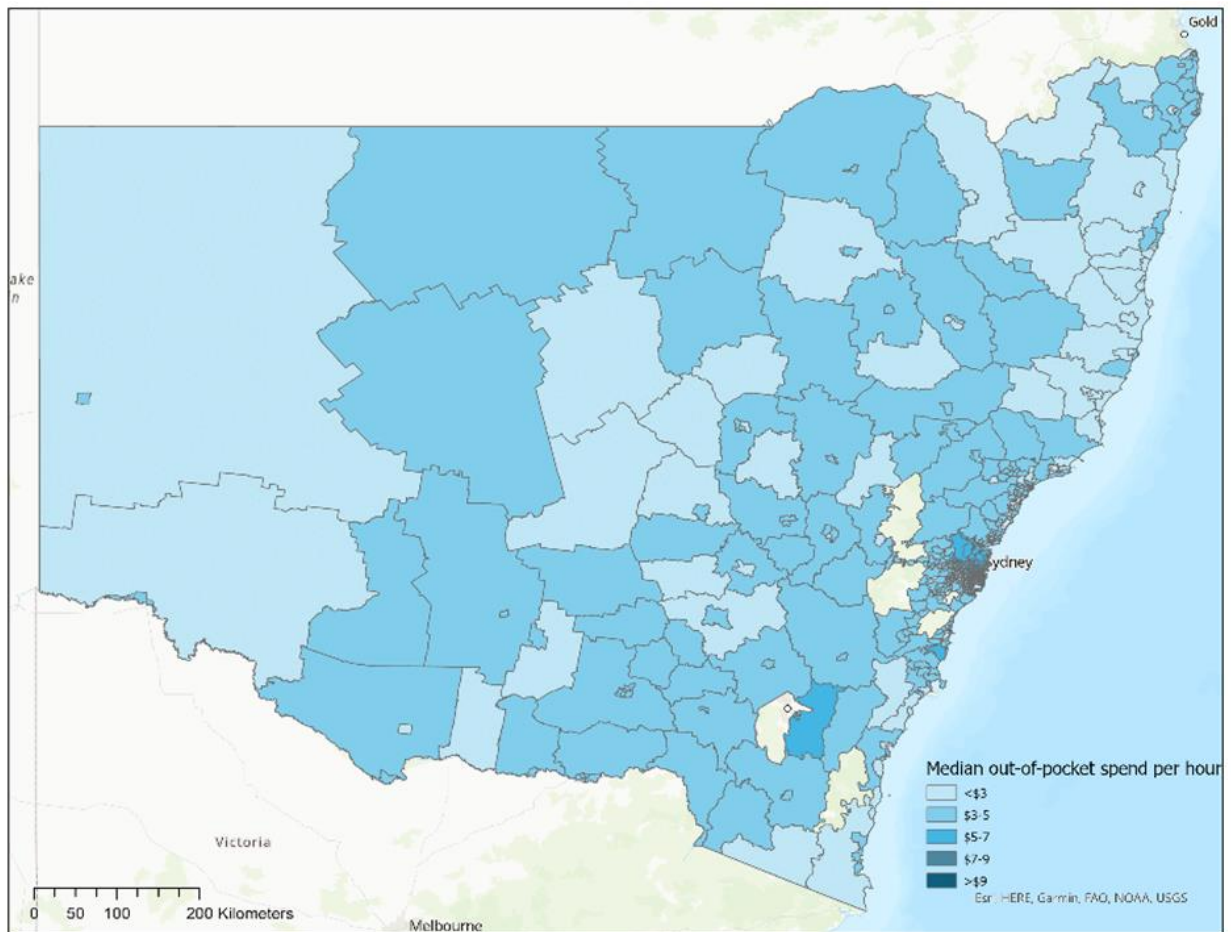


Notes: Each box represents the interquartile range (the middle 50% of services) in each financial year. The top of the box is the 75th percentile and the bottom is the 25th percentile. The median is represented by the white line. Data for 2022-23 only includes data for the first 6 months of the year.

Source: Commonwealth DoE CCS child data and IPART analysis.

Figure 5.4 and Figure 5.5 show the median out-of-pocket spend by families by location in 2021-22 across NSW and within Greater Sydney. Families in metropolitan Sydney generally had higher out-of-pocket costs than those in other areas of NSW.

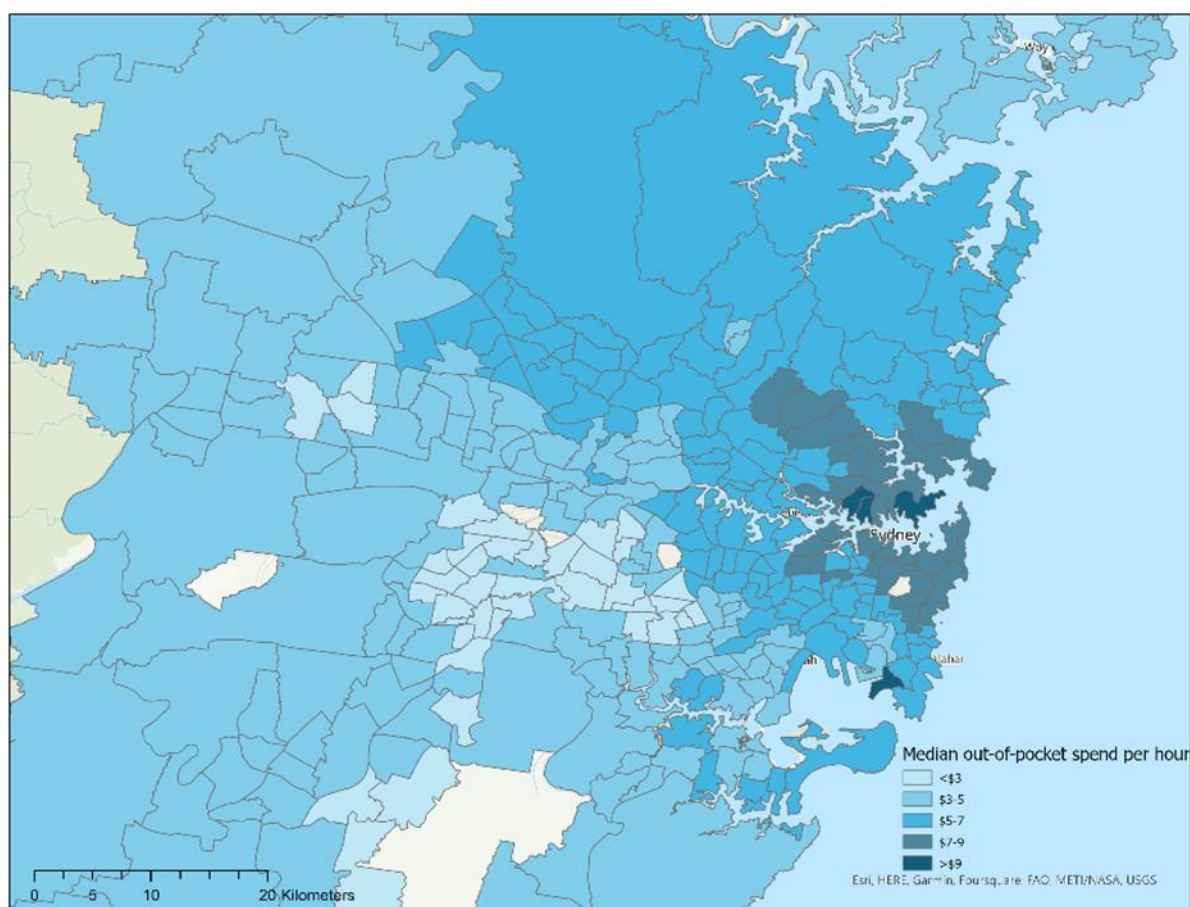
Figure 5.4 Median family out-of-pocket cost/hour in NSW by location (SA2) 2021-22 (\$ nominal)



Note: Includes families with one or more children.

Source: Commonwealth DoE CCS child data, IPART analysis.

Figure 5.5 Median family out-of-pocket cost/hour in Greater Sydney by location (SA2) 2021-22 (\$ nominal)



Note: Includes families with one or more children.
Source: Commonwealth DoE CCS child data, IPART analysis.

5.1.3 Fees across different quality and socioeconomic groups

Table 5.3 compares service fees across service types, age-groups, and quality rating. It shows that overall services with a higher quality rating typically charge slightly higher services fees than services with a lower quality rating.

Table 5.4 compares service fees across service types, age-groups, and Socio-Economic Indexes for Areas (SEIFA) deciles.⁹ Table 5.4 demonstrates that service fees typically increase in areas with a higher SEIFA decile. The exception to this being OSHC services, as although they are priced quite consistently across SEIFA deciles, the average service fee is slightly lower in areas with a higher SEIFA decile. This is likely to be because more children tend to use services, and more hours of services, in areas with a higher SEIFA decile than in lower SEIFA decile areas, allowing providers to spread their costs over a larger customer base in higher SEIFA decile areas.

⁹ SEIFA deciles are area-based deciles which can be used to assess socio and economic disadvantage or advantage in a geographic area. Geographic areas with the most disadvantage are scored with a decile of 1, geographic areas with the most advantage are scored with a decile of 10.

Table 5.3 Average prices per hour by service type, age-group and quality rating in NSW 2021-22 (\$ nominal)

Service type	NSW	Excellent	Exceeding NQS	Meeting NQS	Working towards NQS	Significant improvement required
All	10.90	10.92	11.53	10.77	10.57	9.52
Long day care (all)	11.37	11.02	11.82	11.29	10.92	10.12
Long day care (0-2 years)	11.88	11.46	12.43	11.79	11.36	-
Long day care (3-5 years)	11.20	10.91	11.65	11.11	10.74	-
Family day care (all)	11.34	-	11.69	11.50	11.09	-
Family day care (0-2 years)	11.65	-	11.89	11.76	11.31	-
Family day care (3-5 years)	11.41	-	11.60	11.51	11.16	-
OSHC	7.67	7.69	7.75	7.65	7.76	-
Community preschool	\$43/day	N/A	N/A	N/A	N/A	N/A

Note: Data has been suppressed where there are less than 5 providers.

Source: Commonwealth DoE CCS data, NSW DoE data, Community Preschool (CPS) Census August 2022 data, NQAITS data, Care for Kids data, service websites and IPART analysis.

Table 5.4 Average prices per hour by service type and SEIFA decile (IRSAD) in NSW 2021-22 (\$ nominal)

Service type	SEIFA decile									
	1	2	3	4	5	6	7	8	9	10
All	10.43	10.36	10.49	10.40	10.65	10.80	11.00	11.36	11.37	11.92
Long day care	10.57	10.53	10.70	10.83	11.11	11.36	11.45	12.02	12.10	12.86
Family day care	10.92	11.12	11.65	10.57	10.87	11.24	12.87	12.02	13.04	15.40
OSHC	7.92	7.94	7.85	7.87	7.65	7.60	7.69	7.63	7.56	7.34

Note: Data has been suppressed where there are less than 5 providers.

Source: Commonwealth DoE CCS data and IPART analysis.

5.1.4 High out-of-pocket costs are an affordability barrier for some families

We have heard that high service fees and other out-of-pocket costs are a substantial affordability barrier for some families in accessing services. In particular, we have heard that in the context of recent cost of living increases, some families are less able to afford to use services as often as they would like, or at all. This is preventing some families from accessing quality early learning education and care for their children, particularly families and children experiencing disadvantage and/or vulnerability.²⁹⁶

Box 5.1 What we have heard – high out-of-pocket costs are a barrier to accessing services for some families

Of about 800 parents/carers who completed our Issues Paper survey:

- 53% indicated that making services more affordable is the most important factor for improving the accessibility of services in their area.
- 24% of those who do not have a child/children enrolled in services indicated the main reason for this was because they could not find an affordable service.
- 64% indicated they incur additional out-of-pocket costs when using services other than service fees (e.g., food, nappies, excursions/incursions) that are not subject to existing government subsidies/rebates.
- 15% of families indicated that affordability of service fees is the most important factor considered when they choose a service.

We also received 20 submissions raising concerns about affordability and pricing of services. Some of these submissions highlighted that high service fees can be a prohibitive cost for some families, even after the CCS has been applied.

Uniting told us that for many families, the subsidies received are often not sufficient to cover the cost of 2 days attendance of long day care per week, which disadvantages lower-income families who cannot afford to make up the difference.²⁹⁷

Some submissions emphasised costs are especially prohibitive for families and children experiencing vulnerability and called for further measures to support families with low income and/or experiencing vulnerability to access services. Life Without Barriers highlighted that children in out of home care (e.g. foster care) should be a priority group for financial assistance to access services.²⁹⁸

Stakeholders also raised that families of asylum-seeker status are ineligible for CCS funding while their cases are being assessed.^r As a demographic group that experiences vulnerability, even seemingly nominal service fees can be difficult for families of asylum-seeker or refugee status to afford without financial assistance. Ms Sportelli asserted that inability to access subsidised care poses a significant barrier to workforce participation of refugee or asylum-seeker status families:

I previously worked in a local government area where the largest number of refugees in New South Wales was in our LGA. Although we had managed to get our preschool fees down to as little as \$10 a day, this was simply unaffordable for many of those families.²⁹⁹

We also heard that OSHC can be unaffordable for some families.³⁰⁰

^r Discussed as 'refugee' status in the Public Hearing, however, it is families of 'asylum seeker' status who are broadly ineligible for CCS subsidy. The eligibility of subsidy for these families is dependent on their residence status.

The feedback we heard is similar to feedback received in response to other reviews, including:

- The NSW Productivity Commission survey of about 2,000 NSW families with children aged 0 to 5 years. The survey found that high out-of-pocket costs and uncertainty about these costs were ranked as the 2 biggest barriers to accessing services for non-users, low users and high users of early childhood services. Finding providers with suitable operating hours and of preferred service types was identified as the next largest barrier.³⁰¹
- The Commonwealth Productivity Commission national inquiry into the early childhood education and care sector, which received 175 submissions and 142 brief comments. Many of the submissions and brief comments focused on the importance of equitable access to high-quality early childhood services, including by improving affordability and supporting families experiencing vulnerability.³⁰²
- The ACCC survey of over 4,100 parents and guardians in Australia (as part of its national inquiry) which found about 60% of responders said fees for services are somewhat financially burdensome, with a further 14% saying they struggle to pay fees. The survey results also suggested that affordability is the most important first consideration for households when deciding how much early childhood education and care to use. The ACCC also found that households facing out-of-pocket expenses they consider burdensome have limited their use of early childhood services.³⁰³

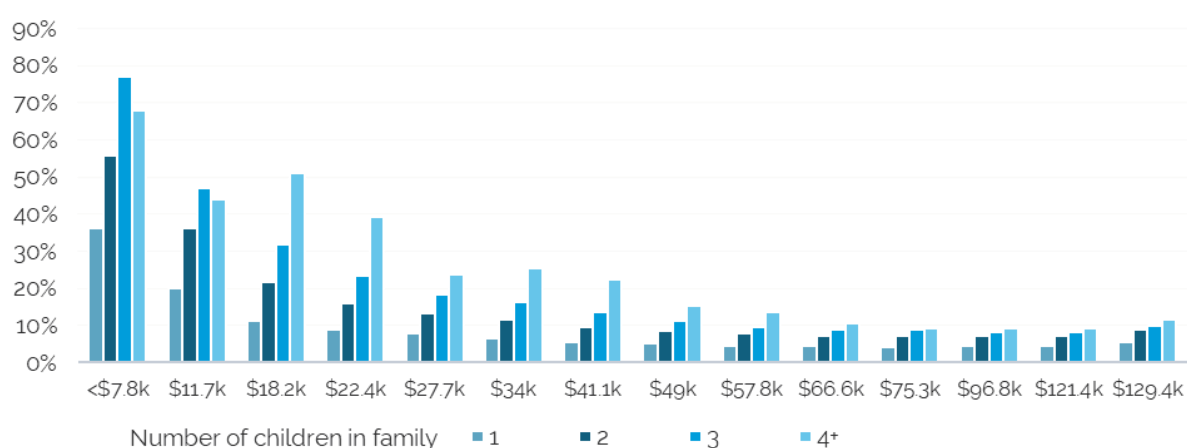
In 2021, a study of families' experiences by the Front Project also found that many parents expressed that affordability of services influenced their decision-making process. For these parents, affordability influenced their choice of service type and the specific configuration of arrangements they made.³⁰⁴ Additionally, for some parents, costs took up a substantial portion of their family budget, necessitating trade-offs with other areas of spending. Some noted that these costs had to be managed alongside other significant living expenses, such as housing costs.³⁰⁵ Overall, participants in this study had mixed views about the affordability of services. Some parents felt that it is expensive, bordering on unaffordable, whereas others considered it is reasonably priced given the CCS.³⁰⁶

Some families spend a substantial proportion of household income on services

We found that on average, families in NSW typically spend between 5% and 13% of their disposable household income per year on accessing early childhood services, depending on the number of children in the family using these services.⁵

However, some families spend a substantial proportion of their household income on using services, even after existing Additional Child Care Subsidies (ACCS), where they apply as shown in Figure 5.6.[†] Families earning a pre-tax income^u of less than \$20,800 per year on average spend at least 11% of their disposable (after tax) income to access early childhood services, with families earning less than \$7,800 per year spending, on average, 44% of their disposable income to access these services. These families may also be paying for unsubsidised hours due to the conditions of the CCS activity test (discussed further in section 5.2.1).³⁰⁷

Figure 5.6 Yearly average family out-of-pocket costs of accessing early childhood services as a proportion of disposable household income in NSW 2021-22 (\$ nominal)



Notes: Estimates are based on the mid-point of the range of the [adjusted taxable income](#) bracket. Tax rates from 2021-22 have been applied to estimate disposable income. The estimates may underestimate the proportion of income that out-of-pocket costs represent as they include out-of-pocket costs for OSHC services, which are typically much lower than those for long day care and family day care.

Source: Commonwealth DoE CCS child data, IPART analysis.

Our findings are similar to those made by the ACCC and Productivity Commission (as part of their national inquiries), that despite Australian households with low incomes receiving a greater government contribution and paying less out-of-pocket for childcare, these households end up spending more of their disposable income on childcare. The ACCC found that across Australia, about half of households in the lowest income decile spent between about 5% and 21% of their disposable income on childcare – with some other low-income households spending more than this.³⁰⁸

⁵ Based on analysis of CCS data which covers long day care, family day care and OSHC services and noting that our findings predate the increases to the CCS introduced in July 2023.

[†] The ACCS may apply for a carer who is an eligible grandparent getting an income support payment, transitioning to work from certain income support payments, experiencing temporary financial hardship or caring for a child who is at risk of harm, abuse or neglect (including children in out-of-home care).

^u [Adjusted taxable income](#).

Research conducted by the Mitchell Institute into the affordability of early childhood services recommends using an affordability benchmark of no more than 7% of household disposable income spent on these services.³⁰⁹ When using this benchmark, it found that about 39% of Australian families consider services are 'unaffordable'.³¹⁰

The Organisation for Economic Co-operation and Development (OECD) estimates that in Australia, a family with 2 children under 3 years old enrolled in early childhood services would typically spend 22% of their disposable household income^v compared to the OECD average of 13%.³¹¹ This is slightly above what we have found for our analysis of out-of-pocket costs in NSW.

Our analysis of yearly average family out-of-pocket costs and household income indicated that on average, families accessing early childhood services with a pre-tax household income below \$41,600, spent more than the 7% international affordability benchmark on early childhood services in 2021-22. Our analysis of CCS data indicated there are about 2,300 children in NSW from families earning less than \$7,800 per year, who spent well above this (on average spending at least 36% on services), indicating that there may be potential to provide additional support to these families.³¹²

Additional out-of-pocket costs for vacation care impact affordability

Vacation care appears to be the most unaffordable component of OSHC due to higher operating costs (e.g. due to excursions, transport and staffing costs), which can potentially lead to children being left home alone.

Some OSHC services providing vacation care do not appear to price the cost of in/excursions into the fees that they charge. As a result, families are charged additional out-of-pocket costs for in/excursions that may not be subject to the CCS and therefore end up having to pay these costs in full. Information on in/excursion prices for families can be difficult to find and varies across services from about \$10 to \$40 per day depending on the activity.³¹³

Incursion and excursion fees generally reflect additional costs to providers of providing extra activities for children in vacation care, compared to before and after school care. They tend to reflect the costs of transport, third-party activity fees (e.g. movie or zoo tickets), equipment and additional staff.

Additional out-of-pocket costs for enrolment

In response to our Interim Report, we also heard feedback that paying a bond and/or enrolment fee to secure enrolment can be a barrier for some families in accessing early childhood services.³¹⁴ The ACCC recently reported that enrolment fees for long day care services can range from \$50 to \$250 per child and are typically nonrefundable.³¹⁵ As these fees are usually not subject to the CCS, they are usually the same for all families at a service regardless of their income, the size of their subsidy or whether they are in financial hardship.³¹⁶

^v Based on a couple earning an average Australian wage and after subsidies have been applied. Figures in OECD data may not be reflective of increases to the CCS introduced in June 2023.

Findings

- 17. Available subsidies for families may not be adequate to make early childhood education and care services affordable for some low-income families, in particular those experiencing high levels of disadvantage and/or vulnerability.
- 18. Additional family out-of-pocket costs such as fees for OSHC incursions and excursions and costs associated with enrolment in some services create affordability concerns for some families. These costs are not always covered by the CCS. Information about these costs is often not readily available.

5.1.5 High out-of-pocket costs are a barrier to workforce participation for some people, especially women

Many families make decisions about returning to work and how often they will work (at least in part) by assessing whether the cost of using services would exceed the caregiver's expected income. The proportion of income that is lost to a family after considering the costs of using services and loss or reduction of family tax benefits, is referred to the workforce disincentive rate.

Box 5.2 What we have heard – high out-of-pocket costs are a barrier to workforce participation for some families

Of about 800 parents/carers who completed our Issues Paper survey:

- 76% of families indicated that the costs of using services have posed a barrier for them (or another parent/carer in their household) returning to work or increasing their working hours.
- 66% indicated they cannot afford to use services as often as they would like to.

We also received several submissions which discussed how the high costs of using services act as a barrier to parents' workforce participation.³¹⁷ These submissions explain that some families are unable to afford to use services often enough to fully support their participation in the workforce. Consequently, some parents or carers delay returning to work or work less often than they would prefer to.³¹⁸

Some stakeholders highlighted the barriers these costs present for the workforce participation of women in particular, for example, Goodstart stated:

Although a range of economic, social and cultural factors drive decisions about work, many women with children report that they want more paid employment. For these mums, the cost of early childhood education and care is the most frequent reason put forward for not joining or increasing their workforce participation.³¹⁹

A stakeholder at one of our public hearings raised that many well-educated women with multiple children can struggle to re-enter the workforce due to the costs of using services.³²⁰

There is a diverse range of family and care circumstances and arrangements in NSW including, but not limited to, 2 parent families, sole parent families and grandparent carers. We have heard, and other research has found, that women in particular experience difficulty returning to work due to the costs of using early childhood services, as in many families women are much more likely to be the second earner of their family.³²¹ The Grattan Institute found that female breadwinners are rare among Australian families and the most common arrangement for families with young children is that a man works full-time while a woman works part-time.³²²

It found that there are many reasons why this is the case including that:

- Women are more likely to have already left their workplace or have taken extended leave when their child is born, and it often follows that they continue to be the primary carer for their children.
- Some women's preferences and society's expectations around women being primary caregivers also play a role.³²³
- Men are generally more likely to be earning a higher income, so many families make the choice that the man continue working full-time while the woman stops working or reduces her working hours to care for their children.³²⁴

Furthermore, NSW Treasury found that even though educational attainment and workforce participation rates of Australian women are among the highest in the world, Australia has one of the largest gender gaps in usual hours worked compared to other OECD countries.³²⁵ In 2018, Australian women worked 20% fewer hours than Australian men, which equates to 8 hours per week.³²⁶ Australia's gender hours gap is reflective of Australia's relatively high prevalence of part-time employment. In 2018, 38% of Australian women worked less than 30 hours per week compared to the OECD average of 25% of women.³²⁷

NSW Treasury suggested that there are several reasons why there is a large gender hours gap. It identified the unequal distribution of unpaid domestic work and caring responsibilities between genders as the underlying cause of this inequality.³²⁸ This is, in turn, influenced by societal attitudes and established practices, policy settings including early childhood, paid parental leave, family tax benefit, and the gendered disparity in wages and career progression. As a result, women with male partners often are the secondary earner even prior to having children.³²⁹

The Expert Reference Panel of the NSW Women's Economic Opportunities Review advised that the most effective way to create generational change in the NSW economy is for the NSW Government to make a long-term commitment to providing free or low-cost, high-quality early childhood services.³³⁰ This would support more women to increase their workforce participation and would ensure that all children can receive the developmental benefits of engaging with early childhood services, regardless of their background.³³¹ Additionally, the Expert Reference Panel suggested that this commitment and investment could be a significant factor in addressing the workforce participation gap between women and men over the next decade and could potentially deliver up to \$230 billion to the NSW economy over a period of 10 years.³³²

Out-of-pocket costs to families impact workforce disincentive rates for women

The workforce disincentive rate measures the out-of-pocket cost of using services compared with the potential increase in family income if a parent (who wants to) is able to return to work, or work more hours, by having their children in an early childhood service (or at a service for more hours).

Analysis published by NSW Treasury in June 2022 indicates that some families face higher workforce disincentive rates than others. For example, a household with 2 children in early childhood services with a:

- Middle-income of \$180,000 per year^w faces a workforce disincentive rate of up to 68 per cent (on the 5th day), meaning that a secondary income earner (typically a woman) would take home only 32 cents in the dollar for income earned on their 5th day of work in a week (earning about an additional \$5,400/year), compared with working only 4 days per week.³³³
 - Under the combination of changes to the CCS implemented in July 2023 and the Childcare and Economic Opportunity Fund, the maximum workforce disincentive rate that this household would face would be reduced to 52 per cent (and about \$3,400/year more would be earned).³³⁴
- Lower-income of \$120,000 per year^x faces a workforce disincentive rate of up to 79 per cent (on the 5th day), meaning that a secondary income earner would take home only 21 cents in the dollar for income earned on their 5th day of work in a week (earning about an additional \$2,100/year), compared with working only 4 days per week.³³⁵
 - Under the combination of changes to the CCS implemented in July 2023 and the Childcare and Economic Opportunity Fund, the maximum workforce disincentive rate that this household would face would be reduced to 62 per cent (and about \$4,100/year more would be earned).³³⁶

However, the Australian Institute of Family Studies found that the magnitude of effective marginal tax rates that families face is more a function of the tax and transfer system, not early childhood service costs.³³⁷

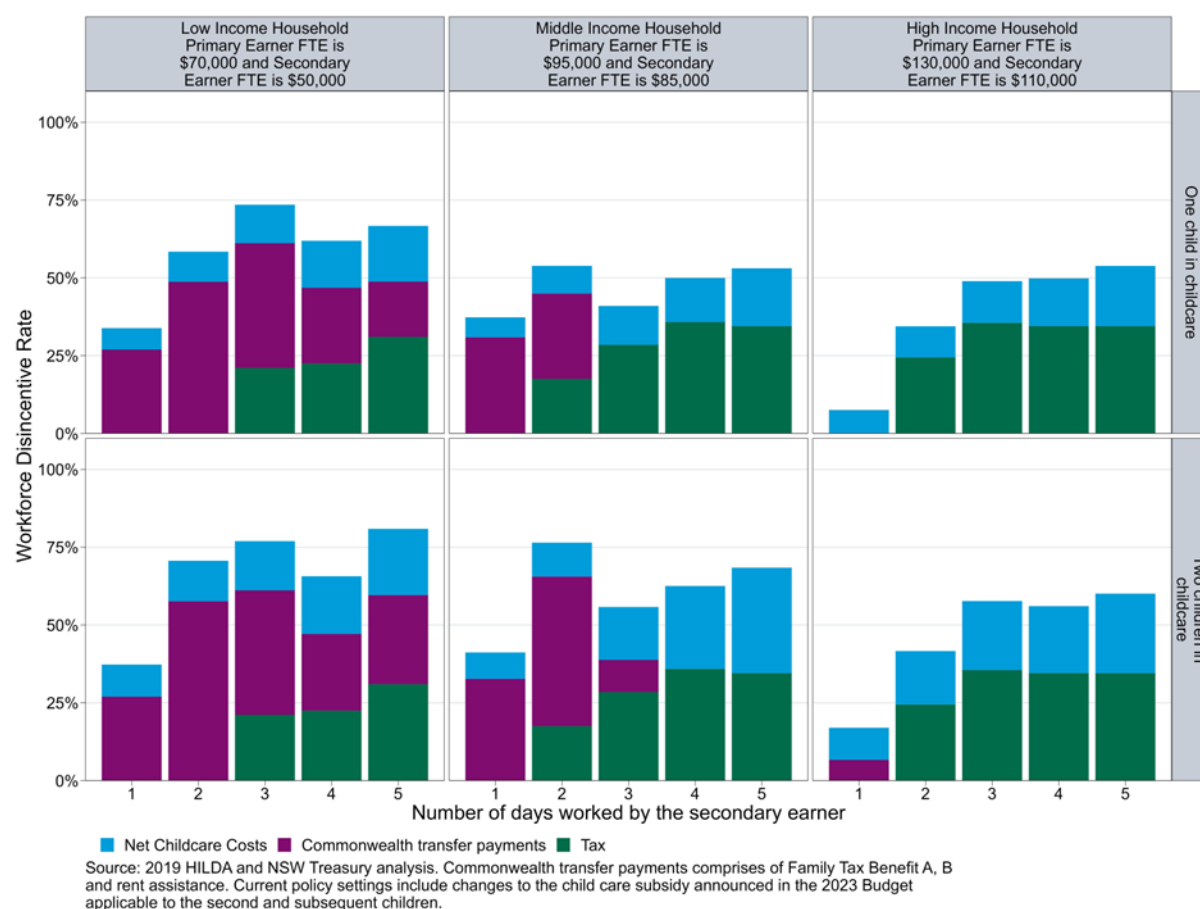
We repeated NSW Treasury's modelling using 2023-24 tax and benefit settings. As shown in Figure 5.7, we found that:

- a low-income household continues to experience the highest workforce disincentive rates, particularly when they have 2 children attending early childhood services
- the disincentive rate for a lower income household is dominated by the withdrawal of benefits
- withdrawal of benefits similarly has a large impact for a middle-income household when the secondary income earner works 1 or 2 days a week
- net childcare costs are a major contributor to disincentive rates only when the secondary income earner in a middle-income household with 2 children works 4 or 5 days, effectively doubling the income tax rate for the secondary income earner once they work full-time.

^w Primary Income Earner Salary: \$95,000, secondary Income Earner Full Time Equivalent Salary: \$85,000.

^x Primary Income Earner Salary: \$70,000, secondary Income Earner Full Time Equivalent Salary: \$50,000.

Figure 5.7 Workforce disincentive rates faced by the secondary earner, 2023-24 policy settings



Finding



19. Out-of-pocket costs can influence whether families choose to take on additional work, though some families have little monetary gain from increasing their level of employment due to potential withdrawal of transfer payments as a result of earning more, as well as the out-of-pocket costs this would involve.

5.1.6 We recommend additional support for some families and improved data transparency

We have made recommendations to help address affordability barriers for low income families and to improve available data to assist in policy decision-making going forward.

We recommend additional support for low-income families experiencing disadvantage and/or vulnerability

We consider that the NSW Government should recommend to the Commonwealth Government that it:

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

We also recommend that these low-income families experiencing disadvantage and/or vulnerability be provided with access to wrap-around supports, as discussed in Chapter 4. There may also be opportunity for the NSW Government to investigate options for further support for these families.

Children from families experiencing poverty and other types of vulnerability are significantly more likely to have poor economic and mental health outcomes as adults than children from families who do not experience vulnerability.³³⁸ Participating in high-quality early childhood services offers all children significant developmental and social benefits, with children experiencing vulnerability experiencing the most benefits.³³⁹ Approximately 40% of children who do not receive any early childhood education and care start school with developmental vulnerabilities.^{y,340} Families experiencing vulnerability typically have a reduced capacity to pay for access to early childhood services. This initial inequality of access has a compounding effect over time, creating major inequalities in education and employment outcomes.³⁴¹

Children from families who are of asylum-seeker status are currently ineligible to receive CCS as they do not meet residency requirements.^{z,342} There are other families in Australia who do not meet these residency requirements, such as families who reside in Australia under the Skilled Migration Program. However, as children and families of asylum-seeker status are a demographic group who experience vulnerability, we recommend that these families be supported to access affordable early childhood services.

^y 'Developmental vulnerabilities' refers to poor outcomes across five developmental domains as assessed by the Australian Early Development Census: physical health and wellbeing; social competence; emotional maturity; language and cognitive skills; and communication skills and general knowledge.

^z A person or their partner meets the residency requirements if they live in Australia and either hold Australian citizenship, a permanent visa, a special category visa or a relevant temporary protection visa.

The number of children who come from the lowest-income families and families experiencing other types of vulnerability is likely to be relatively low. In NSW, there are about:

- 8,400 families with children accessing early childhood services and a pre-tax household income less than \$20,800 per year^{aa}
- 1,560 children under the age of 13 in out-of-home care³⁴³
- 230 children under the age of 12 with asylum-seeker status.³⁴⁴

Additional investment in supporting children experiencing vulnerability to access early childhood services would improve their developmental outcomes and likely result in long-term economic benefits.³⁴⁵ In the United States, every \$US1 invested in education and healthcare for children experiencing vulnerability from birth to 5 years has been estimated to deliver a long-term economic return of \$US7.30.³⁴⁶ In Australia, it is estimated that increased participation in early childhood services from children experiencing vulnerability would lead to an additional \$13.3 billion in GDP by 2050.³⁴⁷

Feedback on our Interim Report supported our draft recommendation to provide additional support for low-income families experiencing disadvantage and/or vulnerability, with some stakeholders also calling for additional support for middle-income families.³⁴⁸ Early Learning and Care Council of Australia (ELACCA) also suggests there should be consistent income thresholds across State and Commonwealth Governments to enable a synchronised delivery model, remove complexity and enable ease of access for the most vulnerable cohorts.³⁴⁹

As part of its current inquiry, the Productivity Commission also found that while the CCS reduces out-of-pocket expenses for families, those on lower incomes spend a higher proportion of their income on early childhood services than those who are better off. It has made draft recommendations for subsidy arrangements to improve affordability for families, including access to more hours without an activity requirement and higher subsidy rates for low and middle income families.³⁵⁰

Goodstart Early Learning considered that our draft recommendation did not address affordability concerns for very low income families, children experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families in accessing preschool (including preschool programs in long day care services).³⁵¹ For our final recommendation, we have incorporated Goodstart's suggestion that the NSW Government provide additional fee relief for these families to help ensure that cost is not a barrier to accessing preschool programs in all settings.

^{aa} In 2021-22, of children attending long day care, family day care or OSHC, there were about 1,650 from families with a pre-tax household income in decile 1 (earning less than \$7,799 per year), 2,040 in decile 2 (earning between \$11,700 to \$15,599 per year), and 4,770 in decile 3 (earning between \$15,600 to \$20,800 per year).

We recommend that services incorporate additional out-of-pocket costs into their fee structure to improve the affordability of services

To improve the affordability of early childhood services, we recommend that additional out-of-pocket costs are incorporated into the regular fee structure of services where possible. In this context, additional out-of-pocket costs refer to costs incurred when using early childhood services other than service fees, including:

- incursions and extra-curricular activities
- excursions
- transport.

Some services already incorporate some of these costs within their fee structure. However, many do not. In response to our Issues Paper survey, 63% of parents/carers told us that they pay for out-of-pocket costs additional to service fees, and as indicated in section 5.1.2, this is a particular issue for OSHC vacation care.

If additional out-of-pocket costs are incorporated in charged service fees, CCS funding could be applied to all the costs of using early childhood services. This could reduce out-of-pocket costs for families. Additionally, including these costs within the charged service fee would improve transparency around pricing for families as some of these additional costs are not initially advertised at the time of enrolment.

We recommend that the NSW Government should include in contracts with OSHC providers (and associated procurement processes) that providers include excursion costs as part of advertised and charged fees to improve transparency and so that CCS can be applied to reduce out-of-pocket costs for families. Feedback on our Interim Report indicated that stakeholders generally agree with this recommendation.³⁵²

For one-off costs that may be unable to be incorporated into a services' fee structure, such as enrolment fees and bonds, we consider the NSW Government could advocate to the Commonwealth Government to provide additional support to low income families to access early childhood services.

We recommend improved data transparency on fees and out-of-pocket costs paid by families

The Terms of Reference for this review, asked us to collect current fee and household out-of-pocket cost data across different children and family groups, geographies, service types and provider types. In undertaking this task, we found that data availability, data collection, data transparency and data sharing arrangements could be improved.

As part of the digital strategy recommended in Chapter 1, to improve data transparency on service fees and household out-of-pocket costs, we recommend:

- Available data sources be improved through:
 - additional data validation
 - capturing/linking additional information on sole parent status, family composition, refugee status, asylum-seeker status and out-of-home care status.

- Improved data collection/presentation of family household income and the amount of CCS subsidy received.
- Data sources for community and mobile preschool pricing and out-of-pocket costs be improved through more regular and consistent data collection.
- Improved oversight about what data is held and collected by the Commonwealth Government and the NSW Government.

We also recommend that the NSW Government should work with the Commonwealth Government to improve data transparency, collection and sharing agreements about fee and subsidy related data.

Under the NSW *Childcare and Economic Opportunity Act Fund 2022*, the Minister for Education and Early Learning must commission a person to review and report on the childcare sector market in NSW every 2 years.³⁵³ The Minister has commissioned IPART to undertake this role and IPART provided its first report to the Minister in December 2023. In this chapter we refer to the report we are required to prepare as the independent market monitoring report (IMMR). An IMMR must identify areas where there are higher barriers to parents or carers participating in work because of the affordability or accessibility, or both, of childcare.³⁵⁴ As part of this, we examined how out-of-pocket costs impact on access to early childhood services and how the workforce participation of parents is impacted by the affordability of services.

Improving data transparency, collection and sharing would ensure that IPART, or any subsequent person commissioned to prepare the IMMR, is supported to report about early childhood service fees and out-of-pocket costs in a timely and more accurate manner.

Increased data transparency on service fees and out-of-pocket costs would also be beneficial to families making decisions about using early childhood services. Data transparency for families could be improved by:

- Building greater awareness of publicly accessible data and comparison websites.
- Improving service fee transparency on StartingBlocks.gov.au by:
 - providing regular and consistent updates to service fee information
 - specifying which service fee is to be disclosed by providers to ensure consistent, comparable information i.e. a 10-hour fee or the longest daily session (noting we support the ACCC's draft recommendation to change CCS hourly rate caps to align with the relevant pricing practice for the service type³⁵⁵, which could further improve transparency)
 - providing information on other service fee policies such as fees charged on public holidays, discounts or whether the service is CCS eligible
 - making the data publicly accessible, so that service providers and early childhood comparison services have access to broader market data.³⁵⁶
- Collaboration between government agencies and service providers to support providers to regularly update and report fee information, while minimising duplication of reporting.
- Collaboration, for example with Service NSW, to design a technology-based service that allows families to access fee information and service providers to provide fee data with minimal administrative burden.

In response to our Interim Report, some stakeholders raised concerns that our draft recommendation may result in duplication and/or place additional burden on the sector.³⁵⁷ We consider that the digital service and data strategy could build upon existing data sources and digital tools, such as [Starting Blocks](#). As set out in Box 1.1, it should seek to avoid duplication and reduce burden on the sector by minimising duplication and streamlining information and data collection.

Recommendations

24. The NSW Government should:
 - a. Recommend to the Commonwealth Government that it:
 - examine the circumstances and needs of families with children using early childhood services and household income of under \$20,800
 - consider providing additional support to these families to access early childhood services, in particular those experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families.
 - b. Provide additional fee relief for these families in accessing preschool (including preschool programs in long day care services) to help ensure cost is not a barrier to accessing preschool programs in all settings.
25. The NSW Government should include in its contracts with OSHC providers (and in associated procurement processes) a requirement that providers include excursion costs as part of advertised and charged fees to improve transparency and so that CCS can be applied to reduce out-of-pocket costs for families.
26. The NSW Government, as part of its digital strategy, should work to improve data transparency, collection and sharing arrangements, including with the Commonwealth Government for fees, subsidies/rebates and out-of-pocket costs.

5.2 Funding arrangements and provider costs

The amount families pay out-of-pocket for services can vary depending on a number of factors, including whether they receive the Commonwealth Government CCS or NSW Department of Education (DoE) preschool fee relief.

The CCS is the primary way the Commonwealth Government provides financial support to parents or carers to assist with the costs of using early childhood services. Generally, to be eligible, a parent or carer must:

- care for child who is 13 years old or younger and not attending secondary school, unless an exception applies
- use an approved early childhood service
- be responsible for paying the service fees
- meet residency and immunisation requirements.³⁵⁸

Approved early childhood services include:

- long day care and centre-based occasional care
- family day care
- outside school hours care, including before, after and vacation care
- in-home care.³⁵⁹

The amount of subsidy a family is eligible to receive for their child(ren) depends on multiple factors, including a family's total yearly income and the number of recognised activity hours that parents or carers do each fortnight.³⁶⁰ The CCS is generally paid to the provider of the early childhood service that the child(ren) attend that is passed on to the parent or carer as a fee reduction; it is not paid directly to parents or carers.³⁶¹

Some stakeholders consider current CCS funding arrangements as a barrier to accessing services for some families (see Box 5.3 and 5.4). Specifically, we have heard that:

- the CCS application process needs to be easier to navigate and more flexible and equitable
- increasing provider costs and how they align with changes to the CCS affect the out-of-pocket costs families pay.

While the CCS is administered by the Commonwealth Government, we consider that the NSW Government could make recommendations to the Commonwealth Government to improve the CCS application process. Improving the CCS application process could promote greater affordability and access to subsidised early childhood services in NSW. To improve the CCS application process, we recommend:

- improving the accessibility of the CCS application process
- reviewing the CCS activity test requirement.

5.2.1 Subsidies and rebates could be more accessible for some families

Stakeholders raised the complexity of navigating and completing application processes for subsidies and rebates as well as the CCS activity test as barriers to some families accessing subsidised early childhood services.

The CCS application process can be time-consuming and confusing for some parents or carers

To apply for CCS, a parent or carer must have a myGov account which is linked with Centrelink services. If a parent or carer has previously claimed a payment from Centrelink, they can begin the CCS application process using the Customer Reference Number (CRN) they were assigned when claiming that payment.

If a parent or carer has not claimed a payment from Centrelink before, they need to prove their identity by submitting some personal information and identity documents. This includes information relating to a parent or carer's:

- tax file number
- bank account details
- income and assets
- relationship status
- residence and/or citizenship details
- employment or work
- study
- medical information.³⁶²

Currently, there is no option to pre-fill some of this information from other linked myGov services such as the Australian Taxation Office or Medicare.

For parents or carers who have lower English literacy levels and/or lower digital literacy levels this process can be cumbersome and difficult to navigate. It is possible for parents or carers to provide Centrelink with this information by visiting a service centre, but this may not be a convenient option for families living in regional or remote areas.

Box 5.3 What we have heard – Subsidies and rebates could be more accessible for some families

Stakeholders raised concerns about current CCS funding program and that it needs to be easier to navigate, flexible and equitable. For example, Waverley Council told us that they consistently receive feedback which indicates that the current CCS system is confusing and difficult to navigate for families to access their legitimate entitlements.³⁶³

Some submissions also raised that the CCS activity test has prevented families who do not meet the test requirements from accessing services because they cannot afford the unsubsidised service fees.³⁶⁴

In its submission, Royal Far West has raised concerns over the consequences this has for low-income families and their children:

The current activity test for the Child Care Subsidy limits access to subsidised childcare and is contributing to at least 126,000 children from the poorest households missing out on critical early childhood education and care. As a result, these children are more likely to start school behind their peers, with many never catching up.³⁶⁵

Additionally, SNAICC NSW Early Years Support told us that the CCS activity test imposes further structural and administrative barriers to accessing early childhood services for Aboriginal and Torres Strait Islander families, especially for those who live in regional and remote areas.³⁶⁶ They advocate that the CCS activity test should be removed for all Aboriginal and Torres Strait Islander families in recognition of the social and economic challenges they experience.³⁶⁷

The CCS has made early childhood services less affordable for some families

The introduction of CCS funding has improved affordability for most families. However, other families have found that they have higher out-of-pocket costs under the CCS. In 2021, the Australian Institute of Family Studies conducted an evaluation of the CCS funding package. They found that since the introduction of CCS funding in July 2018:

- 62% of families had lower out-of-pocket costs under CCS (income spent on using services reduced from 6.7% to 4.5%)³⁶⁸
- 9% of families had more or less the same out-pocket costs under CCS
- 29% of families had higher out-of-pocket costs under CCS than the previous Child Care Benefit (CCB) and Child Care Rebate (CCR) funding (income spent on using services increased from 2.9% to 4.0%).³⁶⁹

The evaluation found that the greatest reductions in out-of-pocket costs under the CCS were experienced by low-income families, families with large numbers of children using services, families using services for longer periods, and families using for-profit family day care services.³⁷⁰

However, some low-income families with low activity may have experienced an increase in out-of-pocket costs. This is due to changes in the CCS activity test requirements that meant that families with low levels of recognised activity were eligible to receive fewer hours of subsidised early childhood services than they had under the CCB.³⁷¹

The CCS activity test is a barrier to accessing affordable services for some families

The "CCS activity test" refers to CCS eligibility criteria where the hours of 'recognised activity' that parents or carers do per fortnight is used to determine how many hours of subsidised care per fortnight a family can receive. For couples, the assessment is based on the parent or carer with the lower number of recognised activity hours.³⁷² Recognised activity includes paid or unpaid employment, education, training, volunteering, and job searching.³⁷³

The number of subsidised hours a family can receive per fortnight are set out in Table 5.5.

Table 5.5 Number of subsidised hours under CCS

Hours of recognised activity per fortnight	Hours of subsidised services entitled to
Less than 8 hours	24 for families earning \$80,000 or below 0 for families earning above \$80,000
Between 8–16 hours	36 hours
Between 16–48 hours	72 hours
More than 48 hours	100 hours

Source: *A New Tax System (Family Assistance) Act 1999* (Cth), sch 2, cls 3(4), 12 and 13

There are exemptions to the activity test requirements:

- Families earning \$80,000^{bb} per year or below can access 24 hours of subsidised services for each child per fortnight.³⁷⁴
- Children who attend a preschool program at a long day care and are in the year before starting primary school are eligible for 36 hours of subsidised services per fortnight.³⁷⁵
- Aboriginal or Torres Strait Islander children are eligible for 36 hours of subsidised services per fortnight without meeting activity test requirements.³⁷⁶
- Families with a child(ren) eligible for the Additional Child Care Subsidy (ACCS)^{cc}, except the transition to work ACCS,^{dd,377} can automatically access 100 hours of subsidised services per fortnight.³⁷⁸

^{bb} This amount is indexed annually in line with Consumer Price Index increases (however, is not indexed in 2023): *A New Tax System (Family Assistance) Act 1999* (Cth), sch 4, cls 2 and 3(9).

^{cc} Eligible families can get ACCS to receive extra help with early childhood service costs. To qualify, a parent/carer must be entitled to the CCS and be an eligible grandparent getting income support, transitioning to work from income support, experiencing financial hardship, or caring for a child at risk of harm.

^{dd} A parent or carer who is transitioning to work from income support may get the ACCS depending on the number of hours of recognised activity per fortnight.

- Families receiving some types of income support payments e.g. grandparent principal carers, disability support pensioners, and carer payment recipients, can access 100 hours of subsidised services per fortnight.³⁷⁹

Families can access services for longer periods than the subsidised hours they are entitled to under the CCS. However, they must pay the full service fee for any 'excess' hours not covered by their CCS entitlements.³⁸⁰

Families who are experiencing vulnerability and disadvantage typically receive a higher proportion of subsidy for the subsidised hours of early childhood services that they are entitled to. However, they are much more likely to be eligible for only 24 or 36 hours of subsidised early childhood education and care per fortnight.^{ee} Because they only receive a limited number of subsidised hours of services, some of these families will cover the full service fee for any excess hours that they use.³⁸¹ In 2019, 32% of families entitled to 24 hours of subsidy per fortnight and 32% of families entitled to 36 hours per fortnight had used more hours of early childhood services than they were entitled to subsidy for.³⁸²

In contrast, most children who have access to 72 or 100 hours of subsidised early childhood education and care, who are typically from families with higher incomes, receive some subsidy for all of their access to services.³⁸³ These families are also significantly less likely to use excess hours they are not subsidised for. In 2019, 5% of families entitled to 72 hours of subsidy per fortnight and 5% of families entitled to 100 hours per fortnight had used more hours of early childhood services than they were entitled to subsidy for.³⁸⁴

5.2.2 Higher provider costs can flow through to higher out-of-pocket costs for families

Throughout our consultations, we heard from providers that they have had to raise the prices of their services due to factors beyond their control. Providers commented that recent rises in inflation have led to increased service operating costs, which have flowed through to increases in service fees (see Chapter 7). Additionally, movement in staff ratios can impact on costs, fees and affordability of services.

The number of children enrolled at an OSHC service also affects service fees – services with more children enrolled can charge lower service fees. Initial OSHC fees are usually based on demand forecasts provided by the school, but these forecasts may be higher than the actual number of children that end up attending. If this is the case, fees under-recover costs, and prices then need to be increased.

^{ee} In 2019, about 6% of families accessing the CCS were eligible for 24 to 36 hours of subsidised early childhood education and care.

Box 5.4 What we have heard – Higher provider costs can flow through to higher out-of-pocket costs for families

Waverley Council reported increases in labour costs have placed financial pressure on service providers trying to balance keeping fees fair and services viable.³⁸⁵ The Parents Work Collective also commented that reducing operating costs can reduce the quality of services.³⁸⁶

Some stakeholders reported costs of supporting children with additional needs can increase fees as funding from the Disability and Inclusion Program and the Inclusion Support Program does not adequately cover these costs.³⁸⁷ The lack of funding to hire educators to support children with additional needs creates a funding gap, the costs of which are passed on to families. One anonymous submission stated:

The NSW Inclusion funding for children with disabilities amount is \$24.27 and Commonwealth funding amount is \$23 per hour. This does not cover the cost of employing staff per hour... for our 13 services where we have 66 children enrolled with additional needs across 9 Early Learning Centres and 3 Vacation care creates a huge funding gap. The cost... to all families to support inclusion is \$284k this... year and set to increase to \$386k in 2023/24.³⁸⁸

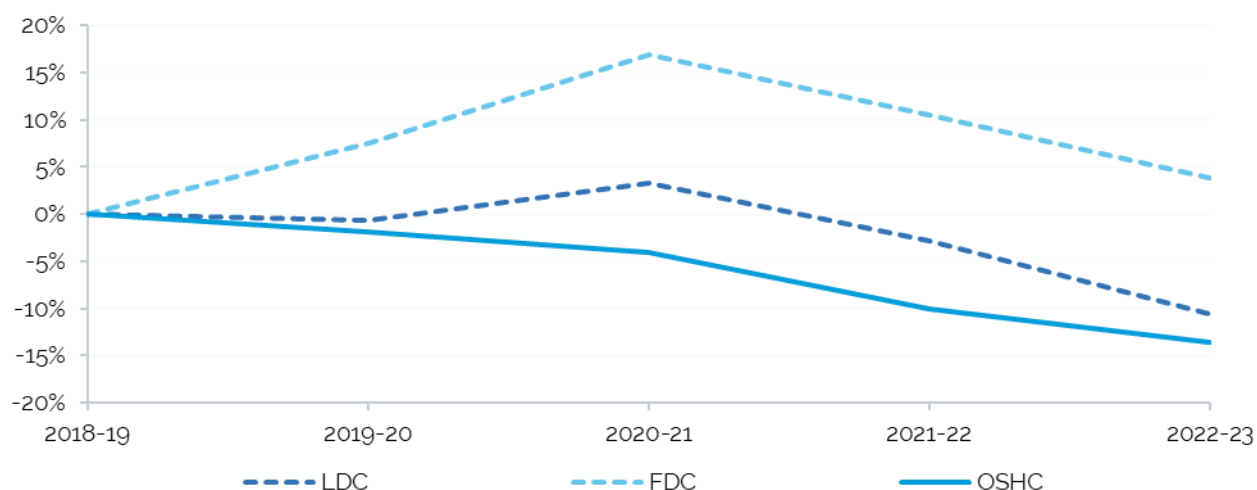
A submission made by an anonymous individual suggested that as labour costs are typically the largest operating expenses for providers, they should be subsidised by the government to make childcare more affordable.³⁸⁹

The Parents Work Collective raised the issue of 'subsidy inflation', whereby some providers may appear to inflate their fees in response to CCS increases:

Subsidy inflation is well documented within the childcare sector and IPART must investigate ways to construct the subsidy to better help the intended beneficiaries, families, while minimising the increase in the overall costs of childcare. If subsidies were paid directly to parents who were not required to disclose whether they received the subsidy or the amount, childcare businesses would be less able to inflate prices in response to each subsidy increase.³⁹⁰

Additionally, CELA argued that demand side subsidies do not support equity, access or quality and are not targeted enough to prevent subsidy inflation. To address this, they recommend that the federal government adopt a universal access model which provides 30 hours or 3 days of free early education and care per week to all children from birth to school age.³⁹¹

Figure 5.8 Cumulative percentage change in average family out-of-pocket cost/hour per child in NSW from 2019-20 to 2022-23 (\$2022-23)



Note: Data for 2022-23 only includes data for the first 6 months of the year.

Source: Commonwealth DoE CCS child data, IPART/ABS CPI database, IPART analysis.

Figure 5.8 demonstrates that since 2019-20, not including the effect of inflation, the average out-of-pocket costs of using long day care and OSHC services have generally decreased since 2019-20. That is, increases in out-of-pocket costs for long day care and OSHC services have remained below the rate of inflation.

However, the average out-of-pocket costs of using family day care services have increased since 2019-20. This may be because family day care services are more likely than long day care services to offer unconventional operating hours which often attracts higher fees. Also, although family day care services do attract CCS funding, they are generally less likely to attract supply-side funding than other service types (see Chapter 7).³⁹²

Findings

- 20. The CCS activity test is a substantial barrier for some families to access subsidised early childhood services. Families with low-income, who are Aboriginal and Torres Strait Islander, and/or who are living in remote areas are particularly affected.
- 21. The CCS application process is complicated and difficult for some families to navigate and consequently, some families who are entitled to CCS funding may be missing out.
- 22. Some families who are ineligible for the CCS would benefit from additional support, such as families with asylum seeker status.

5.2.3 We recommend improvements to the CCS application process and review of the activity test

We have made recommendations to help improve the accessibility of the CCS application process, including reviewing the CCS activity test requirement.

We recommend improving the accessibility of the CCS application process

We heard from stakeholders that the current CCS application process is confusing and difficult for some families to navigate. We recommend that the CCS application process be reviewed to improve its accessibility. To improve the accessibility of the CCS application process, we recommend:

- the online CCS application form is written in plain English
- personal data inputs are streamlined across MyGov services, e.g. using income data reported to the Australian Taxation Office and vaccination status reported to Medicare
- reviewing the need for an activity test requirement.

Additionally, we recommend improving the accessibility of information about how the CCS is applied to service fees and expected out-of-pocket costs.

Feedback to our Interim Report generally supported our draft recommendations to improve the accessibility of the CCS application process.³⁹³ The Hive Mt Druitt (United Way Australia) considered that governments and service providers should provide and promote easier to understand information about the subsidies available.³⁹⁴

We recommend reviewing the CCS activity test requirement

The CCS activity test requirement is a substantial barrier for some families to access subsidised and affordable early childhood services. In particular, we have heard from stakeholders that the activity test significantly limits access to families who are:

- from low-income households
- Aboriginal and Torres Strait Islander
- living in remote areas.

We recommend that the CCS activity test requirement be reviewed to ensure that all children in NSW have the same access to subsidised early childhood services regardless of their family's circumstances.

The CCS activity test assumes that families with low activity do not need the same amount of access to subsidised early childhood services as families with high activity. However, this assumption does not account for the developmental benefits to children who regularly participate in high-quality early childhood services. It is also not necessarily reflective of the needs and preferences of families with low activity. As discussed in section 5.2.1, many families with low activity levels use more hours of early childhood services than they are entitled to receive subsidy for.

Additionally, compared to the previous Child Care Benefit (CCB) funding arrangement, the current CCS activity test is more complex and stringent. Under the former CCB, parents or carers needed to engage in at least 15 hours of activity per week (or 600 hours per year) to be eligible for 50 hours of subsidised early childhood services per week.³⁹⁵ Those who did not meet this requirement were eligible to receive 24 hours of subsidised early childhood services per week.³⁹⁶ Consequently, the introduction of the CCS activity test has considerably reduced the number of subsidised hours of early childhood services that families with low activity can access.³⁹⁷

Feedback to our Interim Report generally supported our draft recommendation to review the activity test, with some stakeholders suggesting it be abolished.³⁹⁸ As part of its current inquiry, the Productivity Commission has made a draft recommendation to the Commonwealth Government that the activity test should be relaxed so that it is not a barrier for any family wishing to access up to 30 hours or 3 days a week of early childhood services.³⁹⁹

Recommendations

- 27. The NSW Government should recommend to the Commonwealth Government that the CCS application process for families be made less complex and easier to navigate.
- 28. The NSW Government should recommend to the Commonwealth Government that the CCS activity test requirement and eligibility criteria be reviewed to promote equal access to subsidised services for all children.
- 29. To inform family decision-making, the NSW Government should, as part of its digital strategy, work with the sector and Commonwealth Government to provide greater transparency around:
 - fees charged for services (prior to applying subsidies)
 - subsidies that apply to reduce out-of-pocket costs for families.

Chapter 6 »

Factors driving supply of services

06

To help identify the key factors driving the supply of early childhood education and care services in NSW, our Issues Paper sought feedback on the factors that influence a provider's decision to establish or expand a service.

We also obtained data on early childhood education and care services in NSW, including location, number of licensed places, provider type (for profit or not-for-profit) and service type (long day care, family day care, preschool or outside school hours care). We compared this data with data on population by age, income level, socio-economic indices of financial disadvantage and advantage, and remoteness classification in the same location, to assess the extent to which these factors drive the supply of services.

Our findings, based on submission feedback and data analysis, are that the strongest drivers of supply are the demand for services and the availability of educators. We also found that the assessment of financial viability, and the cost and risk of starting up a service or adding places are important factors that affect the decision to create or grow a service. Other non-financial barriers to establishing or extending a service include availability of suitable premises, lack of capacity to form management committees for not-for-profit services, and planning approval processes.

This chapter sets out our findings on factors driving supply of services. We also present our recommendations to address barriers to supply.

6.1 Demand for services

Providers told us they consider the level of demand for early childhood services when they decide whether to establish or expand a service in a particular area⁴⁰⁰. A key indicator of this demand is the population of children in the age groups that may need early childhood education and care. However, the relationship between demand and population is complex and requires more consideration than looking at numbers of children alone. We found that:

- demand for places is primarily based on the population of children of relevant age
- however, the level of demand in a given population is affected by family preferences, employment situations and potentially household income
- population numbers also drive the mix of service types, with higher population areas having more long day care places and more remote areas with lower populations having more preschools.

The following sections discuss our findings on these demand drivers in more detail, and set out our recommendation about improved data transparency.

6.1.1 Demand based on population of children of relevant age is the key driver of number of places for 0-5 year olds

A key indicator of demand for long day care, family day care and preschool services is the population of children under the age of 6 years. Community Connections Solutions Australia submitted that they have assisted their members in planning new or expanded services by conducting demographic studies and competition analysis to determine opportunities for growth, including looking at census and other population data, local workforce participation rates, birth rates, local and regional development plans and community consultation to forecast demand and identify opportunity.⁴⁰¹

We used regression analysis to test the significance of different factors in driving supply in a particular Statistical Area Level 2 (SA2)^{ff}, including population by age, population density, population by age in nearby areas, average income level, socio-economic index of financial disadvantage and advantage and remoteness category. The relevantly aged population of children in the area was key to explaining the supply of places in each age group.

Table 6.1 shows the number of licensed places across NSW and the number of places per child aged 0-5, by remoteness category from the Accessibility/Remoteness Index of Australia.⁹⁹

Table 6.1 Number of licensed places for children aged 0-5 in NSW, by remoteness category

Service type	Remoteness category				Total NSW
	Major cities	Inner regional	Outer regional	Remote and very remote	
Long day care	160,964	33,467	4,963	467	199,861
Family day care	8,709	3,771	1,388	45	13,913
Preschool	16,065	7,713	3,417	502	27,697
Mobile/occasional	1,102	1,408	1,546	67	4,123
Total places	186,840	46,359	11,314	1,081	245,594
Total population under 6	437,002	105,281	24,842	2,044	569,169
Places per child	0.43	0.44	0.46	0.53	0.43

Notes: The number of licensed places for FDC is based on the maximum child numbers for each educator by regulation (1:4). The number of licensed places for all other service types were based on the NQAITS 2023 Quarter 2 data. This table has been updated since our Interim Report following additional data cleaning and linking.

Source: NSW Department of Education NQAITS July 2023, Commonwealth and IPART analysis.

Table 6.1 indicates that, when considered by remoteness category, the distribution of places for 0-5 year old children is relatively consistent across NSW. However, there is considerable variation in the number of places per child at the SA2 level. IPART's independent market monitoring report, provided to the Minister for Education and Early Learning, assesses at a more granular level where there may be a shortage of licensed places.

^{ff} SA2s are medium-sized geographic areas defined by the [Australian Bureau of Statistics](#) representing community areas that interact together socially and economically.

⁹⁹ The Accessibility/Remoteness Index of Australia divides Australia into five classes of remoteness which are characterised by a measure of relative geographic access to services. The classifications are: Major Cities of Australia, Inner Regional Australia, Outer Regional Australia, Remote Australia, Very Remote Australia.

Finding



23. The most important factor driving supply of places for 0-5 year olds is demand, as measured by population of children of the relevant age in a particular area.

6.1.2 Remoteness affects number of places available for school-aged children

The level of demand for an OSHC service is usually communicated through school channels, with the school then taking action to initiate the process to establish a service. Family day care educators can also care for school-aged children.

While the population of children aged 6 to 12 years helps explain the number of places available in OSHC and family day care, remoteness is also a factor.

Table 6.2 shows the supply of early childhood licensed places across NSW by remoteness category. It shows that, as remoteness increases, there are fewer places per child available. This potentially indicates that there is significant demand for places for school-aged children in more remote parts of NSW that is not currently being met. Information provided by the NSW Department of Education appears to indicate that there is a high level of interest in accessing licensed places for school aged children in more remote parts of NSW. IPART's independent market monitoring report assesses at a more granular level where there may be a shortage of licensed places.

Table 6.2 Licensed places for school-aged children in NSW, by remoteness category

Service type	Remoteness category				Total NSW
	Major cities	Inner regional	Outer regional	Remote and very remote	
OSHC	104,450	15,962	1,465	61	121,938
Family day care	5,196	740	264	5	6,205
Total places	109,646	16,702	1,729	66	128,143
Total population 6-12	536,879	138,241	31,811	2,479	709,410
Places per child	0.20	0.12	0.05	0.03	0.18

Notes: The number of licensed places for family day care is based on the maximum child numbers for each educator by regulation (1:3, assuming that each educator also has the maximum number (4) of children under 5 in care). The number of licensed places for outside school hours care were based on the NQAITS 2023 Quarter 2 data. This table has been updated since our Interim Report following additional data cleaning and linking.

Source: NSW Department of Education *NQAITS* July 2023, Commonwealth and IPART analysis.

Finding



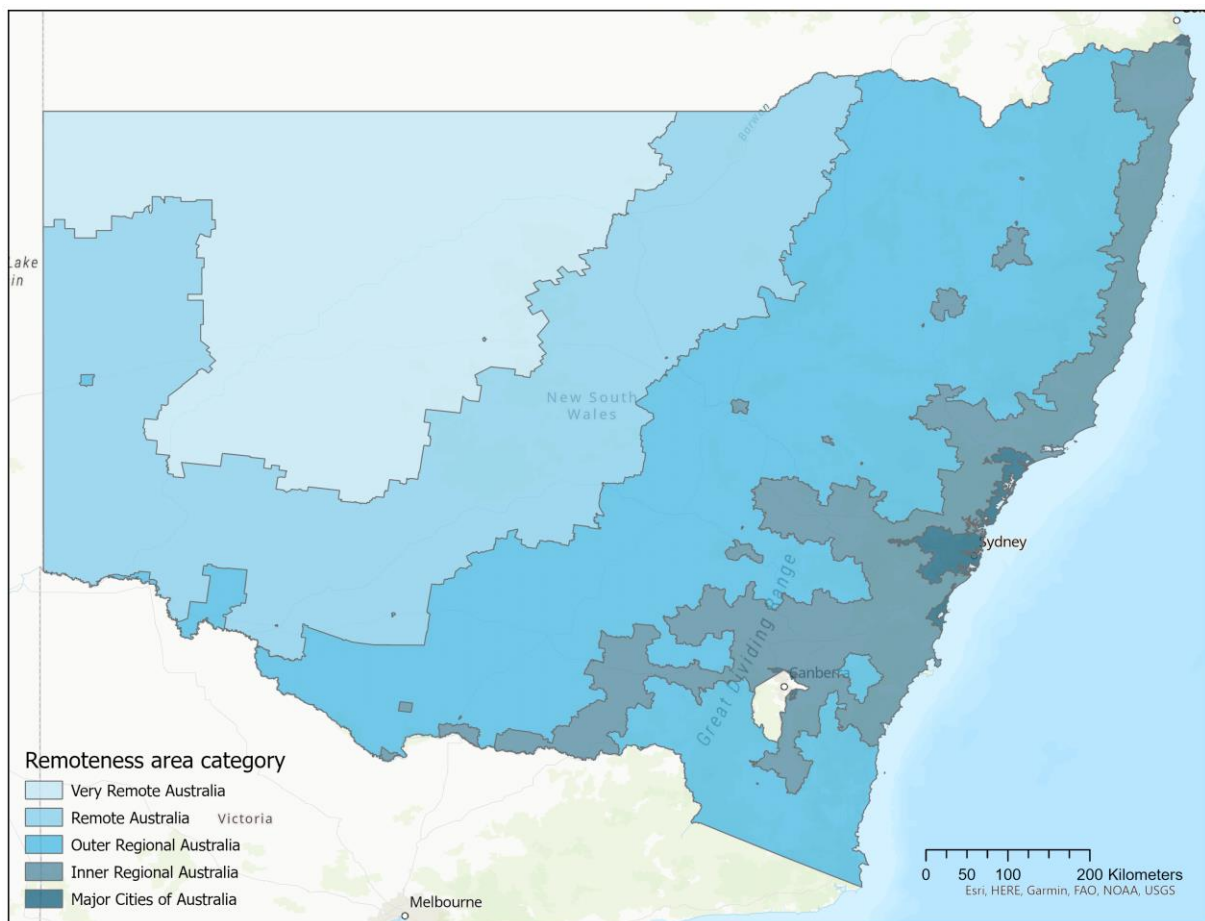
24. For school-aged children, remoteness of a location is associated with a lower number of places per child. This potentially indicates significant unmet demand in more remote parts of NSW.

6.1.3 Remoteness also drives the mix of service types

In its submission to our Issues Paper, Community Early Learning Australia advised that for a centre-based service to be viable and profitable, it needs to have consistent enrolment of around 80-100 places.⁴⁰² Similarly, SDN Children's Services advised that services need to be 'fairly large' to cover their fixed costs and overheads. In its view, services with fewer than 60 places would find it challenging to be viable.⁴⁰³

This feedback regarding enrolment numbers required to ensure the viability of a centre-based service has implications for remote and very remote areas, which are usually isolated and have a low population. There may be "thin markets" in these areas, where demand is too low for interest from sufficient providers if left to market forces alone.

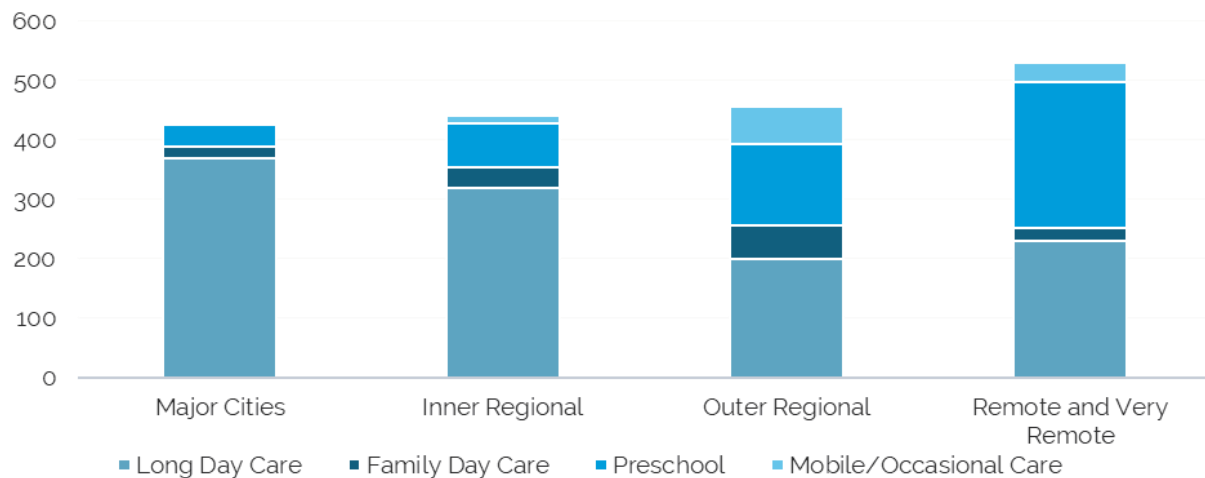
Figure 6.1 Map of NSW by remoteness area



Source: Australian Bureau of Statistics, Remoteness Areas Australian Statistical Geographical Standard (ASGS) Edition 3 and IPART analysis.

Remoteness does drive type of places, as reflected in the mix of services by remoteness category as shown in Figure 6.2.

Figure 6.2 Number of licensed places per 1,000 children aged 0-5 years



Note: Based on data from April to June 2023.

Source: NSW Department of Education *NQA/ITS* July 2023 data, Commonwealth DoE CCS data and IPART analysis.

Across NSW, there are on average about 460 licensed places for every 1,000 children aged 0-5. The highest number of licensed long day care places available per 1,000 children is in major cities, with the number of long day care places per 1,000 children generally decreasing as areas become more remote. However, the number of licensed preschool places per 1,000 children is highest in outer regional and remote areas of NSW.

Family day care, with its flexible sizing and smaller groups of children (each educator who is added to a service brings the equivalent of 7 licensed places), becomes a larger part of the mix of services in these areas. Family day care services can also care for school-aged children, particularly in communities that are too small to support a school-based OSHC.

The demand-based nature of the Child Care Subsidy system, the main funding for early childhood services in Australia, means that funding is based on actual enrolment and attendance. This may not be sufficient to incentivise locating a long day care in low population areas.

The NSW Government's Start Strong funding for preschool services operates along similar principles to the Child Care Subsidy, with the amount of funding based on enrolments.

Both the Commonwealth Government and the NSW Government supplement demand-based funding with service-level funding programs for communities that have low populations or are vulnerable and disadvantaged:

- The Commonwealth Government's Community Child Care Fund provides a range of grants for childcare services, particularly those in vulnerable and disadvantaged communities. In most cases, services need to meet eligibility criteria and apply.
- The NSW Government's Start Strong for Community Preschools program includes 'safety net' funding for regional and remote services with very small enrolments. Start Strong provides funding to deliver affordable quality preschool education for 3- to 5-year-old children enrolled in eligible community and mobile preschools in NSW.

Preschool services provide more places in regional and remote areas

Table 6.1 above indicates that, when considered by remoteness category, the distribution of places for 0-5 year old children is relatively consistent across NSW, (though the number of places per child is lower in remote and very remote areas). However, the table does not indicate the flexibility and accessibility of these places for families and children. Further examination of the types of places available (Figure 6.2 above) in different remoteness categories shows that a much higher proportion of places in outer regional, remote and very remote areas are provided by preschool services than in major cities.

As outlined in section 4.1, the flexibility and accessibility of services can vary by service type. In particular, preschools generally operate with shorter hours of care (e.g. 9am to 3pm) and longer holiday periods than other service types. The funding arrangements for preschool can also limit access for children to 2-3 days per week. These characteristics can make preschool services especially difficult to access for families with sole parents or with both parents working and therefore may not provide necessary flexibility or accessibility for families.

Finding

- 25. Population numbers and remoteness drive the mix of service types: preschool plays a larger role in the early childhood service mix compared to long day care as remoteness increases and population centres are more isolated.
- 26. The high proportion of places provided by preschool services in outer regional, remote and very remote areas may not provide sufficient flexibility and accessibility for families.

6.1.4 Demand is affected by family preferences and other factors

Demand for services is also affected by a range of factors, including family preferences. Demand is also complicated by the fact that, unlike schools, where there is a legal requirement for children to attend school once they reach a certain age, there is no such requirement for a child to attend early childhood education and care. These factors make assessing unmet demand (people who would like to use services more or at all but can't find a place) a difficult task.

A survey conducted by the NSW Productivity Commission found that the factors that influence demand for services include cost, flexibility and choice, access/availability and the specific needs of families (such as health needs or cultural appropriateness). The Commission found that non-users and low-users rank a lack of access to culturally appropriate care as a bigger barrier than high-users. However, while this issue is relatively more important for non-users and low-users, it is not generally at the front of parents' minds when they consider the barriers to early childhood education and care usage. The Commission also found that parents who had children with health issues and additional needs may struggle to engage in services.⁴⁰⁴

Catholic Schools NSW, in its submission to IPART's Issues Paper, told us that while Catholic providers aim to cater for lower income families by situating services in lower socioeconomic status areas and making fees as affordable as possible, the rates of take-up from low-income families in many of these communities is variable.⁴⁰⁵

Blacktown City Council submitted that its market research indicates that over the past 10 years, less than 50% of families with children aged 0 to 6 years in its local government area place their children in early childhood education and care. Council submits that "this choice is usually based on a combination of a child's social skills, family set-up and cultural issues."⁴⁰⁶

6.1.5 We recommend improved data transparency to assist identification of demand for services

We heard that when planning new or expanded services, providers undertake significant work to understand demand and identify opportunity. However, the Australian Childcare Alliance submitted that the sector has difficulty gauging demand accurately. It stated that "the growth in services has outstripped the growth in population, and has been commercially speculative as the market does not have access to the true enrolment and attendance data of children. Access to this information would allow better alignment of supply to real and projected demand with the right quantity of providers."⁴⁰⁷

Enrolment and attendance data that is collected and held by the Commonwealth Government through its administration of the CCS, would significantly assist services in determining demand and identifying areas where there is an undersupply of services.

While the Commonwealth Government publishes data aggregated at State and Territory level, this data, while useful, does not enable providers to identify areas of demand. Access to enrolment and attendance data would enable providers to identify demand, identify those areas that are under supplied, and enable providers to align supply with demand.

Recommendation



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

6.1.6 We recommend the NSW Government take a system stewardship role

Our analysis of the availability and mix of service types shows that the:

- characteristics of some service types create accessibility barriers for some families (as outlined in section 4.1)
- mix of services available in an area is related to population density, and therefore remoteness (i.e. long day care is the dominant service type in major cities, while preschool is the dominant service type in outer regional, remote and very remote areas of NSW, as outlined in section 6.1.3).

In section 6.2, we also explain that the large majority of services in regional and remote areas are operated by not-for-profit providers and for-profit services are more likely to be established in major cities and areas with greater economic resources.

We consider that without government intervention in outer regional, remote and very remote areas, the mix of services will continue to create accessibility barriers and is unlikely to provide the flexibility that families need, including for workforce participation.

The more remote areas of NSW have low population density which means that demand in these areas may be too low to generate interest from sufficient providers of all service types if left to market forces alone. It may therefore be necessary for the NSW Government to intervene in these 'thin markets' to ensure that the mix of services provides the access and flexibility families may need in these areas.

This mix of services will depend on community needs and may include family day care (including in-venue family day care), long day care or more flexible options, such as preschool with extended hours of operation and those being trialled by the NSW Government under the Flexible Initiatives Trial, outlined in Box 6.1. One stakeholder suggested that where families need longer hours of care, the Department of Education could consider establishing a long day care service instead of a preschool and seek expressions of interest from quality not-for-profit providers to operate the service.⁴⁰⁸

Box 6.1 Potential options for ensuring the flexibility and mix of services available to families meets community needs

The Flexible Initiatives Trial aims to empower early childhood education and care providers to better cater for the needs of local families and increase the availability of places for children in NSW where and when they are needed most.

The flexible service delivery and blended service delivery initiatives being trialled may provide options for ensuring the flexibility and mix of services available to families meets community needs, particularly in outer regional and remote areas. The trial includes 2 streams of scenarios.

Stream 1 focuses on smaller-scale operational changes through flexible service delivery. For example:

- Scenario 1 is trialling flexible care through casualised days. Bright Stars Early Learning Centre has identified the needs of parents that are shiftworkers. This trial will involve the centre implementing a casualised day approach where families can customise care to suit changing schedules.
- Scenario 2 is trialling extended hours of operation. This trial will use funds from the grant to hire staff to work additional shifts at Sunshine Valley Early Learning Centre.
- Scenario 3 is trialling extended before and after preschool care in a rural area. Little Flinders Community Preschool has families who travel lengthy commutes. They will use the grant to hire additional educators to extend their hours from 9am-3pm, to 8am-4pm.
- Scenario 4 is trialling a new family day care service in a remote area. Happy Bugs Family Day Care is implementing wrap-around support, including hiring a driver to assist with transport. They are also actively engaging with the community to embrace cultural sensitivities and multilingual resources.

Stream 2 of the trial focuses on blended service delivery. For example:

- Scenario 1 is trialling a partnership between a preschool and a family day care service. Kidz Kraft Community Preschool and Bright Poppies Family Day Care have both identified the need for extended service options beyond traditional hours. This will involve hiring new staff to transport children between the 2 services and deliver a blended experience.
- Scenario 2 is trialling a partnership between a community preschool and a Before and After School Care (BASC) service. Sunshine Grove Community Preschool and Beacon Kids BASC identified the need for extended services in their community. The services will offer wrap-around support and extended hours. The children will be assisted in walking between the services.

Source: NSW Department of Education, [Flexible Initiatives Trial](#), accessed 8 November 2023.

In response to our Interim Report, the Isolated Children's Parents' Association of NSW called for the unique and varied needs of regional and remote communities to be acknowledged and that funding should support flexible models to accommodate accessibility for families.

SNAICC NSW Early Years Support and Aboriginal Community Controlled Organisations (ACCOs) advise that there is high unmet demand for many ACCO-operated services and that services would expand to meet this demand if they were able to access support and funding from government. They have described the obstacles ACCOs encounter when trying to access sufficient funding for capital grants and the need for an enabling partnership with government to realise the expansion potential of many services.⁴⁰⁹

KU Children's Services notes that improved data quality and visibility will help with planning and strategic initiatives. It also notes that competitive tenders can exclude not-for-profit and smaller services who may not have the resources to develop bids.⁴¹⁰

We consider that the NSW Government, in a system stewardship role, can help to address areas of unmet demand, help the sector plan for new or expanded services, including the appropriate mix of services in an area, and be an effective enabling partner for services who need assistance to achieve their expansion potential.

Recommendation

31. The NSW Government should use its system stewardship role for early childhood education and care to ensure that the flexibility and mix of services available to families meets community needs, particularly in outer regional and remote areas of NSW. In this role it should also:
 - use the findings of IPART's Independent Market Monitoring Review about areas of under supply to identify priority locations
 - partner with services that are able to expand to meet demand, including by assisting services identify relevant grants and helping them resolve any obstacles.

6.2 Financial viability by provider and service type

Supply is not only driven by sufficient level of demand for services, it also requires sufficient ability and willingness to pay for them. Some stakeholders suggested that for-profit providers who consider establishing or expanding services may target areas where there is higher willingness to pay rather than areas with unmet demand. As a result, they may provide new services that compete with existing services, leading to oversupply in some areas and continued undersupply in others.

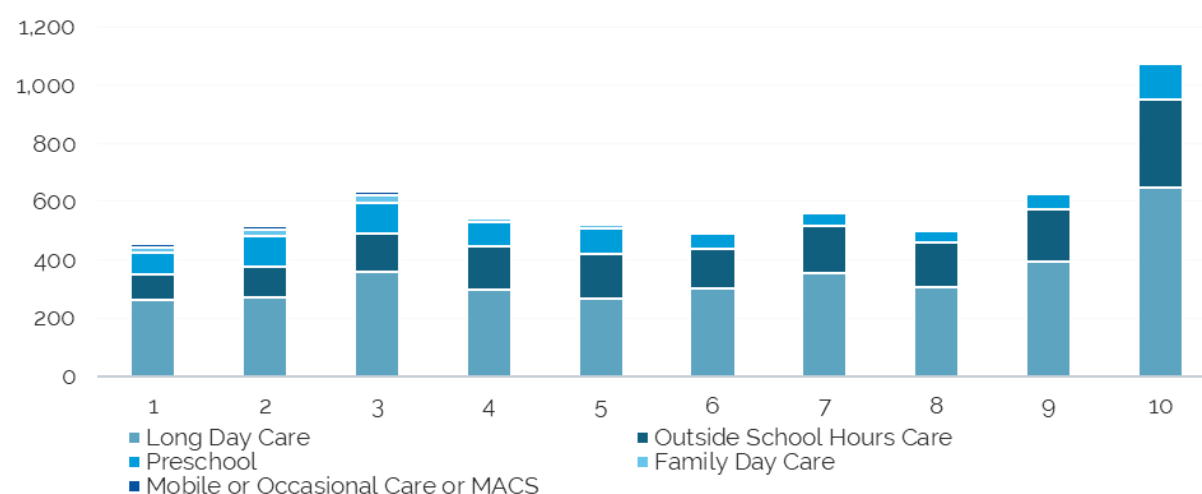
For example, in 2022, the Mitchell Institute found that when examining the relationship between cost and relative access of early childhood services, areas with the highest fees also generally have the highest levels of accessibility. This suggests that providers are not only establishing services where there are greater levels of demand, but where they are likely to make greater profits.⁴¹¹

Community Connections Solutions Australia reiterates the Mitchell Institute findings, stating that: "Reliance on a market driven model to measure and respond to demand means that inevitably service providers have concentrated on delivering new services in areas of high socioeconomic status where there are larger financial returns through fees and other charges."⁴¹²

The ACCC, in its June Interim Report, found that average fees for centre-based long day care services are higher in areas with more services, and that there is also a connection between the number of services and the level of socio-economic advantage of an area. The ACCC considers "this suggests that providers may be more likely to operate in more advantaged areas and charge higher fees, as they expect households have a higher willingness or capacity to pay".⁴¹³

Our analysis, shown in Figure 6.3 and Figure 6.4, also illustrates that the distribution of services by SEIFA decile favours more advantaged areas, and that for-profit providers have a larger share of the market in these areas.

Figure 6.3 Number of services in NSW by service type and SEIFA decile

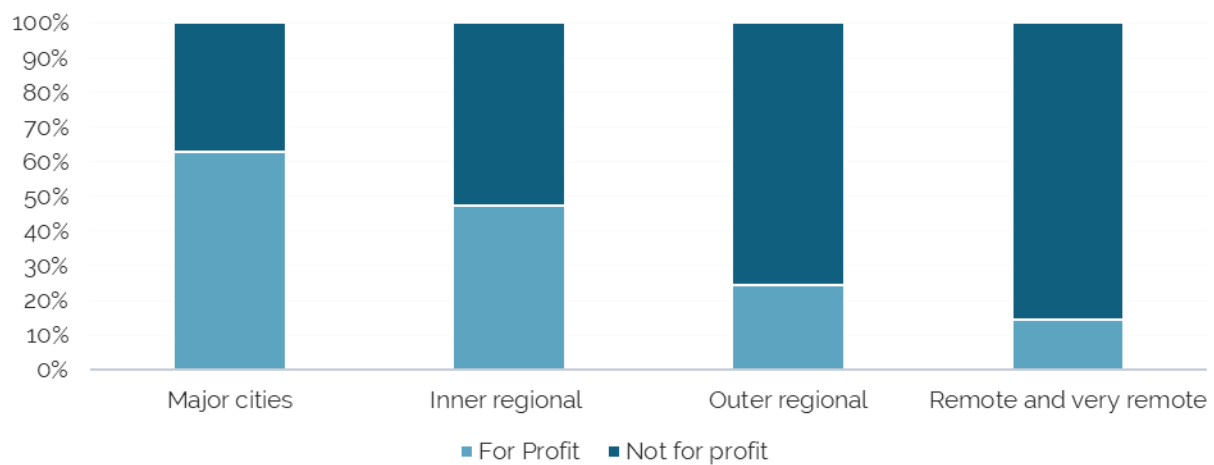


Note: Services with unknown SEIFA decile not included.

Source: NSW Department of Education QARS, July 2023, ABS SEIFA IRSAD rankings, and IPART analysis.

Our regression analysis also found that there were differences in the supply of services by provider type (for profit or not-for-profit) based on the SEIFA economic resources index for children 0-5. The areas higher on the economic resource index tend to have more for-profit services. On the other hand, areas lower on the economic resource index are more likely to have not-for-profit services. This suggests that for-profit services often choose to operate in areas with greater economic resources, while not-for-profit services often serve socioeconomically disadvantaged areas.

Figure 6.4 Share of licensed places by provider type and remoteness



Source: NSW Department of Education QARS, July 2023 data, Commonwealth DoE CCS data and IPART analysis.

Of the 41 services in areas classified as remote or very remote in NSW, only 6 are operated by for-profit providers.

Finding



27. For-profit services are more likely to be established in areas with greater economic resources.

6.3 Educator availability

We heard from stakeholders that the sector is facing persistent and pressing issues with the attraction and retention of educators, in particular, early childhood teachers (tertiary degree-qualified staff). Workforce shortages are having a significant impact on the supply of services. In the view of the providers, workforce shortages have become one of the most important factors when considering expanding or starting their business. In other words, the availability of a sufficient workforce is a requirement that must be considered given government's commitments (both State and Commonwealth) to growing the supply of early childhood services.

ACECQA in its 2019 report on the national early childhood education and care sector workforce found conservative estimates were that it would require around 39,000 additional educators, including 9,000 additional teachers, to meet forecast growth and demand across all service types by 2023.⁴¹⁴ This estimate would represent a 20% increase for the workforce over 5 years. The estimate was made prior to more recent NSW and Victorian Government announcements regarding universal access to preschool, and the Commonwealth Government's increases in CCS payments.

The effects of workforce shortages flow through to the supply of services, as regulated educator-to-child ratios mean the number of educators employed determines the number of places available at centres. Some of the problems caused by workforce shortages include child enrolments being capped at below a centre's licensed capacity, rooms being closed for months at a time, and parents being asked to not bring their children to the service on a particular day. This impacts quality of care and learning as well as the workforce participation of their parents.

6.3.1 Factors contributing to workforce shortages

In submissions and public hearings, stakeholders indicated that the following factors contribute to the current workforce shortages:

- Pay parity: It is a widespread view that workers in the sector are not appropriately remunerated for the work they do.⁴¹⁵ The remuneration is significantly lower when compared to their peers in schools. This contributes to the workforce shortage as the relatively low pay affects recruitment and retention. Some providers also report paying above award rates yet they still struggle to address the current workforce shortages.⁴¹⁶ Some submissions also noted that any price benchmarking should not entrench low pay and conditions.
- Negative attitudes to the profession: While this is slowly changing, the sector is still seen as 'childcare' or 'childminding' instead of early childhood education, an integral part of a child's learning and development. Some submissions have said that work should be done to raise the profile of the profession in the eyes of the public – this could assist in ensuring better pay and recognition for workers.⁴¹⁷
- Lack of upskilling/career development: One of the reasons people leave the early childhood education and care workforce is a lack of opportunity for upskilling/career development.⁴¹⁸ This is likely due to rising costs/lack of funds, and lack of time to release workers to upskill due to workforce shortages.
- NSW-specific staffing ratios add to costs: NSW staffing requirements for children aged 3-6 years and teacher requirements are higher than other jurisdictions (other than Tasmania and WA). According to the NSW Productivity Commission, this equates to \$3,000 a year in additional costs for each child attending early childhood education and care.⁴¹⁹
- Compliance and administrative burden: Workers have told us that they are stressed and overworked due to the compliance and administrative burden that they are under, including regulatory requirements and the assessment and ratings process.⁴²⁰ This additional burden exacerbates the work pressures being felt by workers from the long hours, poor pay and work conditions, and lack of relief staff.
- Additional barriers exist to attracting staff to regional and remote areas, including digital access and literacy, availability of housing and employment opportunities in the town for partners of early childhood education and care workers.⁴²¹

Box 6.2 What we have heard – barriers to recruiting and retaining workers

Around 92% of the providers responding to our survey had difficulties recruiting staff. Stakeholders told us that there are various reasons for this difficulty, including low wages, inadequate opportunity for career development and high regulatory compliance and administrative burdens.

- One anonymous senior educator submitted that they struggle to get by on current sector wages, to the point of experiencing homelessness.⁴²²
- SDN Children's Services submitted that it pays its workers above award rates yet still struggles to address the current workforce shortages.⁴²³
- Waverley Council attributed the workforce shortages in the early childhood sector over the past 18 months to educators leaving the sector because their pay does not equate to the demands of the work.⁴²⁴
- Community Connections Solutions Australia reported that most educator courses in universities commonly cover ages of 0 – 12. In most cases this choice results in students choosing primary school education after they compare the pay and conditions on offer in early childhood services.⁴²⁵
- Local Government NSW said the administration and compliance costs associated with providing early childhood services have risen since the introduction of the National Quality Framework.⁴²⁶
- Royal Far West noted that in regional and remote areas, the requirement for tertiary degree qualified staff limits flexibility and the lack of allied health services to support children in their care contributes to the burnout of educators.⁴²⁷
- Responding to our survey, 69% of providers and employee said attracting and retaining staff is challenging and 89% of providers and employees felt the sector is being impacted by workforce shortages.⁴²⁸

6.3.2 Work is under way to address workforce shortages

Action is being taken both nationally and at the state level to address workforce shortages in the sector. However, the scale of the challenge is large and complex such that there is no one easy solution to tackle the problem. Examples of work currently being undertaken to address this issue are outlined below.

National Children's Education and Care Workforce Strategy (2022-2031): Shaping Our Future⁴²⁹

ACECQA, in close collaboration with states and territories, the Commonwealth Government and sector stakeholders, has developed this 10-year strategy with the aim of enabling a sustainable, high-quality children's education and care workforce. The strategy's timeframe recognises the complexity of the sector's workforce challenges. It sets out 21 actions, including 13 short-term actions (progressed within 3 years), 7 medium-term actions (progressed within 6 years), and one long-term action (progressed within 10 years). Australia's Education Ministers agreed on the strategy in October 2021, and its implementation is a collective responsibility.

Early Childhood Education and Care Capacity Study

The Commonwealth has commissioned Jobs and Skills Australia to undertake a capacity study on the workforce needs for the national early childhood sector. To understand the factors that impact attracting, retaining and training early childhood workers, the study will look at:

- occupations for the different parts of the sector (pre-schools and kindergartens, centre-based day care, family day care, home-based care, and OSHC)
- supply and demand factors
- geographical considerations.

An interim report is due by February 2024 and a final report by May 2024.⁴³⁰

NSW Government initiatives

The NSW Early Childhood Education Workforce Strategy 2018-2022 prioritised 4 key areas:

- Promote the early childhood sector to the public as a critical part of a child's educational journey, and as an attractive field to build a career for prospective educators.
- Support the workforce to obtain qualifications and experience to prepare them for the workplace.
- Build the skills base of the workforce by supporting educators and teachers to attend professional development and update their qualifications and skills.
- Support services to retain educators and teachers, embed sustainable business practices and manage the challenges of staff turnover.⁴³¹

Current initiatives include scholarships and professional development opportunities⁴³² and support through the Childcare and Economic Opportunity Fund.⁴³³

Potential pay increase

Unions are seeking a pay rise for workers in the sector. Some reports indicate the increase being sought may be as large as 25%.⁴³⁴ The Independent Education Union of Australia has advised that the Supported Bargaining Agreement, if approved, will only apply to long day care services.⁴³⁵

Review of staffing and qualification requirements

ACECQA is currently reviewing staffing and qualifications regulations under the National Quality Framework, including the stricter NSW staffing requirements (under the *Education and Care Services National Regulations*). The review is one of the 21 actions within the National Children's Education and Care Workforce Strategy (2022-2031).

Findings

- 28. Attraction and retention of workers is a persistent and pressing issue across the early childhood education and care sector that affects supply.
- 29. The early childhood education and care sector also faces short-term workforce issues, such as absences where the provider is forced to close rooms, or limit enrolments on short notice, that may significantly impact families.

6.3.3 We recommend action at the state and local levels to address significant workforce issues affecting the early childhood education and care sector.

We have made recommendations to address the significant workforce issues affecting the sector that impact on the supply of services and care for families.

We recommend action be undertaken to address workforce issues raised by the sector and to implement actions in the National Workforce Strategy

Workforce issues have been raised throughout the review as being one of the most pressing issues facing the early childhood education and care sector. The shortage of early childhood education and care workers, both teachers and educators, is a pressing and persistent issue that also impacts on the supply of services.

We acknowledge that many of the issues raised by stakeholders are already being addressed through the National Children's Education and Care Workforce Strategy (2022-2031): *Shaping Our Future*. This 10-year Strategy is being progressed under the leadership of the Australian Children's Education and Quality Authority however, there is scope for the NSW Government to implement key actions, focusing on the state and local levels.

We recommend that the NSW Government immediately update its 2018-2022 NSW Early Childhood Education Workforce Strategy to support state-based initiatives and complement the National Workforce Strategy. The update should contain specific actions aimed at the attraction and retention of Aboriginal and Torres Strait Islander educators, educators in regional and remote areas, educators from culturally and linguistically diverse backgrounds, and educators working with children with disability/additional needs.

The update should include, but not be limited to:

- Mentoring initiatives, at both the state and local level, to support students and educators. This should include mentoring/professional support networks for identified groups of educators (including Aboriginal and Torres Strait Islander educators, educators in regional and remote areas, educators from culturally and linguistically diverse backgrounds and educators working with children with disability/additional needs) that are designed in collaboration with the sector and relevant peak organisations.
- Support for professional development for educators and teachers, including options to fund services to provide time "off the floor" for professional development.
- Comprehensive support for Aboriginal students/educators who need to leave country to study and regional/remote students and educators for training. This should include measures to support digital access and practicum opportunities.
- Reframing the narrative around early childhood education and care from 'childcare' to early education, to enhance the understanding of the value of the work being undertaken.
- Investment in local workforce recruitment, qualification and retention.
- Financial support for trainee placements.
- A specific strategy to meet the needs of and address the barriers faced in regional and remote areas.

We recommend the NSW Government investigate the applicability of an agreement similar to the Victorian Early Childhood Teachers Enterprise Agreement

Throughout the review, we heard from sector participants that addressing the low pay of educators and teachers in the sector is a key issue in attracting and retaining staff.

We note that there is a multi-employer bargaining process currently underway in the Fair Work Commission that would see a pay rise for many workers in the sector, however, we understand, that the benefits may mostly accrue to workers in the long day care sector.

In Victoria, the Victorian Government funds the Victorian Early Childhood Teachers Enterprise Agreement (VECTEA) for services that implement a kindergarten program (equivalent to preschool in NSW). The VECTEA has been held up by some early childhood education and care peak organisations as a model for better pay and conditions in the sector.⁴³⁶

Some of the employment conditions of the VECTEA include:

- extended planning time to support quality programming (30 minutes per teaching hour for early childhood teachers and 15 minutes per teaching hour for educators)
- 10 weeks of paid annual leave (term break leave)

- 16 weeks of employer-paid parental leave for primary caregivers
- 20 days of paid family and domestic violence leave
- 15 days (pro-rata) of paid personal/carers' leave each year
- graduate teacher mentoring leave
- government-funded Wellbeing Support Program.

Among Australian jurisdictions, Victoria has the lowest proportion of services with a staffing waiver at 2.1%.⁴³⁷ Services may apply for, and be issued with, a staffing waiver when a service is not able to employ a person to fulfil a role within the service. For this reason, staffing waivers may provide a good indication of the workforce challenges facing the sector and the location of these challenges. However, staffing waivers may also mask the true extent of workforce challenges. This is because some services may choose to restrict services (such as reducing enrolment) rather than apply for a waiver.

NSW, at 11.5%, ranks fourth behind Western Australia (17.2%), South Australia (14.4%) and Queensland (14.1%). The national average is 10%.⁴³⁸

The impact of the VECTEA on early childhood education and care staff retention and recruitment in Victoria merits further examination. Many submissions to IPART suggest that a similar agreement would be beneficial in NSW, noting that the VECTEA only applies to early childhood teachers and educators employed in kindergarten education programs (equivalent to preschool in NSW).⁴³⁹

We recommend that the NSW Government examine the VECTEA and consider its applicability for the NSW context.

We recommend action to address short-term workforce absences that cause services to close rooms or limit enrolments on short notice, that may significantly impact families

The pressing and persistent workforce issues are forcing services to close rooms or limit enrolments on short notice when they are faced with sudden or unexpected workplace absences, such as illness or unexpected leave. These issues significantly impact families who may then have to take leave themselves or find alternative care.

We note that from July 2023^{hh}, approved providers have more flexibility to meet ratio and qualification requirements when Certificate III or Diploma qualified educators are absent for a short period of time. A Certificate III or Diploma qualified educator may be replaced by a person who holds a qualification in primary teaching, when the Certificate III or Diploma qualified educator is absent because of short-term illness, leave, resignation, or because they are attending supervised professional experience placements for an approved qualification for a maximum of 30 days in a 12 month period.⁴⁴⁰

^{hh} Amendments to the *Education and Care Services National Regulations*, which allow for adjustments in calculating ratio and qualification requirements, came into effect on 1 July 2023

This change is welcome as it provides flexibility for services facing short-term absences. However, where absences are sudden or unexpected, the ability of a service to source a suitably qualified person on short notice may be limited. The impact may be that a room is closed on short notice with disruption to children and families.

We propose that the Regulatory Authority (NSW Department of Education in NSW), in consultation with the sector, develop guidance for the sector on circumstances where sudden or unexpected short-term absences affect the service. The guidance should detail the options available to services, including the new changes from July 2023, as well as circumstances where the absence is of such a short-term nature that the application process for a waiver may impose excessive administrative burden on both the service and the Regulatory Authority.

Recommendations

32. The NSW Government should immediately (within 12 months) update its 2018-2022 NSW Early Childhood Education Workforce Strategy to support state based initiatives and complement the National Workforce Strategy. The update should include, but not be limited to:
 - Options to fund services to provide time "off the floor" for reflection, planning, coordination and professional development.
 - Specific actions aimed at the attraction and retention of identified groups, including Aboriginal and Torres Strait Islander educators, educators in regional and remote areas, educators from culturally and linguistically diverse backgrounds, and educators working with children with disability/additional needs.
 - Mentoring initiatives, at both the state and local level, to support students and educators. This should include mentoring/professional support networks for identified groups of educators that are designed in collaboration with the sector and relevant peak organisations.
 - Comprehensive support for Aboriginal and Torres Strait Islander students/educators who need to leave country to study, and regional/remote students and educators for training. This should include measures to support digital access and practicum opportunities.
 - Reframing the narrative around early childhood education and care from 'childcare' to early education to enhance understanding of the value of the work being undertaken.
 - Investment in local workforce recruitment, qualifications, and retention.
 - Financial support for trainee placements.
 - A specific strategy to meet the needs of regional and remote areas and address barriers faced in these areas.

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

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

- ✓ 34. The NSW Government should examine the Victorian Early Childhood Teachers Enterprise Agreement (VECTEA) and consider its applicability for the NSW context.
- ✓ 35. The NSW Regulatory Authority (within the Department of Education) should, in consultation with the sector, develop guidance to assist services finding it difficult to maintain current services due to temporary staffing issues, such as illness or unexpected leave.

6.4 Other factors

We heard from stakeholders that there are other factors that have an impact on supply, including set-up or expansion costs, the availability of suitable premises, lack of capacity to form management committees, and ease of approval for new or expanded services.

This section discusses the impact that each of these factors have on supply, and sets out our recommendations to address them.

6.4.1 Costs of establishing or expanding a service

Chapter 7 discusses the costs involved in establishing and operating an early childhood education and care service in more detail. In this section we focus on those costs that may act as a barrier to establishing a new service or expanding an existing service.

Several not-for-profit providers submitted that not-for-profit providers lack access to the capital required to establish or expand a service.⁴⁴¹ According to Community Early Learning Australia, removal of Commonwealth community operational funding has led to an 8% decline in the sector since 2015 due to viability issues and limited capital support.⁴⁴² Community Connections Solutions Australia advised that capital costs, and the availability of capital funding, is a major impediment to increasing supply in the post COVID environment.⁴⁴³

In its submission to IPART, Catholic Schools NSW also advises that the availability of capital funding is a key barrier to expanding services to areas of unmet need. Catholic Schools NSW adds that the process for applying for capital assistance through existing capital funding programs is time consuming, lengthy, and costly. Catholic Schools NSW cites an example of one provider having application preparations costs as high as \$250,000. There is a lack of transparency and poor communication around the approval process. Some providers have noted that they have received no communication regarding their applications.⁴⁴⁴

Similarly, even though set-up costs of family day care are low compared with centre-based services, family day care representatives told us that the start-up costs for individual educators are a barrier to establishing or expanding services.⁴⁴⁵ These include costs for equipment, property modifications for child safety, insurances, obtaining early childhood education and care qualifications, first aid training and a Working with Children Check. A start-up grant was available from the Commonwealth Government prior to 2011 but is no longer available to family day care services. Family day care representatives have called for its reinstatement.⁴⁴⁶ Waverley Council has also advised that, as there is no operational funding for Local Government family day care, educators are leaving the sector due to high rents or operational expenses being absorbed by the educator. This is leading to decline in the care of children, particularly in the 0-3 year age range.⁴⁴⁷

We note that the NSW Government operates the Start Strong Capital Works Grants Program to improve access to preschool by creating additional preschool places in areas of need and demand across the state. Eligible not-for-profit organisations can apply for grant funding to build, renovate or extend their facilities to deliver preschool education, respond to a crisis situation, or to purchase a vehicle for a mobile preschool.

The Childcare and Economic Opportunity Fund⁴⁴⁸ has also been established to boost access to and affordability of early childhood education and care services for NSW families and children. The Fund intends to create a range of opportunities for the early childhood education and care sector to innovate and grow. This could include building larger facilities, forming new partnerships to deliver more affordable early childhood education and care places, helping providers start new services in areas where there is a shortage of places, helping services to operate in communities that need extra help to stay viable, trialling new service models to meet the needs of modern families.

The Flexible Initiatives Trial⁴⁴⁹ provides a pool of \$20 million from the Childcare and Economic Opportunity Fund to better cater for the needs of families and increase the availability of places for children in New South Wales. The Trial has been especially designed to target barriers to flexible care by providing grants for early childhood education and care services to test and trial new or adapted operating models, including:

- extending hours of operation beyond traditional working hours
- providing flexible pick-up and drop-off times
- giving families the ability to make irregular care arrangements, establishing new family day care services in regional and remote areas
- partnerships between 2 different service types to provide extended or wrap around care arrangements.

In a highly regulated sector where staff-children ratios are set by legislation, we heard that staffing costs can be up to 80% of a service's operational costs.⁴⁵⁰ Some submissions stated that the higher costs of setting up and operating services for babies and toddlers in the 0-2 age range, compared to the costs of setting up and operating services for children in older age groups, are a barrier to adequate supply of places for the youngest children.⁴⁵¹ Given the importance of the relationship between educators and children, many services will pay above award wages to attract and retain staff, and this has been described as increasingly necessary given the workforce shortages outlined in Section 6.3.

The costs to establish a service in regional and remote areas are exacerbated due to additional costs in attracting staff to these areas. These could include:

- availability of housing
- employment opportunities in the town for partners of early childhood education and care workers
- local schools for early childhood education and care workers children.

The costs incurred by the sector in establishing or expanding a service are reflected in the price that parents pay. Given these costs are usually greater in regional and remote areas, the higher prices affect communities which have limited capacity to pay.

6.4.2 Availability of suitable premises

Services may be restricted from expanding by existing space and facility requirements. The specialised fit-outs required for early childhood education and care services may act as a barrier to increasing supply.

Stakeholders have suggested that opportunities exist for strategic partnerships with schools, local government or other providers of infrastructure such as hospitals to make suitable premises available for early childhood education and care services.⁴⁵²

6.4.3 Lack of capacity to form management committees

We heard from Community Early Learning Australia that an additional 'cost' that many not-for-profit services encounter is the availability of volunteers to participate on the parent management committees of services. Many prospective volunteers are not able to commit the time required to participate on the management committee.⁴⁵³

6.4.4 Approval for new or expanded services

In its submission to IPART, Local Government NSW identified regulatory constraints related to service approvals as an impediment to early childhood education and care providers flexibly responding to changing community needs for childcare and OSHC.⁴⁵⁴ LGNSW gave the example of a provider who holds a service approval to offer occasional care from a standalone facility needing to apply for a separate service approval to offer a funded preschool program (for the same facility), if they identify a need for preschool in the community. LGNSW suggests that service approval could be linked to a site rather than service type. This reduces regulatory

administrative costs and burden and enable a more flexible provision of service which meets community needs as only one approval would be needed for a site rather than multiple service approvals for the one site.

Catholic Schools NSW advised that the process and costs associated with building new services is onerous and expensive and regulatory requirements are often overly burdensome. A significant barrier faced by providers when trying to build new services, particularly on school sites, is the approval process for Child Care Facilities. Catholic Schools NSW provided an example where, under the current State Environmental Planning Policy, pre-Kindergarten does not meet the definition of school-based childcare and the approval pathway is instead through the submission of a Development Application with local council. Many existing school sites do not meet the Development Control Plans in relation to the parking required for a Child Care Facility and some schools find it challenging to meet indoor and outdoor space requirements. As a specific example, it is common for a Development Control Plan, to require 1 car space per staff member and 1 per six children. This means a 60-place pre-Kindergarten service will require at least 16 dedicated car spaces which is a significant barrier.⁴⁵⁵

Catholic Schools NSW also considers that the current regulatory space requirements for early childhood services of 3.25 sqm indoor space and 7 sqm outdoor space could be reviewed for services on school sites as shared playgrounds, libraries and gardens could provide an efficient use of resources and an opportunity to enrich learning and build strong transition pathways for children.⁴⁵⁶

Camden Council also noted that Development Application processes can be lengthy, and applications for new services often include places for "no more than 12 babies in one room and [without] multiple baby rooms", further exacerbating the relative shortage of places for the youngest children.⁴⁵⁷

The *State Environmental Planning Policy (Educational Establishments and Child Care Facilities) 2017* (Education SEPP) was enacted in 2017 with the aim of fast-tracking and streamlining approvals for childcare services to respond to the need to increase the supply of childcare facilities. The reforms were aimed at improving certainty and consistency across National, State and local government requirements. The Education SEPP was reviewed and consolidated into the *State Environmental Planning Policy (Transport and Infrastructure) 2021*. The SEPP provides for concurrence from the NSW Department of Education where development applications do not comply with the early childhood indoor and outdoor regulatory space requirements.

We note that, with regard to the regulatory space requirements, it is open to services to apply to the Regulatory Authority for a waiver to vary the space requirements. It may be appropriate for the Regulatory Authority to outline a clear waiver policy on regulatory space requirements for services located on school sites.

6.4.5 We recommend action to make it easier for providers to establish or extend services

We have made recommendations to assist providers and services access the capital funding needed to establish or expand services, gain access to premises to site early childhood education and care services, reduce red tape and to potentially utilise shared spaces to expand services.

We recommend that the process and criteria for capital grant funding under the Start Strong Capital Works Grants Program and newly established Childcare and Economic Opportunity Fund be reviewed to make the application process less onerous and time consuming.

We heard from the sector that access to capital funding, particularly for not-for-profit services, is a barrier to the establishment or expansion of services. Sector participants also advise that the application process for grant funding is onerous and time consuming.

While there are valid probity, financial and governance issues that need to be considered and documented during the application process, we consider there is scope for a review of the criteria and process to ensure that requirements are not too onerous for applicants. This same approach can be applied if the Childcare Economic Opportunity Fund is open to provide grants to sector participants.

We recommend the NSW Department of Education explore strategic partnerships with providers in regional and remote areas to co-locate services on school premises

We heard that providers, particularly in regional and remote areas often do not have access to suitable premises for their services. The NSW Department of Education, with its primary school presence in many regional and remote areas, could provide opportunity for services in these areas.

The Department already has a model that it could replicate in the early childhood education and care space with OSHC services located on public school sites. The Department could put appropriate spaces out to tender for providers to provide a service for the local community. This model has the advantage of not only providing services for the local community but also creating a pathway for young children to transition to school

We recommend the NSW Government investigate better coordination and simplification of processes between planning and early childhood regulatory processes for initiatives such as expansion of services, or extension of operating hours

We heard that the planning and regulatory regimes would benefit from better coordination and a focus on simplifying regulatory processes to enable initiatives such as expansion of services or extension of operating hours simpler. In Chapter 4, we also identified that the NSW Productivity Commission's What Parents Want survey found that NSW has by far the lowest proportion of early childhood services with flexible hours (before 7am or after 6.30pm or on weekends) of any state. It suggested that strengthening planning guidelines could enable more providers to offer extended hours of care.⁴⁵⁸

The *State Environmental Planning Policy (Educational Establishments and Child Care Facilities) 2017* (Education SEPP), enacted to fast track and streamline approvals for childcare services, was recently reviewed and consolidated into the *State Environmental Planning Policy (Transport and Infrastructure) 2021*, however we heard from the sector that there is still room for improvement.⁴⁵⁹ Sector feedback is that some of the requirements for approval, particularly in the planning space, are too onerous and act as a barrier to the expansion of service supply. Similarly the sector has provided feedback on the NSW Regulatory Authority, querying some processes that add administrative costs and fees, such as separate approval processes for combined service types on the one site.

Better coordination of planning and early childhood regulatory requirements could also assist the Flexible Initiatives Trial⁴⁶⁰ that is targeting barriers to flexible early childhood services by providing grants to test and trial new or adapted operating models, including extending hours of operation beyond traditional working hours.

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

We heard that the current regulatory space requirements for early childhood services of 3.25 sqm indoor space and 7 sqm outdoor space could be reviewed for services on school sites as shared playgrounds, libraries and gardens could provide an efficient use of resources and an opportunity to enrich learning and build strong transition pathways for children.⁴⁶¹

Earlier in this chapter we explored the restrictions on expansion due to existing space and facility requirements that may act as a barrier to increasing supply. We also recommended that the Department of Education explore strategic partnerships in regional and remote areas with providers to co-locate early childhood services on school premises, where available. School sites often provide an ideal location for early childhood education and care services it provides the convenience of a one drop-off location for families if they also have other children also attending school.

While we do not suggest that the current indoor and outdoor space requirements for early childhood services need to be changed, we recognise that schools are purpose built facilities often with a generous amount of outdoor space and facilities which could be used by a service.

We recommend that the NSW Regulatory Authority develop a clear waiver policy on regulatory space requirements, both indoor and outdoor, for services located on school sites. The NSW Regulatory Authority already has a similar waiver policy on indoor space requirements for OHSC services. This policy states that: "The current indoor space requirements of 3.25 square metres [per child] are a key barrier to expansion of these services in some schools. To address this issue, the Regulatory Authority will consider applications for waivers from mandated requirements."⁴⁶²

It should be noted that, despite the development of a policy, each waiver application would still be assessed on a case-by-case basis. In considering whether the grant of a service waiver is appropriate, the NSW Regulatory Authority may have regard to any matters disclosed in the application and any other matter. In considering whether to grant a temporary waiver, the NSW Regulatory Authority must have regard to whether it is reasonably justified based on the special circumstances disclosed in the application.

Recommendations

- 36. The NSW Government should review the process and criteria for applying for capital grant funding under its Start Strong Capital Works Grants Program and newly established Childcare and Economic Opportunity Fund to ensure the requirements are less onerous and time consuming.
- 37. The NSW Department of Education should explore strategic partnerships in regional and remote areas with providers to co-locate early childhood services on school premises, where available.
- 38. The NSW Government should investigate better coordination of the planning and early childhood regulatory processes, to enable initiatives such as expansion of services or extension of operating hours. This should include the provisions of the *State Environmental Planning Policy (Transport and Infrastructure) 2021* and any barriers presented by local government planning processes.
- 39. The NSW Regulatory Authority (within the Department of Education) should develop a clear waiver policy on regulatory space requirements for services located on school sites.

Chapter 7 »

Provider costs and revenue in
delivering services

07

Our Terms of Reference required us to collect provider revenue and cost information across different children and family groups, geographies, service types, and provider types. Cost and revenue information allows us to better understand how providers establish and operate their services, the challenges they face, and the implications for affordability, accessibility, and choice.

We obtained data on costs directly from providers by utilising the same data collection templates and forms the ACCC used as part of their concurrent inquiry. We performed our own analysis on cost and revenue data from NSW providers, and complemented it with other data sources such as the Commonwealth Department of Education Child Care Subsidy administrative data. For this report, we analysed data from large providers, most of which deliver long day care. We also considered some additional data from small and medium providers.

The following sections summarise our findings on providers' operating and capital costs, in particular, rent and labour, and providers' revenue sources, including from fees and funding programs, as well as our recommendations about funding arrangements.

Box 7.1 Methodology and limitations of provider cost and revenue data analysis

Most of the cost and revenue figures presented in this chapter are based on data returns from large providers. The figures are intended to identify trends and patterns, highlight areas of interest or concern, and inform our benchmarking methodology. They are not intended for generalisation across all providers in the early childhood education and care sector.

Building a consistent and comprehensive database of cost and revenue information through provider data returns is technically challenging and extremely demanding in terms of time and staffing resources for both the sector and the relevant government agencies.

The following caveats apply to our analysis of cost and revenue data collected from providers:

- Record keeping practices and standards can vary significantly from provider to provider. Costs and revenues are often reported differently, which can cause inconsistencies in the dataset.
- The sample only includes large providers and does not include any family day care or preschool providers (which we present case studies for in Box 7.3 and Box 7.4).
- Most cost figures are calculated as averages, which are useful to identify general trends and patterns, but might not fully showcase the range of different circumstances in the sector.
- Head office costs for each provider have been apportioned equally across its services. This might overstate costs for those providers whose head office is not located in NSW.
- Labour costs have been calculated on a full time equivalent (FTE) basis, but reporting standards on employee hours might differ between providers.
- The sample size for some categories of providers (for example, in remote areas) is very small.

7.1 Operating and capital costs

Early childhood service providers incur operating costs (the costs of running their day-to-day operations) as well as capital costs (the costs of investing in property and equipment required to set up the service).

These costs can differ substantially between providers, even when they deliver the same type of service (for example, long day care). This is due to many factors such as differences in real estate prices across NSW or the qualifications (and thus wages) of the workers they employ. A provider's individual cost profile influences what services it offers, how it delivers these services, and the fees it charges for them.

During consultation, providers told us that it is increasingly expensive to deliver services that are inclusive, high-quality, compliant with regulatory requirements, and tailored to their communities' needs, and that their current revenue streams are often insufficient to do this. Providers' concerns around managing costs of service delivery are summarised in Box 7.2.

Box 7.2 What we have heard – Cost pressures are barriers to viable, quality and inclusive services

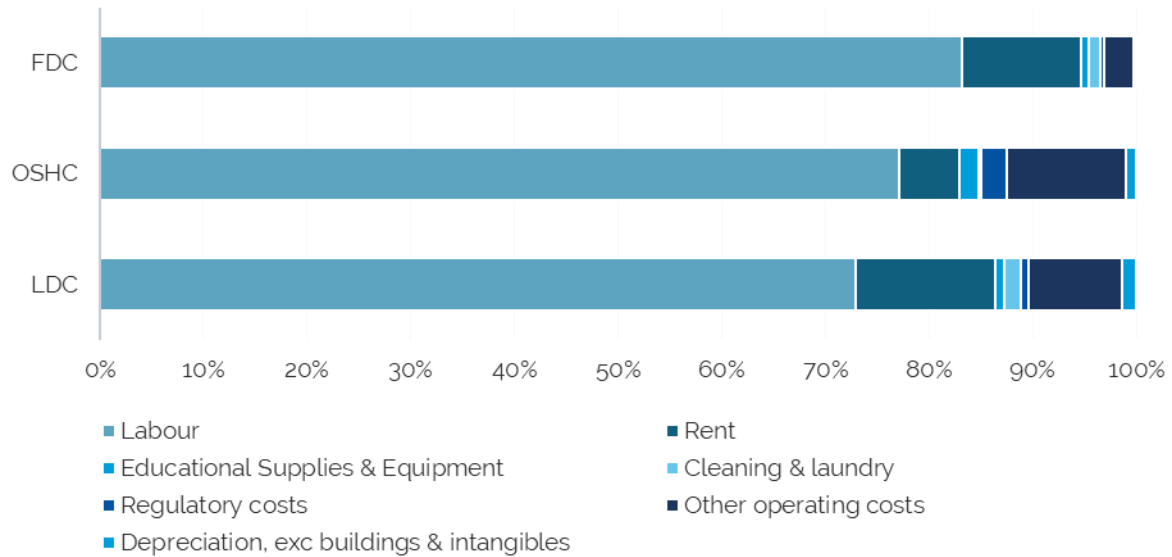
- Most providers reported challenges in managing rising costs of service delivery, citing factors such as inflationary pressures, the impact of the COVID-19 pandemic, and workforce shortages.⁴⁶³
- To manage cost pressures, providers often have to choose between capping the number of places they offer, compromising on quality improvements, increasing their fees, or closing down their service.⁴⁶⁴
- Rising costs disproportionately affect providers in vulnerable areas and communities where it is often more challenging for them to earn sufficient revenue to cover their costs.⁴⁶⁵
- Providers need to comply with regulations on educator to child ratios and educator qualification requirements when managing their workforce costs and have limited ability to control these costs. In addition, providers incur additional labour costs to ensure they have sufficient resources to undertake administrative tasks, comply with regulatory requirements, and train new workers.⁴⁶⁶
- Hiring agency costs have increased as a result of workforce shortages in the sector. With centres understaffed and employees overworked, burnout in the workforce results in high turnover and requires providers to hire new employees repeatedly and quickly often through hiring agencies. This situation is worsened by an increasing preference among workers to be employed as casuals to receive better pay rates, more flexibility and a lower administrative and responsibility burden.⁴⁶⁷
- To deliver inclusive care to children with additional needs, providers need to employ educators with the appropriate qualifications and expertise. Providers have to either pay the salary premium required by specialised workers or incur other costs to upskill their current workforce. Existing funding programs, such as the Disability and Inclusion Program (NSW), do not cover the entire cost to providers of this additional care.⁴⁶⁸

The biggest cost categories for early childhood service providers are labour costs and rent and property costs. Additional categories include consumables, cleaning and laundry, and depreciation. 'Other' costs include, for example, regulatory complianceⁱⁱ costs, utilities, technology, insurance and finance costs.

As shown in Figure 7.1 and Figure 7.2, providers on average spend more than 75% of their total costs on labour. Rent accounts for as low as 6% of total costs for OSHC services and up to 13% for long day care. Other cost items represent a much smaller share of total costs.

ⁱⁱ Often, these costs are included in or categorised as labour costs, since the administrative burden of regulatory compliance requires additional worker hours.

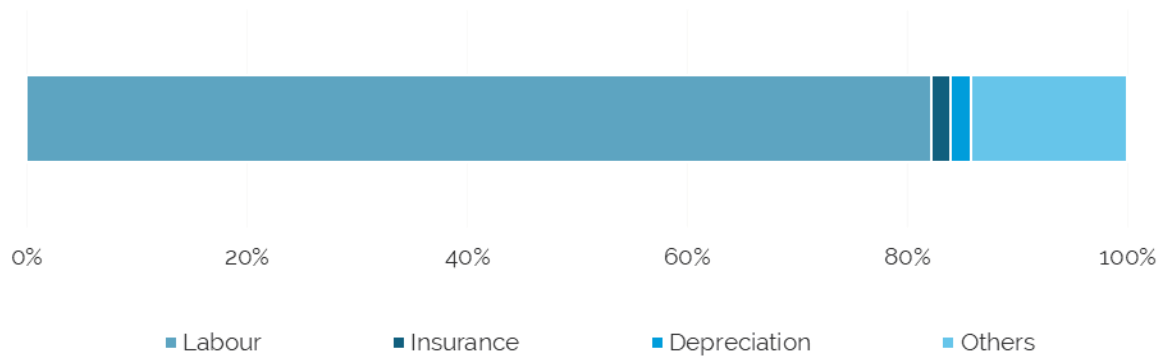
Figure 7.1 Average cost of main expenditure categories for large providers per year per place offered in NSW 2022 (\$ nominal)



Notes: These figures are calculated based on 2022 costs for large providers and the number of places they had available for children for long day care and OSHC. For family day care providers we estimated costs using salary information for labour costs and proxies for rent costs based on ABS housing data.

Source: Large provider data returns and IPART analysis.

Figure 7.2 Average proportion of main expenditure categories for not-for-profit community preschools per year per place offered in NSW 2022 (\$ nominal)



Notes: To obtain cost data on community preschools, we extracted cost information from publicly available financial reports (published by the Australian Charities and not-for-profit Commission) for a representative sample of 30 community preschools. Most community preschools access peppercorn rents and pay very little of their costs for rent.

Source: Community preschool public financial report data and IPART analysis.

Table 7.1 Average costs per place offered per year – proportion of main cost categories in NSW 2022 (\$ nominal)

Cost category	Long day care		OSHC		Family day care	
	\$	%	\$	%	\$	%
Labour	17,200	73%	2,980	77%	24,941	83%
Rent	3,160	13%	225	6%	3,464	12%
Other	3,215	13%	660	16%	1,583	5%

Source: Large provider data returns and IPART analysis.

Table 7.2 Average costs per place offered - % increase from 2018 to 2022 by remoteness in NSW (\$ nominal)

	Long day care		OSHC	
	Rent	Labour	Rent	Labour
Sydney	12%	19%	-22%	17%
Other regions	34%	19%	3%	87%
NSW Average	15%	18%	-18%	27%

Note: Sample size for OSHC, and in particular in very remote areas, is very low.

Source: Large provider data returns and IPART analysis.

Table 7.3 Median fee revenue per child per year by remoteness in NSW 2022 (\$ nominal)

	Long day care	OSHC	Family day care
Major cities	18,953	4,610	15,161
Inner regional	15,681	4,357	10,477
Outer regional	13,320	3,967	9,128
Remote	11,552	5,031	11,258

Note: Remoteness categories for revenue data differ from cost data as they are based on a different source. Fee revenue includes CCS subsidies.

Source: Commonwealth DoE CCS child data and IPART analysis.

Section 7.2, 7.3 and 7.4 discuss each cost category in detail and identify specific concerns around costs of service delivery.

7.1.1 Family day care and community preschool costs

In addition to our analysis of large provider data returns, we consulted with 2 family day care providers and a community preschool provider to better understand how these service types operate and their costs (and revenue) in delivering services. Box 7.3 and Box 7.4 present example profiles for a family day care provider and a community preschool provider as case studies.

Box 7.3 Case study – costs and revenue in providing family day care

Provider 1 – Not-for-profit small/medium family day care service in inner city Sydney

Profile for Provider 1 (\$2021-22)

Overview

Children attending	393
<ul style="list-style-type: none"> From an Aboriginal or Torres Strait Islander background From a culturally and linguistically diverse background Who have a disability and/or complex need Who have other characteristics that require additional support to enrol in or attend the service 	2% 54% 2% 0%
Number of educators service is licensed for	50
Educators overseen by service	24
Educator vacancies	26
Staff members (excluding educators) adjusted by FTE	4
Occupancy rate (% of places filled)	98%
Quality rating	Meeting NQS
Total costs	\$1,317,661
Labour	\$405,026
Rent, land and buildings	\$53,752
Administration	\$5,905
Other costs	\$5,037
Transfer of CCS to educators/families	\$847,941
Total revenue	\$1,000,966
From service fees that educators (levy)/families are charged	\$263,090
CCS from Commonwealth Government	\$737,876
Levy charged by provider to educators	\$1.50/hr/child

Provider 1 operates a family day care service with 24 educators and 6 administration and management employees. Educators work as sole traders to deliver care to children within their own homes, and they autonomously set their fees and working days and hours. Management staff are employed by the provider and their tasks include administering CCS payments, coordinating educators, and providing training and support if necessary. The provider receives all fee payments from parents and subsidies from government, which are then paid back to the educators. The provider charges a levy to educators to cover part of its operational costs (mostly the labour costs of service administration and compliance management).

Provider 1 reported several challenges in managing costs and revenue:

- Rent increases in recent years have impacted the eastern suburbs, inner city and surrounding suburbs and forced many educators to leave the area, exacerbating the workforce shortage.

- The burden of administration and regulatory compliance, while hard to quantify, is substantial and has increased greatly in the past few years. Educators and support staff have to dedicate an increasing amount of resources to navigate reporting and compliance requirements of multiple government bodies, and a complex funding system. This has led to an increase in educators leaving to operate as private nannies or the sector completely.
- Changes to the CCS made in 2018 have substantially increased the administration processes of both the family day care service and educators. The increased administration costs have resulted in increased fees to cover the cost of administering the CCS, offsetting the reduction in fees to families that the changes were intended to deliver.
- It continues to be extremely difficult to recruit suitable educators. The costs for educators to set up themselves as a contractor and their home based setting are a key factor in this.
- Cost pressure and the provider's commitment to maintain fees that are affordable to families mean that most of its family day care services are unprofitable and unsustainable without better access to funding for family day care.

The second provider we spoke with, Provider 2, operates a family day care service with 31 educators and 4 administration and management employees in Western Sydney, catering to about 400 children. Of the 4 administration and management employees, 3 are coordinators and they each provide support to around 10 educators in their area. One employee is the service manager, who oversees coordinators and provides administration support (such as collecting and paying fees and CCS subsidies).

The service manager reported that regulatory compliance requirements are complex and require substantial resources to navigate. Employees and educators usually need to dedicate extensive time (about a day per week) to meet and keep up-to-date with changing requirements.

Provider 2 also charges a levy to educators to cover the costs of administrative support of \$1.60/hr per child. The service manager indicated that they try to avoid increasing the levy whenever possible, due to affordability impacts on families. However, recent increases in regulatory costs will require Provider 2 to raise the levy to \$1.80/hr per child from next year. This has also been the case for Provider 1, which has recently increased its fee to \$1.85/hr per child.

Box 7.4 Case study – costs and revenue in providing community preschool

Provider 3 – Not-for-profit standalone community preschool service in Western Sydney

Profile for Provider 3 (\$2021-22)

Overview

Children attending across week	80
• From an Aboriginal or Torres Strait Islander background	3%
• From a culturally and linguistically diverse background	25%
• Who have a disability and/or complex need	13%
• Who have other characteristics that require additional support to enrol in or attend the service	19%
Staff members	25
Staff vacancies	0
Staff members (excluding educators) adjusted by FTE	9
Occupancy rate (% of places filled)	100%
Quality rating	Meeting NQS
Total costs	\$987,212
Labour	\$830,349
Rent, land and buildings	\$62,797
Administration and regulatory compliance	\$31,390
Other costs	\$62,676
Revenue	\$1,055,263
From service fees that families are charged	\$63,059
Government funding	\$969,179
Other revenue	\$86,084
Fee to families per day (before fee relief)	3 year old: \$54 4-5 year old: \$48 Equity rate: \$28

Note: The "equity rate" is for (families with low income, Aboriginal and Torres Strait Islander children and children with disability.

Provider 3 operates a community preschool with 23 educators and 3 management and administration employees. One of these employees is the preschool director, whose tasks include, among others, liaising with the preschool's committee (including its Chair and Treasurer) and with the not-for-profit owner of the service.

Provider 3 reported several challenges in managing costs and revenue:

- Time for regulatory compliance and development is a significant addition to the already busy workload of educators and other employees. The service provider does its best to record all extra work and pay employees accordingly, but unpaid labour by educators can occur at times.

- The provider pays concessional rates for rent, as the not-for-profit owner sets rental fees based on the provider's financials. However, the provider often contributes to maintenance and repair costs, which can be significant with an older building. It is currently hard for the provider to maintain enough margin for capital growth.
- The cost of providing care for 3-year olds is higher than for older children. While the provider charges slightly higher fees for the younger cohort, it absorbs a big proportion of the cost difference in an effort to harmonise fees for parents.
- Funding guidelines and amounts are complex to navigate and change every year, creating uncertainty for the provider.

7.2 Total labour costs

Labour is the largest and most challenging category of costs for providers, and it consists of wages paid to contact and non-contact employees, as well as the costs of training staff and using hiring agencies to fill vacant positions. We asked providers for data on how much they spent on labour-related costs in the past 5 years. We also analysed data from the 2021 Early Childhood Education and Care National Workforce Census to obtain information on wages in the sector.

The vast majority of labour costs reported by providers were incurred to pay worker salaries and salary packages, with very low proportions attributed to expenses such as recruitment and training.

The following sections outline our findings that labour costs have increased substantially in recent years and that they vary across areas and provider types.

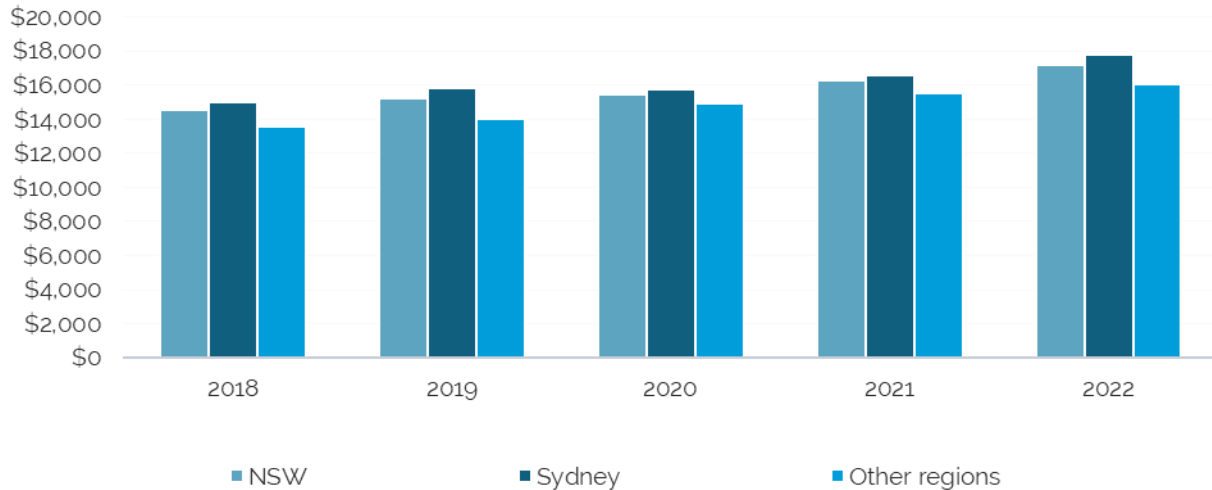
7.2.1 Labour costs have increased substantially in recent years

In the past 5 years, labour costs have increased at a faster rate than the Wage Price Index (WPI). For long day care and OSHC large providers, average labour costs in 2022 are respectively 18% and 27% higher than they were in 2018 (Figure 7.3 and Figure 7.4). For long day care, costs have increased at similar rates in Sydney and other areas of NSW. Costs for OSHC have increased more in other areas than in Sydney.

There are several factors that explain an increase in labour costs over the years. Given the current workforce shortages, providers often have to pay wages above award rates to attract workers, or offer other benefits such as relocation allowances. And even this is not sufficient to retain workers, who often quit the sector due to burnout, long-hours and low pay relative to other industries.⁴⁶⁹ This means providers incur high costs to manage the turnover by frequently hiring new workers and relying on hiring agencies. Providers' strategies to adjust staffing in response to turnover are essential as centres need to maintain ratios, but might increase labour costs. The mix of employment types (e.g. full-time, part-time, casual employees) and workforce qualifications can also have an impact on labour costs for providers.

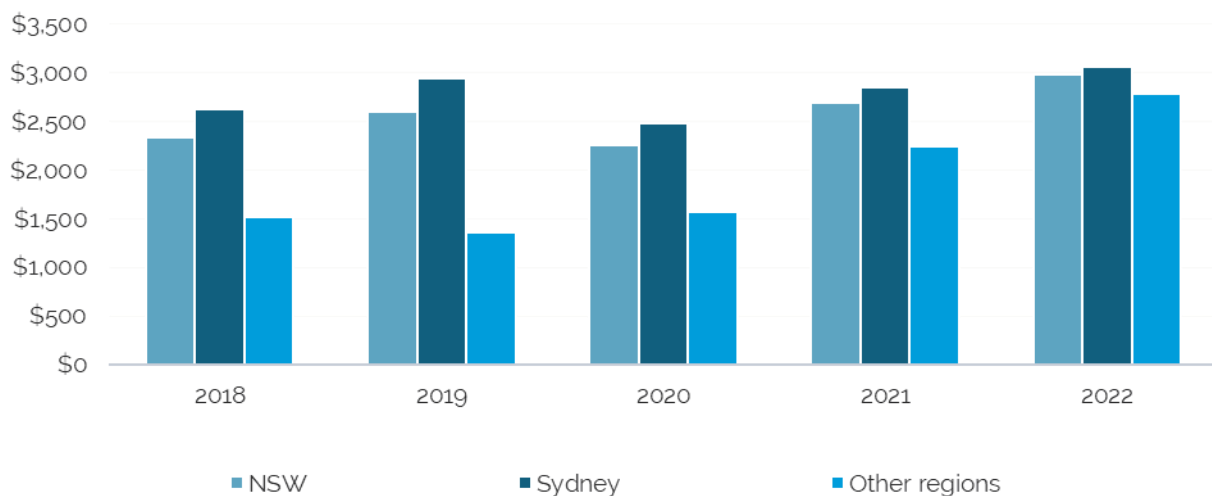
We note that there is still general agreement that educators remain under-paid for the value of the work they do⁴⁷⁰, in particular because of the potential gender undervaluation of work in female-dominated industries and occupations like early childhood education and care.⁴⁷¹

Figure 7.3 Average labour costs per place offered per year - long day care large providers (\$ nominal)



Source: Large provider data returns and IPART analysis.

Figure 7.4 Average labour costs per place offered per year - OSHC large providers (\$ nominal)



Source: Large provider data returns and IPART analysis.

7.2.2 Labour costs vary across areas and provider types

Even though all providers are required to meet similar regulatory requirements in relation to educator to child ratios, and pay wages in line with standardised award rates, labour costs can differ substantially across providers. There are a range of reasons for this. For example, different providers might employ a different mix of full-time, part-time and casual workers, or hire workers with a different mix of qualifications. They might also have a different need to, and/or ability to, offer above award wages to meet staffing ratios.

In 2022, labour costs for long day care and OSHC were slightly higher in Sydney than in other areas. For community preschool, labour costs were highest in remote and very remote areas.

In Sydney, higher costs of living and greater competition among services likely results in providers having to offer higher salaries to early childhood workers. Despite widespread worker shortages, providers in Sydney still access a bigger pool than their peers in regional areas and are better placed to find and hire workers with higher qualifications, which command higher award rates.

In regional areas, costs of living and competition are lower but providers have to offer premiums to attract workers from a more limited pool. Benefits such as vehicles or relocation allowances for workers and their families can increase labour costs substantially, but they are often necessary to hire employees to more remote areas.

These forces work in opposite directions: costs of living and competition increase labour costs in Sydney relative to regional areas, while scarcity of workers and the need for premiums to attract workers increase labour costs in regional areas relative to Sydney. For the large providers we obtained data from, the resulting balance is slightly higher labour costs for Sydney than for other areas. However, this difference is substantially smaller than the difference in rents across areas. We also note that average cost figures alone might not capture the full extent of cost variances across providers.

When looking at how labour costs vary across provider types, not-for-profit large providers incur higher labour costs on average than for-profit providers, especially for OSHC services (as shown in Figure 7.5 and Figure 7.6).

Different provider types have different objectives inherent to their ownership structure and business model, and as a consequence, potentially different cost and revenue profiles. For-profit providers make commercial decisions to maximise their return and satisfy business objectives. Not-for-profit providers, while requiring financial viability to continue operations, can set different primary objectives.

This is likely to result in market segmentation, with not-for-profit providers more likely to operate in less attractive markets or provide services that are more costly on average. For example, not-for-profit providers appear more likely than for-profit providers to run a service in underserved areas and pay high premiums to attract workers. Profit-maximising providers are also more incentivised to operate staffing at levels close to those required by ratios to minimise costs.

A larger proportion of not-for-profit providers is rated 'Excellent' or 'Exceeding NQS' than for-profit providers. Not-for-profit providers also enrol a higher proportion of children with additional needs, as outlined in section 4.2.1.

When looking at the composition of the workforce for not-for-profit and for-profit providers, the proportion of workers with different qualifications does not appear to vary substantially between not-for-profit and for-profit services. Average number of workers per service and average worker time in current service are also similar. However, not-for-profit providers employ a larger share of casual workers than for-profit providers. This likely increases labour costs due to loadings for casual workers and turnover costs.

Figure 7.5 Average labour costs per place offered per year by provider type - long day care large providers 2018 to 2022 (\$ nominal)



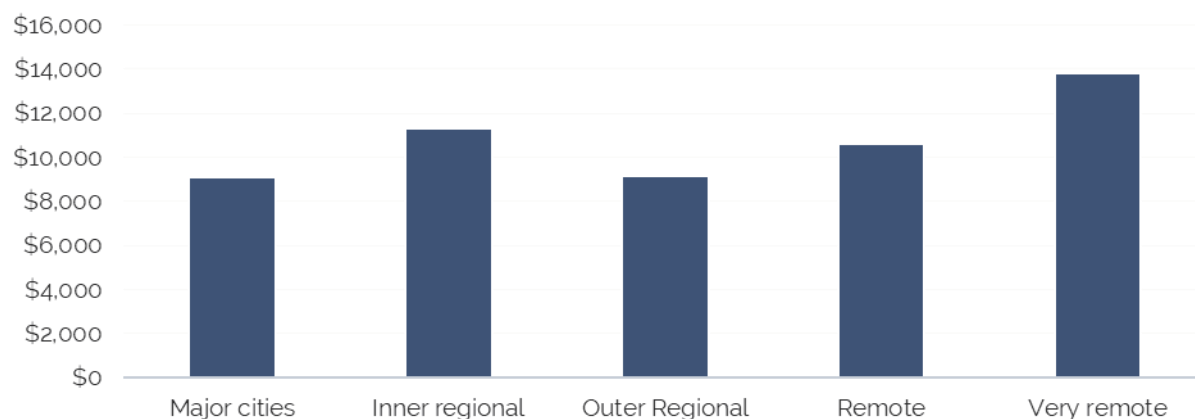
Source: Large provider data returns and IPART analysis.

Figure 7.6 Average labour costs per place offered per year by provider type - OSHC large providers 2018 to 2022 (\$ nominal)



Source: Large provider data returns and IPART analysis.

Figure 7.7 Average labour costs per preschool place offered by remoteness classification 2022 (\$ nominal)



Note: To obtain cost data on community preschools, we extracted cost information from publicly available financial reports (published by the Australian Charities and Not-For-Profit Commission) for a representative sample of 30 community preschools.

Source: Community preschool public financial report data and IPART analysis.

Average salaries from workforce census data appear to be lower than labour costs reported by providers

In addition to large provider cost data, we analysed data on early childhood worker salaries from the Early Childhood Education and Care National Workforce Census collected by the Commonwealth Department of Education. The data in the census does not capture the exact costs providers incurred for labour related expenditure, but it shows how salaries vary across provider and service types and geographic areas.

Average salaries (including all service types) are slightly higher in major cities than in regional areas. On average, providers offer wages that are 3.5% above the corresponding award rateⁱⁱ. This premium is similar across remoteness categories but slightly higher for remote areas.

For long day care, not-for-profit providers pay slightly higher salaries and higher premiums than for-profit providers across all areas and remoteness categories. For not-for-profit providers, the highest premiums are in Sydney's inner and eastern areas, and in outer regional and remote areas. For for-profit providers, premiums are highest in Sydney's inner and eastern areas, and lower elsewhere. For OSHC, not-for-profit providers pay slightly higher salaries than for-profit providers.

For all providers, quality ratings are also associated with higher average salaries and higher premiums.

ⁱⁱ Our calculation of award premiums is based on the National Workforce Census. For each of their employees, providers report the salary they paid them, whether or not the salary was above the award rate for the role, and by how much. Not all providers report this information, so the sample for workers with award and premium information is smaller than the total. Premiums and wages are also reported by range (for example, 10% to 25% above award) rather than precise figures.

These results are broadly consistent with output from data returns from providers. Overall, while wages are based on standardised award rates, labour costs can vary with providers' decisions on their workforce (such as premiums and qualifications) and the challenges and constraints of the markets they operate in.

However, average salaries per full time equivalent (FTE) calculated from the workforce census are much lower than labour costs per FTE as calculated from providers' data return. In other words, providers report labour costs that are substantially higher than the salaries paid to workers in the sector.

During consultation, we heard from providers that additional expenses such as training and development, recruitment, backfilling, and time 'off the floor' for administrative and compliance work represent an important challenge to cost management. Separate categories for these costs are currently included in the data requests sent to providers across NSW, but numbers reported are negligible when compared to salaries expenditure. We consider that the high cost per FTE reported by providers might capture these additional costs, even if not singled out specifically. This could explain why salary-only costs as reported in the workforce census are much lower.

7.3 Rent and property costs

Rent is the second largest category of costs for providers, and the one that varies the most across providers. Rent costs depend on factors such as the location of the service and the type and conditions of the lease agreement signed by the provider. Property costs include maintenance costs.

The following sections outline our findings that rent costs vary substantially across providers and have increased in recent years.

In September 2023, the ACCC reported that in Australia, the large majority of long day care and OSHC providers rented/licensed the service site in 2022, with only 1% of for-profit providers and about 12% of not-for-profit providers owning the site.⁴⁷²

7.3.1 Rent costs vary substantially across providers

A service's location is a key determinant of a provider's rent costs, as real estate market prices differ across NSW.

The type, length and conditions of the provider's lease agreement is another key factor. For example, while most rental agreements are set for a fixed term, many include clauses that allow landlords to re-evaluate rates mid-lease. Some not-for-profit providers are able to access 'peppercorn' rents, where a landlord such as local government or a charitable organisation offers greatly discounted rates. This is most often the case for community preschools that are often co-located within council or other education premises.

Unlike other providers, OSHC providers pay licence fees to the school that hosts the service rather than rent. These licence fees are based on projected utilisation for the OSHC service. For OSHC services located in NSW Department of Education schools, the calculation of licence fees is standardised and capped. For those located in non-government schools, it is privately negotiated.

Whether a provider can sustain rental costs depends heavily on the extent to which its places are filled and how this varies over time. For example, providers in inner city areas are normally able to operate viable services despite very high rents due to high occupancy rates. However, since the COVID-19 pandemic, their occupancy rates have been falling as more people opt to work remotely instead of at an office in a central business district.

7.3.2 Rent costs have increased in recent years

The recent increase in real estate prices has led to substantial increases in providers' rent costs. We heard from providers that rents under new lease agreements are much higher than a few years ago, and those under existing lease agreements are often re-evaluated by landlords to match them with market rates.

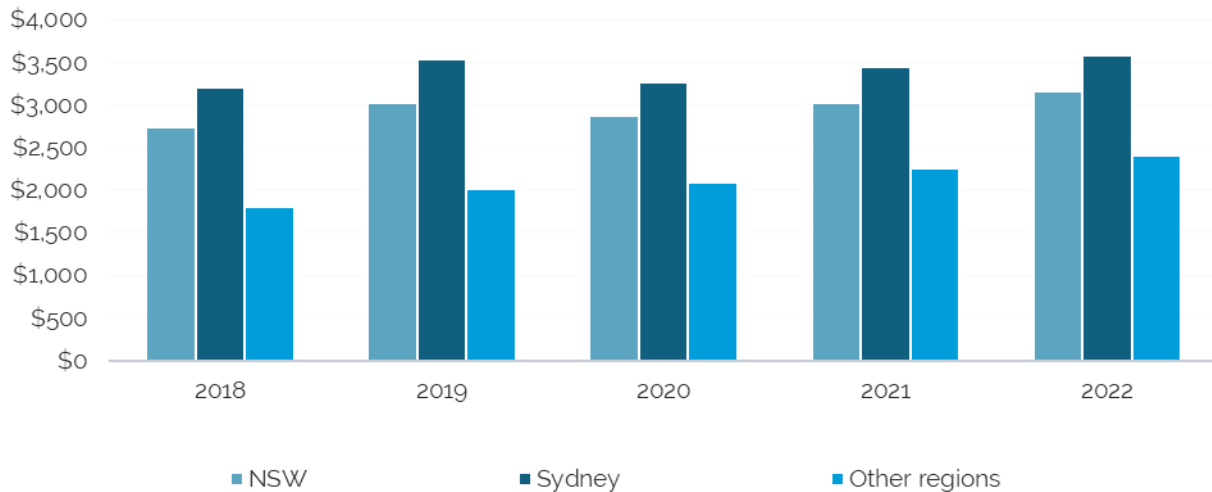
In the past 5 years, average rental costs for large providers have increased by 15%^{kk} on average across NSW for long day care (Figure 7.8). Rents have registered the greatest increase outside of Sydney since the extremely high property prices in Sydney are likely causing spill over effects to other regions, as people move to more affordable areas^{ll}. For long day care, average rental costs are highest in Sydney by a substantial amount, declining with remoteness but with limited variation across regional categories.

For OSHC, licensing fees have declined on average (Figure 7.9). Licensing costs are substantially higher in Sydney than in other areas. As noted above, OSHC providers enter licensing agreements with the school where their services are located, and pay rates negotiated with the school. This can create more variability in rental costs, which might not mirror prices in the property market. Moreover, OSHC rental arrangements might have greater scope for rent reductions for hardship, for example during the COVID-19 pandemic or in remote areas.

^{kk} Despite rents for some remoteness categories increasing substantially, the average rent across all of NSW has increased by a smaller amount overall. This is because these areas have a much lower number of services than Sydney, where provider rents have increased less, so the impact on the state average is minimal.

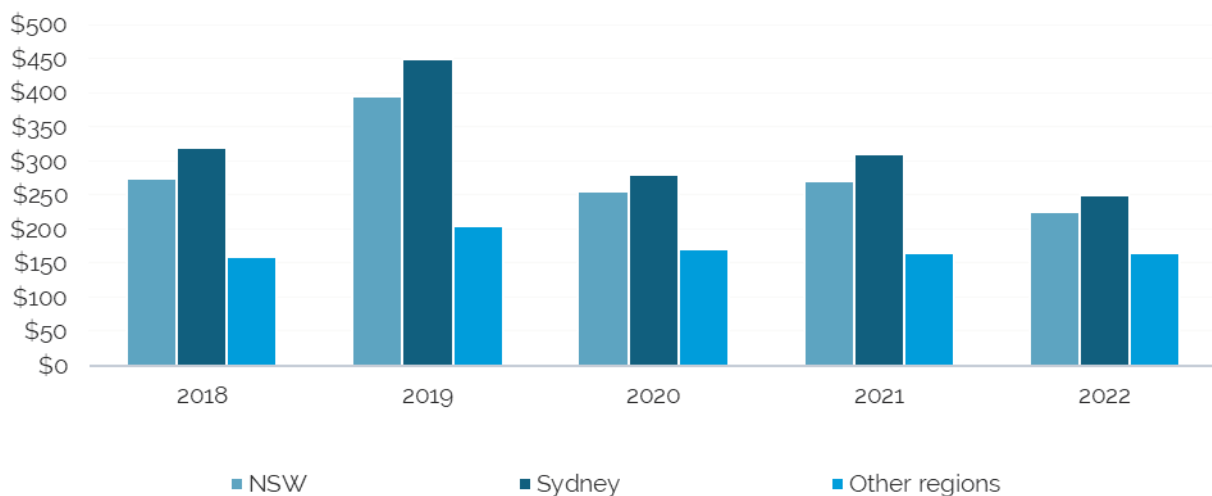
^{ll} Our cost figures are intentionally calculated on a per place offered (rather than per place taken up) basis to isolate cost trends irrespective of variations in occupancy rates. The burden of rental costs for providers in Sydney is likely to be higher than before even if rents haven't increased as much, since occupancy rates in urban areas have declined with changing preferences around working from home.

Figure 7.8 Average rental costs per place offered per year – long day care large providers (\$ nominal)



Source: Large provider data returns and IPART analysis.

Figure 7.9 Average licensing costs per place offered per year – OSHC large providers (\$ nominal)



Source: Large provider data returns and IPART analysis.

Average rental costs for not-for-profit providers are lower than for-profit providers, and the difference is consistent across service types. From our consultation with the sector, we heard that some not-for-profit providers are able to access 'peppercorn' rents at very low or nil rates. Preliminary analysis of cost data from large providers show that while not all not-for-profit providers access peppercorn rents, some are able to do so consistently across many of their services. As only a few of the provider groups we received data from are not-for-profit, the overall average of rental costs for not-for-profit is likely to be substantially lower if even just one provider has consistent access to peppercorn rents. Not-for-profit providers could also be more likely to own their premises or receive them as a donation, which decreases rental costs.

Figure 7.10 Average rental costs per long day care place offered per year by provider type 2022 (\$ nominal)



Source: Large provider data returns and IPART analysis.

Figure 7.11 Average licensing costs per OSHC place offered per year by provider type 2022 (\$ nominal)



Source: Large provider data returns and IPART analysis.

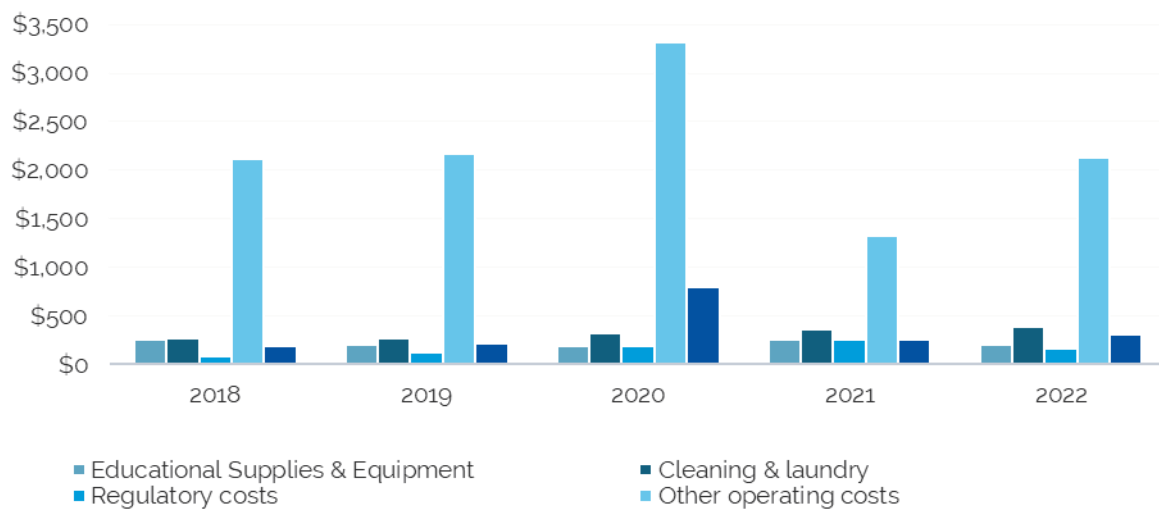
7.4 Other costs of delivering services

Providers also incur a wide range of other costs to operate services. As well as regulatory compliance costs, they may also include costs of:

- food and drink for children
- hygiene and cleaning equipment
- nappies
- reading material, educational equipment and toys
- utility bills
- technology and cybersecurity
- marketing
- insurance and cost of finance.

All these costs have increased substantially in recent years due to increasing regulatory requirements and/or inflationary pressures (Figure 7.12). While each represents a small proportion of a provider's total costs, they can add up to a substantial cost burden to providers whose capacity to raise fees or access more funding is limited.

Figure 7.12 Average additional costs per long day care place offered per year (\$ nominal)



Note: 'Other operating costs' include insurance, utilities, marketing fees, and costs that were not categorised by providers in their information return.

Source: Large provider data returns and IPART analysis.

7.4.1 Regulatory compliance costs add to providers' overall costs of service delivery

Early childhood services are strictly regulated to ensure providers deliver high-quality services to children and families. However, compliance with regulatory requirements can be complex and represent a substantial cost to providers.⁴⁷³

For example, providers told us that the assessment and rating requirements under the National Quality Framework are complex. They explain that complying with these requirements – particularly the quality assessment process – is time-consuming and confusing. Educators work additional hours 'off the floor' to complete the training and paperwork it involves. Providers operating services in multiple jurisdictions explained that they often face an added burden, as additional regulations are often applied at state level.

Providers also said that some regulatory requirements are unnecessarily complex and inefficient. For example, providers seeking approval to operate different types of service co-located at the same site need to lodge an application for each service. Some providers said that parking and space requirements for co-located services often prevent a more efficient use of shared spaces and resources.

7.5 Revenue from fees and government funding sources

Most providers' main source of revenue is the fees they collect from the families who use their services. A large proportion of these families access a fee reduction through the Child Care Subsidy (CCS) scheme. Providers receive funding through this scheme to cover this reduction directly from the Commonwealth Government. They may also access other forms of government funding to support their operations. Providers told us that the current funding arrangements are not fit for purpose.

We collected data on provider revenue through the data requests sent to large providers, as well as data on the Commonwealth's CCS scheme and data from NSW Department of Education on government grants.

The following sections present our initial findings on revenue collected by providers from fees, as well as feedback we heard from stakeholders, and our recommendation on current funding arrangements.

7.5.1 Fee revenue allows providers to recover the costs of service delivery

Providers usually set daily, hourly or session fees for their services, which are then paid for by families and/or the Commonwealth Government via the CCS^{mm} and/or NSW DoE fee reliefⁿⁿ.

^{mm} For long day care, family day care, and OSHC.

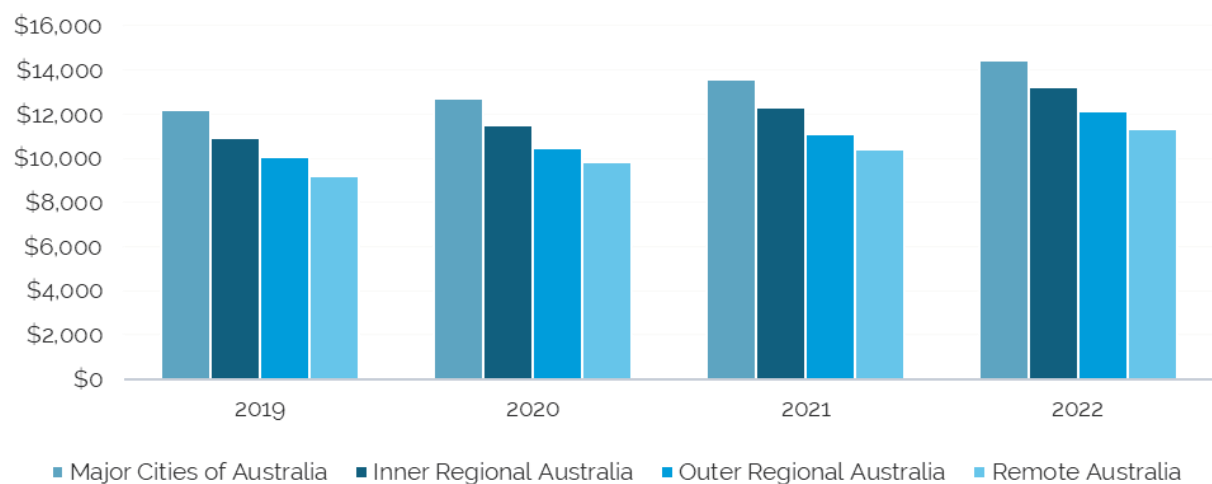
ⁿⁿ For preschools and preschool programs within long day care services.

Generally, providers' main consideration when deciding fees is cost recovery, so that fees reflect each service's staffing, building, and consumable costs. Providers also consider other aspects such as the expected demand for their services in an area (in turn affected by factors such as demographics and socio-economic status of the residents), occupancy rates, fees charged by competitors, and affordability.

Similar to costs, fees can vary substantially across different providers. Variation in fee structures across providers are determined by the variations in the underlying costs (discussed in sections 7.2 to 7.4) and differences in the additional conditions mentioned above. Providers also differ in how they manage profit margins and the viability^{oo} of their operations. For example, for-profit providers generally seek to maximise surpluses as part of their business model. Not-for-profit providers mostly need surpluses to maintain viability and cover maintenance and head office costs, but they often do not have access to substantial margins.

Providers operating multiple services often consider the overall viability of their portfolio when managing margins. It is common for providers to cross-subsidise their centres or services, so that some services can operate at a loss if the provider gains surpluses in other services. For example, some providers commit to keeping fees affordable for their services in disadvantaged areas if they have sufficient surplus from services in areas where demand is stronger. Many providers charge similar fees for services for children aged 0-2 years old and those aged 3-5 years old despite costs being substantially higher for the former due to staffing ratios. The lower margins associated with 0-2 year olds are 'balanced' by the higher margin associated with 3-5 year olds, so that providers can keep fees relatively homogenous across their services (noting that this helps with affordability for families, as CCS hourly rate caps do not vary by child age).

Figure 7.13 Fee revenue per child per year - All providers in NSW 2019-2022 (\$ nominal)



Note: These figures indicate total fee revenue, which includes both out-of-pocket costs paid by families to providers, and the remaining amount covered by CCS subsidies from the Commonwealth Government to providers.

Source: Commonwealth DoE CCS data and IPART analysis.

^{oo} For a service to be viable, the provider must recover (or earn) enough revenue to cover its costs of providing the service. "Profit" represents revenue earned above and beyond the service recovering its costs.

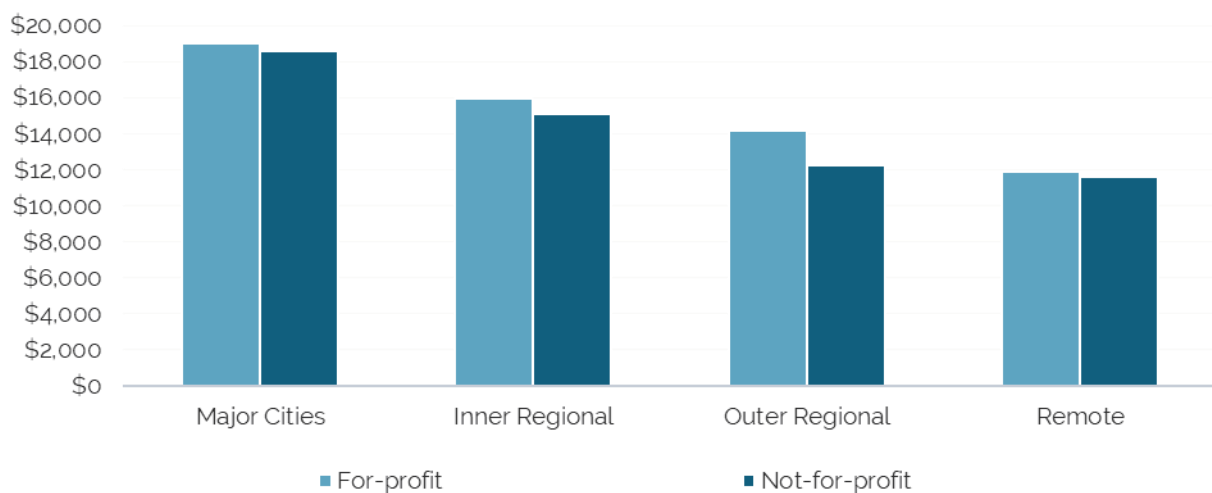
On average, about 60% of the revenue providers collect from fees to families is covered by CCS (with the remaining approximately 40% being out-of-pocket costs for families). The proportion is about higher than 70% for the most economically disadvantaged areas, and as low as 30% for the most advantaged areas. As a result, the distribution of fee revenue does not always mirror the distribution of out-of-pocket costs to families outlined in Chapter 5.

Figure 7.14 to Figure 7.16 summarise fee revenue data (which includes revenue from CCS subsidies) across areas, provider types, and service type (excluding preschool). Figure 7.17 shows revenue data from all sources for community preschools.

Generally, fee revenue decreases with remoteness for long day care and family day care, while it is less variable for OSHC. For community preschool, revenue does not decrease with remoteness, and it is higher for very remote areas. It is worth noting that for preschools, the vast majority of revenue comes from funding programs, with fee revenue being low or even nil in some cases. For long day care and OSHC, revenue is generally similar between for-profit and not-for-profit providers.

Fee revenue appears to be on average less variable than costs across areas and provider types. Some of the variation in costs of service delivery could be absorbed by variations in subsidy payments through CCS, which are included in Figure 7.14 to Figure 7.16. Providers also access additional revenue to cover some of their costs through specific funding programs, which are not included in these figures. Also, these figures are based on data from the CCS program and represent a much bigger sample than the large provider data return we based our cost analysis on.

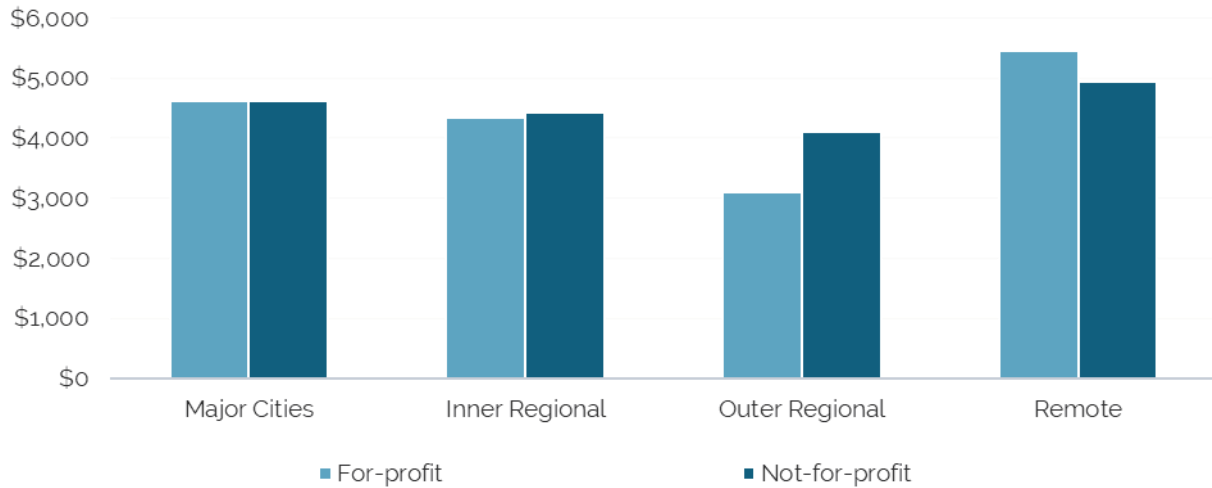
Figure 7.14 Fee revenue per child per year (inclusive of CCS subsidy) – long day care in NSW 2022 (\$ nominal)



Note: These figures indicate total fee revenue, which includes both out-of-pocket costs paid by families to providers, and the remaining amount covered by CCS subsidies from the Commonwealth Government to providers.

Source: Commonwealth DoE CCS data and IPART analysis.

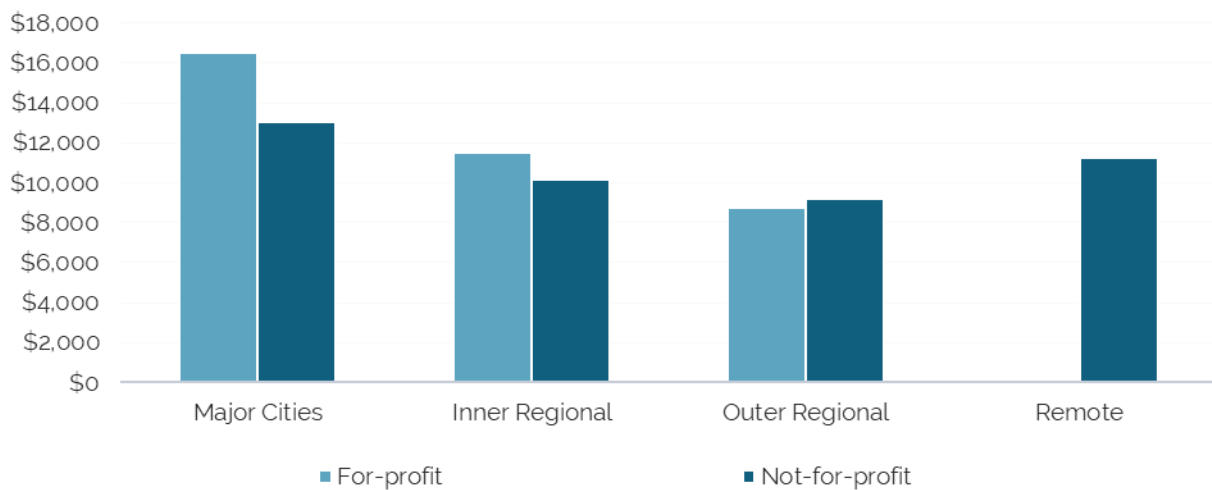
Figure 7.15 Fee revenue per child per year (inclusive of CCS subsidy) – OSHC in NSW 2022 (\$ nominal)



Note: These figures indicate total fee revenue, which includes both out-of-pocket costs paid by families to providers, and the remaining amount covered by CCS subsidies from the Commonwealth Government to providers.

Source: Commonwealth DoE CCS data and IPART analysis.

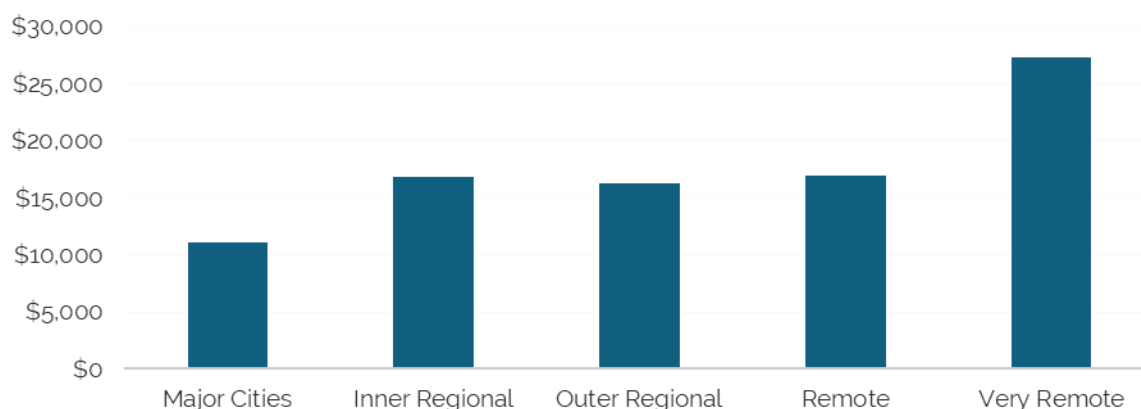
Figure 7.16 Fee revenue per child per year (inclusive of CCS subsidy) – family day care in NSW 2022 (\$ nominal)



Note: These figures indicate total fee revenue, which includes both out-of-pocket costs paid by families to providers, and the remaining amount covered by CCS subsidies from the Commonwealth Government to providers.

Source: Commonwealth DoE CCS data and IPART analysis.

Figure 7.17 Total revenue per place offered – community preschool in NSW 2022 (\$ nominal)



Notes: To obtain revenue data on community preschools, we extracted revenue information from publicly available financial reports (published by the Australian Charities and Not-for-profit Commission) for a representative sample of 30 community. Revenue for community preschools mostly consists of government funding rather than fees.

Source: Financial Report data from community preschools and IPART analysis.

7.5.2 Support to providers through government funding may not always be effective for high-quality, inclusive service delivery

Providers receive government funding through a variety of programs. The most significant source of funding is the Commonwealth Government's CCS scheme. Under this scheme, eligible families can receive a subsidy to reduce their costs in accessing early childhood services. The size of the subsidy depends on the family's characteristics such as income, number and age of children, and activity levels. The subsidy is paid directly to their service provider, who then passes it onto the family in the form of reduced fees.

Providers can also receive government funding through other programs administered by the Commonwealth and NSW departments of education. For example:

- The Commonwealth Department of Education administers several programs that provide funds to eligible providers.
 - The Community Childcare Fund offers grants for providers operating in areas of limited supply, disadvantaged areas, and providers facing unforeseen circumstances.
 - The Inclusion Support Program provides support for eligible early childhood services to build their capacity and capability to include children with additional needs and offers subsidies to providers employing workers for inclusive care.
- The NSW Department of Education provides funding to providers to improve access to early childhood services, particularly for disadvantaged communities.
 - The Disability and Inclusion program supports community preschools in delivering inclusive care to children with special needs.
 - Programs such as Ninganah No More, and Aboriginal Families as Teachers support providers in areas with a high proportion of Aboriginal and Torres Strait Islander families.

- The NSW Department of Education also provides fee relief to parents of children in community preschools and those in preschool programs in long day cares (since 2023), and has fully funded access to Department Preschools since 2020.
- The NSW Department of Education operates 99 preschools located in NSW Public Schools regulated by Quality Assurance and Regulatory Services (QARS) under the National Quality Framework. A further 2 preschool services are provided through State-wide distance education from 2 sites (Broken Hill School of the Air and Dubbo School of Distance Education).

Reliable government administrative data on funding other than CCS is fragmented and difficult to aggregate and reconcile. We analysed large provider data returns as they include information on revenue received through sources other than fees and CCS. The results of the analysis are outlined in Figure 7.18 to Figure 7.27, noting that a more detailed breakdown of funding programs was not available through provider data returns.

Overall, average funding has increased slightly for long day care and moderately for OSHC since 2018. A spike in funding in 2020 reflects additional funding programs to support the sector during the COVID-19 pandemic.^{PP} Funding for long day care is consistent across geographic areas, while it appears to decline with remoteness for OSHC.

Not-for-profit providers in long day care receive more funding on average than for-profit providers. However, for OSHC providers funding is mostly received by for-profit providers. Not-for-profit providers in long day care also receive more funding for inclusion support programs, especially in regional areas.

We also analysed data from the Commonwealth Department of Education on the Inclusion Support Program (ISP), including total expenditure from 2018 to 2023 for ISP grants and the total number of children accessing ISP support.

ISP expenditure has increased over the past 5 years due to a higher number of children accessing this support. However, when looking at ISP expenditure per child accessing ISP, the amount of funding per child has actually decreased since 2018 by about 7% from around \$5,500 to \$5,100 in nominal terms (and by even more when inflation is excluded).

The vast majority of ISP expenditure is in long day care and OSHC services. More than 80% of expenditure is in major cities (including Sydney), and this proportion has increased over time.

Not-for-profit providers enrol more children accessing ISP support than for-profit providers. Total expenditure, and expenditure per child is also higher in not-for-profit services.

These results are summarised in Figure 7.18 to Figure 7.20.

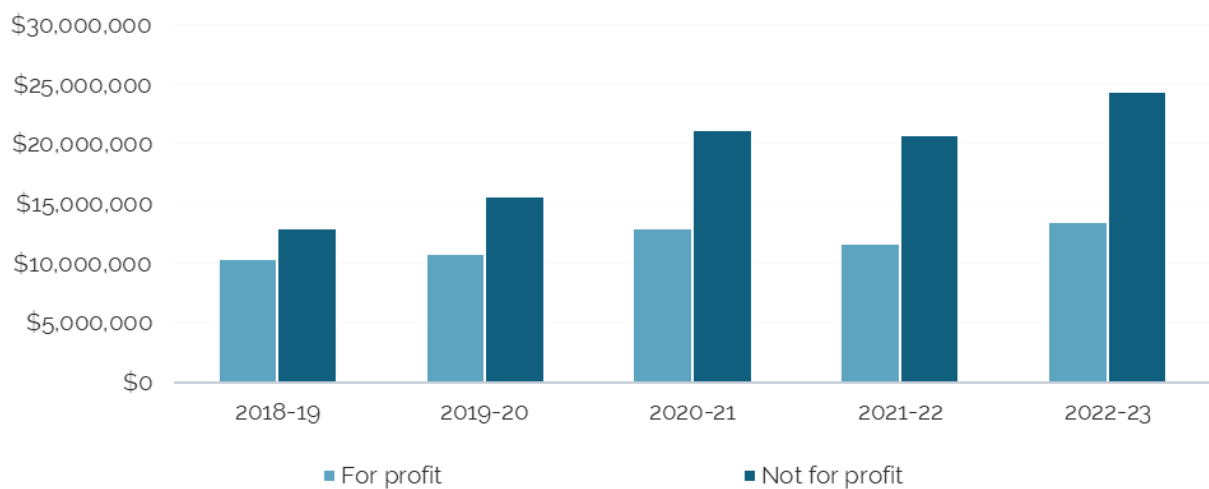
^{PP} These figures do not include Jobkeeper support, which was significant in 2020.

Figure 7.18 ISP expenditure per child receiving ISP support in NSW, by remoteness 2018-2023 (\$ nominal)



Source: Commonwealth Department of Education data on ISP and IPART analysis.

Figure 7.19 Total ISP expenditure over time by provider type in NSW, 2018-2023 (\$ nominal)



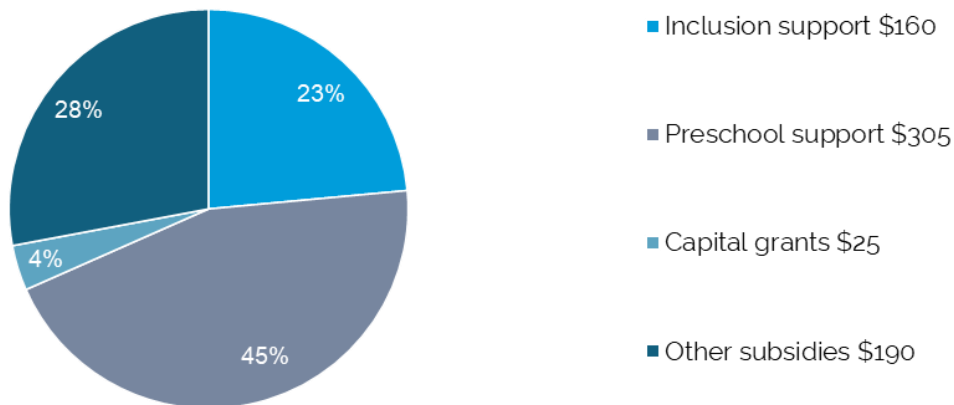
Source: Commonwealth Department of Education data on ISP and IPART analysis.

Figure 7.20 ISP expenditure per child receiving ISP support over time, by provider type 2018-2023 (\$ nominal)



Source: Commonwealth Department of Education data on ISP and IPART analysis.

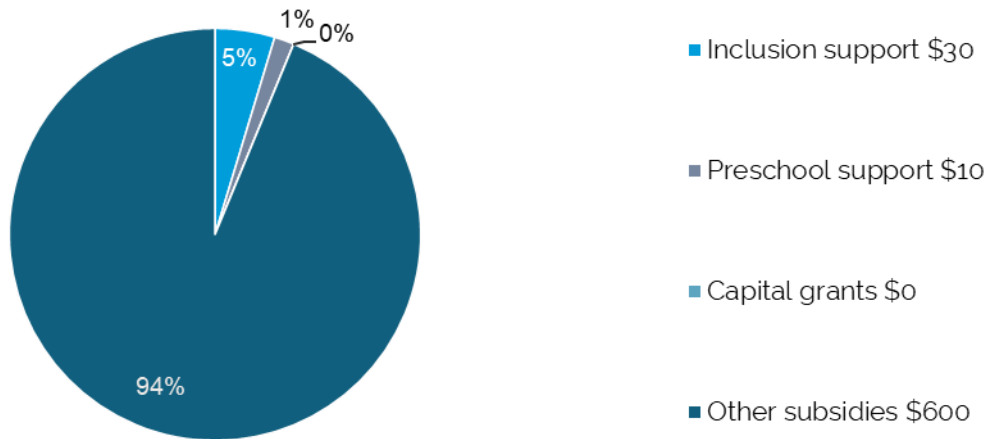
Figure 7.21 Sources of government funding and average funding revenue per place offered per year for long day care large providers in NSW 2022 (\$ nominal)



Note: These figures include any revenue that providers indicated as received from government funding programs other than CCS. Jobkeeper funding is excluded.

Source: Large provider data returns and IPART analysis.

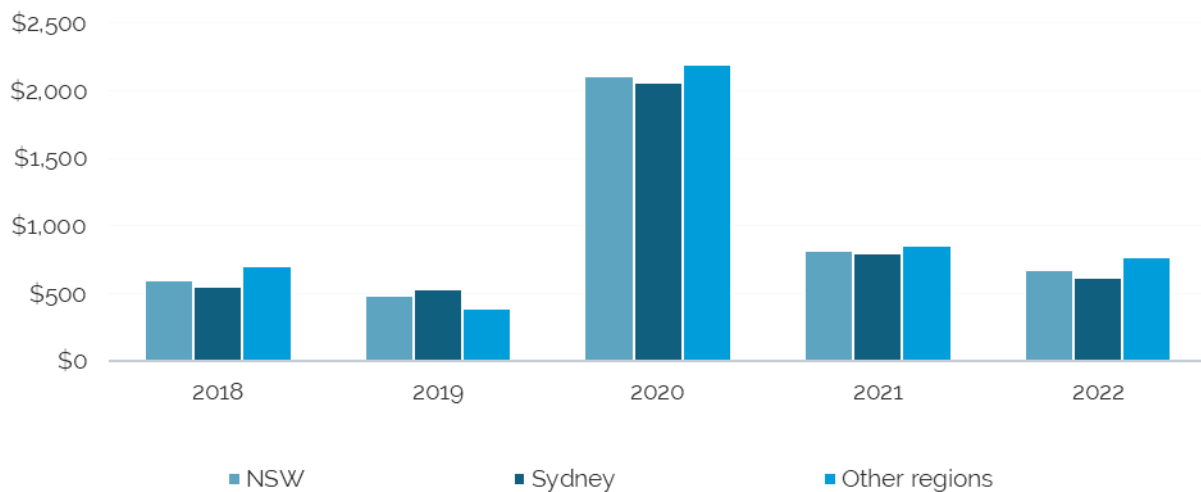
Figure 7.22 Sources of government funding and average funding revenue per place offered per year for OSHC large providers in NSW 2022 (\$ nominal)



Note: These figures include any revenue that providers indicated as received from government funding programs other than CCS. Jobkeeper funding is excluded.

Source: Large provider data returns and IPART analysis.

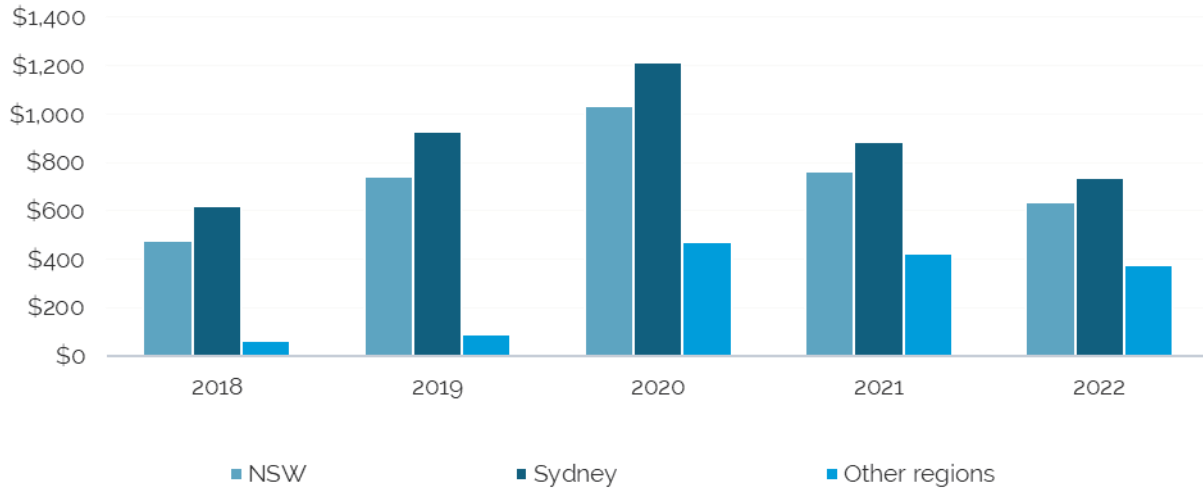
Figure 7.23 Average funding revenue per place offered per year for long day care large providers in NSW (\$ nominal)



Note: These figures include any revenue that providers indicated as received from government funding programs other than CCS. Jobkeeper funding is excluded.

Source: Large provider data returns and IPART analysis.

Figure 7.24 Average funding revenue per place offered per year for OSHC large providers in NSW (\$ nominal)



Note: These figures include any revenue that providers indicated as received from government funding programs other than CCS. Jobkeeper funding is excluded.

Source: Large provider data returns and IPART analysis.

Figure 7.25 Average funding revenue per place offered per year for long day care large providers by remoteness and provider type 2022 (\$ nominal)



Note: These figures include any revenue that providers indicated as received from government funding programs other than CCS. Jobkeeper funding is excluded.

Source: Large provider data returns and IPART analysis.

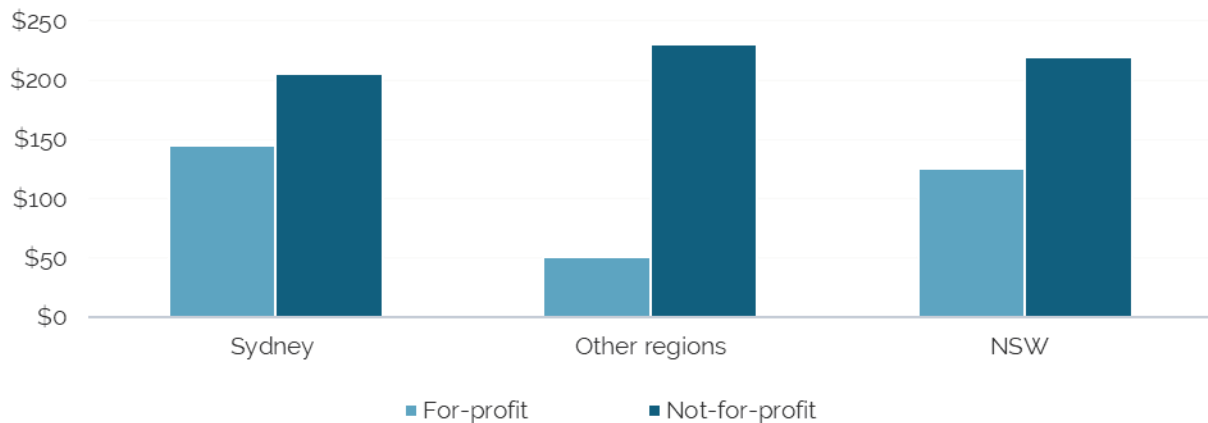
Figure 7.26 Average funding revenue per place offered per year for OSHC large providers by remoteness and provider type 2022 (\$ nominal)



Note: These figures include any revenue that providers indicated as received from government funding programs other than CCS. Jobkeeper funding is excluded.

Source: Large provider data returns, IPART analysis

Figure 7.27 Average inclusion support funding revenue per place offered per year for long day care large providers by remoteness and provider type 2022 (\$ nominal)



Note: These figures include any revenue that providers indicated as received from government funding programs other than CCS. Jobkeeper funding is excluded.

Source: Large provider data returns, IPART analysis

We heard feedback that current funding is not effective in supporting high-quality inclusive care

Many of the providers who made submissions to our Issues Paper said they consider that current government funding of the early childhood sector is not effective or sufficient in supporting the delivery of high-quality inclusive care. Their key concerns are that:

- The CCS is a demand-side subsidy because it reduces the costs of purchasing early childhood services for families, rather than the costs of supplying the services. Under the CCS scheme, providers' access to funding depends on demand from families which is difficult to forecast and can vary substantially and unexpectedly from year to year. This creates uncertainties for providers, who have to bear many of the costs of delivering services upfront as funding is only accessed after the service has been delivered, and not when costs to establish and operate a service are incurred. As a result, there is an incentive for providers to operate in areas where there is a higher potential for sustained demand, rather than in 'thin markets' like in regional and remote areas.⁴⁷⁴
- Under the CCS scheme, providers receive funding regardless of the fees they charge, the costs they incur, and the quality of their services. Because of this, any additional funding the government provides to address issues in the sector cannot be targeted effectively. For example, if the level of the subsidy was increased to encourage higher worker remuneration in the sector, all providers would benefit regardless of whether or not they pay higher wages. Stakeholders consider that block-funding programs designed to help providers cover their capital and operational costs (which vary across the sector) would provide more targeted support. Block funding would also allow the government to directly support providers operating in vulnerable communities or in areas of limited supply.⁴⁷⁵
- Current funding programs (including the CCS scheme) do not take account the higher costs of delivering services to meet the needs of particular communities and families across NSW, such as those located in remote areas, or those with disabilities/additional needs. For example, the Inclusion Support Program subsidises providers that hire additional workers who are qualified to care for children with needs. However, the available funding does not cover the full cost of providing this care. Moreover, funding is only provided after a child has enrolled, and only after a diagnosis has been recorded. This means that providers aren't supported to maintain specialised staff on a permanent basis.⁴⁷⁶
- Current funding programs are inconsistent in how they fund different types of service. For example, family day care providers cannot access most of the funding programs and have a lower hourly rate cap for CCS. Preschool services receive greater funding support than long day care services for children aged 3-5 years, which encourages providers to deliver the former rather than the latter. Services for children aged 0-2 are more costly to deliver due the higher educator to child ratios, which encourages providers to limit the number of places they offer for these children.⁴⁷⁷
- The different funding programs can be difficult for providers and families to understand and navigate. To access grants, providers are often required to make a substantial up-front investment without the guarantee of receiving the money. For example, most capital funding grants require providers to hire professionals (such as architects and engineers) to navigate the requirements and prepare an application.⁴⁷⁸

In response to our Interim Report, we also heard feedback from community preschool providers that:

- Some community preschools cannot afford essential building maintenance, impacting service quality ratings. Feedback suggested that Start Strong funding is insufficient for community preschools in areas of socio-economic disadvantage and for preschools operated by Aboriginal Community Controlled Organisations (ACCOs). These services cannot increase their fees to cover these costs (and have cases of unpaid fees) due to impacts on affordability for families. We heard that many ACCO-operated preschools, and other community preschools, do not have sufficient funds to maintain their infrastructure to a safe standard, as well as provide the wrap-around supports the children and families they service need.⁴⁷⁹ Box 4.7, in Chapter 4, provides examples of the impact of insufficient funding for these services.
- Funding for community preschools is overly complex, with numerous programs (some preschools reported accessing about 20 different funding programs), administratively burdensome, lagging, uncertain and changes most years. This makes it difficult for providers to plan and inform families and for families to plan, budget and make choices for their child's education and care. Funding guidelines, forms and rates for the following year are often not available until November of the proceeding year, but providers and families need to be informed earlier than this, particularly given services often close over December/January.⁴⁸⁰
- Some community preschools may lose base funding when NSW Department of Education applies the new SEIFA deciles and respective Start Strong funding rates which will impact the quality of services provided and/or increase fees for families. Further, base funding has not kept pace with increases in operating costs e.g. due to wage and insurance cost increases.⁴⁸¹
- Auditing of how small amounts of funding are spent is administratively burdensome and could be better targeted to reduce impacts on providers. It was also raised that audits are often timed during busier times of year, e.g. December to February when staff are on leave and services are busy finalising enrolment for children for the next year, transitioning children to primary school and orientating new children and families.⁴⁸²
- Basing funding for ACCO community preschools on census population data may not accurately reflect service delivery over a 12-month period, due to the transient nature of some Aboriginal communities and resulting fluctuations in attendance, noting factors like family crises, sorry business, and relocations.⁴⁸³

We recommend a coordinated, harmonised and simplified policy and funding approach

We consider that the current funding system recognises the need for government support to the sector but implements it inconsistently. The current funding arrangement has evolved historically rather than being developed as a coherent system, and it often alternates in pursuing the different objectives of workforce participation for parents (requiring "care" for children) and early education of children (where the focus is on children's outcomes).

For example, while quality standards and educational outcome targets are the same for preschool-aged children whether they are in long day care or preschool, funding comes from different sources and different programs.

Some criteria for funding eligibility also create perverse outcomes, such as the activity test for CCS eligibility, as children who would benefit most may miss out on early childhood services because their parents do not qualify for CCS.

Finally, while there is a 10-year National Workforce Strategy, responsibilities for implementation and funding are unclear. As a result, individual jurisdictions are incentivised to spend money to attract workers from other jurisdictions, rather than directing funding towards recruiting, training and retaining additional educators.

The current funding model is mostly reliant on demand-side funding through CCS. This creates incentives for providers to set up services where there is high population and high family income, and disincentivises them from providing services for children needing higher cost services (such as younger children or children with additional needs).

Current supply-side funding through grants also creates challenges for providers, such as added administrative costs due to complex application processes and guidelines that are often confusing. Providers usually have to bear the costs of service provision and of funding application upfront without certainty on revenue. Finally, special-purpose programs are input-specific rather than outcome-based, lack flexibility, and are often short-term. Designing a funding model that supports the delivery of high-quality inclusive care and creates the right incentives while reducing the administrative burden for providers and families is a complex task.

In Chapter 1 we recommend that the NSW Government work together with the Commonwealth and other state and territory governments to develop a coordinated, harmonised and simplified policy and funding approach to early childhood education and care that:

- clarifies objectives and responsibilities, including that all governments are committed to early childhood services as enabling workforce participation for parents and early learning and education for children
- applies the funding system principles outlined in Box 7.5
- is supported by improved data transparency, collection and sharing arrangements.

In the short term, we recommend, pending a national review of the policy and funding approach and system for early childhood education and care, the NSW Government should:

- review all NSW funding programs and grants for the sector
- advocate for the Commonwealth Government to undertake a similar review of its funding programs and grants while the more comprehensive review of the funding system occurs.

Feedback to our Interim Report generally indicated support for this recommendation.

To address specific issues relating to community preschool funding, we also recommend that as part of its review of all NSW funding programs and grants for the sector, the NSW Government ensure:

- urgent infrastructure maintenance needs within community preschools, including those operated by ACCOs, are identified and works prioritised and funded to provide safe, inclusive education and care for children

- changes to funding arrangements (including to guidelines and calculator tools etc.) be communicated to providers by August of the year before they are due to be implemented to allow preschools to plan, budget and inform families about fees for the following year at time of enrolment
- application of the new SEIFA deciles and respective Start Strong funding rates do not reduce a service's ability to provide safe, inclusive education and care for children
- auditing of how funds are spent is proportionate and risk-based and the timing of audits considers concurrent additional demands on a service
- consideration is given to the number of children previously and currently attending or enrolled in preschools operated by ACCOs, in addition to census projections, to account for fluctuations in attendance relating to the transient nature of Aboriginal communities.

Box 7.5 Principles for a coordinated, harmonised and simplified policy and approach

We consider that a coordinated, harmonised and simplified funding approach for early childhood education and care should:

- deliver affordability for families, including those with low income and/or experiencing disadvantage and/or vulnerability
- offer similar outcomes for families and children regardless of setting
- support long-term planning for services
- create incentives for services providers to provide services that respond to the preferences and needs of families
- incentivise places being provided for children needing higher cost services (such as younger children or children with additional needs)
- deliver services in thin markets
- be simpler to access for providers and families (e.g. including application processes and requirements for CCS)
- be more transparent and less fragmented than the current system
- be timely and provide more certainty to providers and families
- be supported by a digital strategy.

Recommendation



40. Pending a national review of the policy and funding approach and system for early childhood education and care, in the short term the NSW Government should:
 - a. Review all NSW funding programs and grants for the early childhood education and care sector, to ensure that:
 - programs are consolidated to be less fragmented, reduce administrative burdens, and promote long-term planning
 - the number of programs and grants are minimised (e.g. by combining programs that target the same priority groups)
 - all services are aware of funding opportunities and how to apply for them
 - administrative burdens associated with application, reporting and acquittal are minimised and the program or grant covers the cost of these activities
 - periods of funding are designed to provide services with security, to allow for service planning and investment in their workforce
 - services are provided with appropriate flexibility in service delivery
 - aspects of existing programs are improved to better support services to meet their inclusion responsibilities.
 - b. Advocate for the Commonwealth Government to undertake a similar review of its funding programs and grants for the early childhood education and care sector to improve funding design while a more comprehensive review of the funding system occurs.
 - c. As part of its review of all NSW funding programs and grants, ensure:
 - It works with community preschools, including those operated by Aboriginal Community Controlled Organisations, to identify urgent infrastructure maintenance needs and fund works that are required for services to provide safe and inclusive education and care.
 - Actual funding rates for community preschools are communicated to providers by August the year before they are due to be implemented.
 - Application of new SEIFA deciles and funding rates for community preschools do not reduce a service's ability to provide safe, inclusive education and care for children.
 - Auditing of how services spend funds is proportionate and risk-based and the timing of audits considers concurrent additional demands on a service.
 - When determining funding, consideration is given to the number of children previously and currently attending or enrolled in preschools operated by ACCOs to account for fluctuations in attendance relating to the transient nature of some Aboriginal communities.

7.6 Data transparency, collection and sharing

Throughout our review, we experienced significant issues with data collection, as sources for cost and revenue data are varied, fragmented, hard to access, and often inconsistent.

Details on costs can only be collected directly from providers, representing a substantial burden on the sector. Differences in how each provider completes the information request and accounts for their costs also diminish the reliability of the data collected for our analysis.

NSW Department of Education data on funding other than CCS is lodged separately for each program and it is not organised consistently. It is difficult to aggregate funding data and gain a clear picture of this revenue stream.

Data collection for some service types like family day care and community preschool was especially complicated. Available data on community preschool costs is limited and required us to rely on estimates.

Better processes around collection and use of high-quality data from providers would significantly improve government insight on the sector and its challenges. For example, the Department of Education in the United Kingdom carries out the [Survey of Childcare and Early Years Providers \(SCEYP\)](#) to collect detailed information from early childhood service providers in England, including their financial data. The Department has conducted this survey almost every year since 1998, and has developed rigorous methodologies to ensure data is consistent and accurate. As a result, the UK Department of Education publicly releases yearly reports and data on high-quality analysis of provider costs and revenue.

Recommendation



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

In particular, we recommend improving how data on costs, fees, and funding is collected, organised, and shared, particularly for areas that are directly managed by the NSW Department of Education, such as funding programs. Data sharing between government agencies could also be streamlined to improve turnaround and quality of data collection.

This would help to improve data transparency and the evidence base for decision-making by providers, families and the NSW Government.

Chapter 8 »

Benchmark prices for services



Our Terms of Reference asked us to estimate benchmark prices that can be used as a standard to measure and compare early childhood service fees, reflecting costs of providing quality services for different children and family groups, geographies, service types, and provider types.

We have, where there is sufficient data, used 2 methods to estimate benchmark prices:

- Calculating the average, median and distribution of actual prices charged using Commonwealth Government Child Care Subsidy (CCS) and/or other data, by:
 - Service type (long day care, family day care, preschool, outside school hours care (OSHC), occasional care)
 - Provider type (for-profit or not-for-profit)
 - Age group (0-2 year olds, 3-5 year olds, school age (up to 12 years))
 - Location (in terms of remoteness and where available by SA2, SA3 and/or SA4 geographic areas)
 - SEIFA band (IRSAD)
 - NQF rating.
- A modelled cost build-up by service type, provider type, age group and location (in terms of remoteness).

This chapter presents an overview of the benchmark prices we have estimated and our estimates of the costs that they reflect, recognising that we have not assessed these costs for efficiency. That is, our analysis has not explicitly included looking at what the best value mix and level of costs are to achieve desired outcomes.

While benchmarks can help improve transparency and allow comparison across services we have heard concerns from stakeholders that benchmarks may not adequately reflect the diversity across the sector and may not recognise that higher quality may result in higher costs.

We recognise that our benchmark price estimates are limited by data quality and completeness as well as other factors and assumptions we have made, particularly around our cost analysis (as detailed in Chapter 7). They are based on the best available data and serve as a starting point for families, providers and policy-makers wanting to measure, compare and understand fees for early childhood services in NSW at a high level.

As highlighted in Chapter 5 and Chapter 7, improving data transparency, collection and sharing arrangements as part of a digital strategy would help support more refined and reliable estimation of benchmark prices into the future.

8.1 Factors that influence price

Early childhood service fees vary across different providers. Multiple factors influence how service fees are priced. These include:

- provider costs and provider-level subsidies (e.g. higher costs and/or lower subsidies/funding can lead to higher fees)
- service and provider type (e.g. lower labour costs for OSHC services due to differences in required staffing ratios for children above preschool age are reflected in lower fees compared to long day care and family day care services)
- service location (e.g. rent costs, the need to pay premiums to attract staff and/or level of demand can impact a service's overall costs and thus fees)
- age-groups and number of children enrolled at a service (e.g. higher numbers of children allow for lower fees as a provider's (mainly fixed) costs can be spread across more families)
- quality rating (e.g. it can cost more to provide higher quality services).

8.2 Benchmark estimates based on actual prices

Where we have been able to, we have estimated the average, median and distribution of actual prices charged using Commonwealth Government CCS and/or other data.

Table 8.1 compares the average service fees of not for profit providers by service type, age-group and location. It demonstrates that service fees are typically slightly higher for services that are located in metropolitan regions such as Sydney and other major cities compared to services located in regional and remote areas.

Table 8.2 compares the average service fees of for-profit providers by service type, age-group and location. It demonstrates that service fees are generally slightly higher for services that are located in metropolitan regions such as Sydney and other major cities compared to services located in regional and remote areas, except for family day care and OSHC services in remote and very remote areas.

A comparison of the 2 tables reveals that the average service fees across provider types are fairly consistent. However, there is slight variance across service fees that are charged by for-profit and non-profit service providers, and for-profit OSHC service fees are higher in remote and very remote areas.

Table 8.1 Average price estimates per child per hour – not-for-profit providers in NSW 2021-22 (\$ nominal)

Service type	NSW	Major cities – Sydney	Major cities – other	Inner regional	Outer regional	Remote and very remote
All	\$10.38	\$10.46	\$10.41	\$10.23	\$10.13	\$9.97
Long day care (all)	\$11.34	\$11.87	\$11.16	\$10.62	\$10.20	\$9.42
Long day care (0-2 years)	\$11.81	\$12.51	\$11.56	\$10.97	\$10.49	\$9.86
Long day care (3-5 years)	\$11.22	\$11.69	\$11.04	\$10.53	\$10.09	\$9.15
Family day care (all)	\$11.45	\$11.57	\$11.53	\$11.33	\$11.05	\$12.19
Family day care (0-2 years)	\$11.67	\$11.91	\$11.63	\$11.44	\$11.10	\$12.31
Family day care (3-5 years)	\$11.30	\$11.28	\$11.47	\$11.34	\$11.05	\$12.05
OSHC	\$7.61	\$7.54	\$7.85	\$7.71	\$7.64	\$8.41
Community preschool	\$43/day	N/A	N/A	N/A	N/A	N/A
Occasional care	\$11.26	\$11.04	\$13.90	\$9.77	\$11.10	N/A

Note: N/A (not available) is displayed for data for categories where data was not available or there are <5 services or <10 children and the data has been suppressed.

Source: Commonwealth DoE CCS data, NQAITS data, service websites and IPART analysis.

Table 8.2 Average price estimates per child per hour – for-profit providers in NSW 2021-22 (\$ nominal)

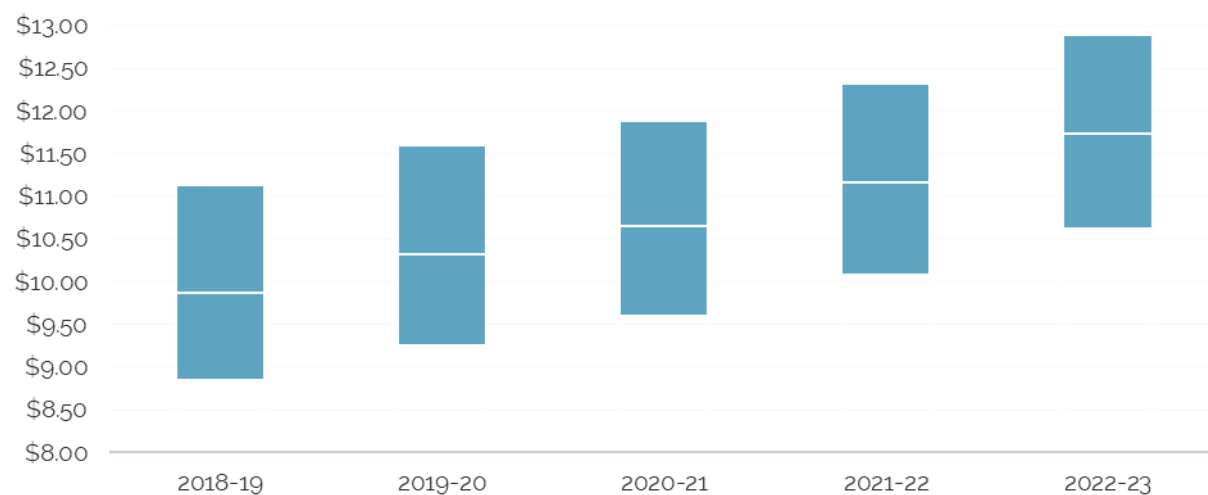
Service type	NSW	Major cities – Sydney	Major cities – other	Inner regional	Outer regional	Remote and very remote
All	\$11.07	\$11.34	\$10.49	\$10.33	\$9.93	\$9.05
Long day care (all)	\$11.38	\$11.70	\$10.76	\$10.49	\$9.91	\$8.96
Long day care (0-2 years)	\$11.90	\$12.33	\$11.12	\$10.74	\$10.34	N/A
Long day care (3-5 years)	\$11.20	\$11.47	\$10.64	\$10.41	\$9.76	N/A
Family day care (all)	\$11.26	\$11.25	\$11.64	\$11.11	\$10.78	N/A
Family day care (0-2 years)	\$11.62	\$11.69	\$11.82	\$11.26	N/A	N/A
Family day care (3-5 years)	\$11.54	\$11.63	\$11.55	\$11.12	N/A	N/A
OSHC	\$7.73	\$7.70	\$7.90	\$7.74	\$8.24	\$10.91
Community preschool	N/A	N/A	N/A	N/A	N/A	N/A
Occasional care	N/A	N/A	N/A	N/A	N/A	N/A

Note: N/A (not available) is displayed for data for categories where data was not available or there are <5 services or <10 children and the data has been suppressed.

Source: Commonwealth DoE CCS data, NQAITS data and IPART analysis.

Figure 8.1 to Figure 8.3 show the median and range, or distribution of fees for long day care, family day care and OSHC in NSW over time since 2018-19. Fees for long day care, family day care and OSHC have all increased over time (in addition to increases due to inflation).

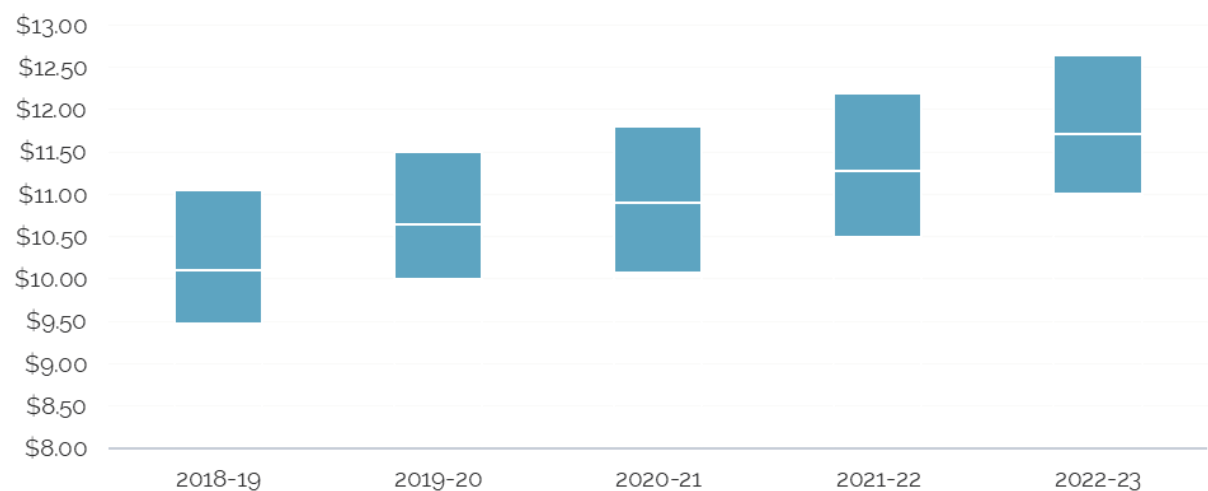
Figure 8.1 Distribution of fees per hour per child for long day care in NSW from 2018-19 to 2022-23 (\$ nominal)



Notes: Each box represents the interquartile range (the middle 50% of services) in each financial year. The top of the box is the 75th percentile and the bottom is the 25th percentile. The median is represented by the white line. Data for 2022-23 only includes data for the first 6 months of the year.

Source: Commonwealth DoE CCS child data, IPART analysis.

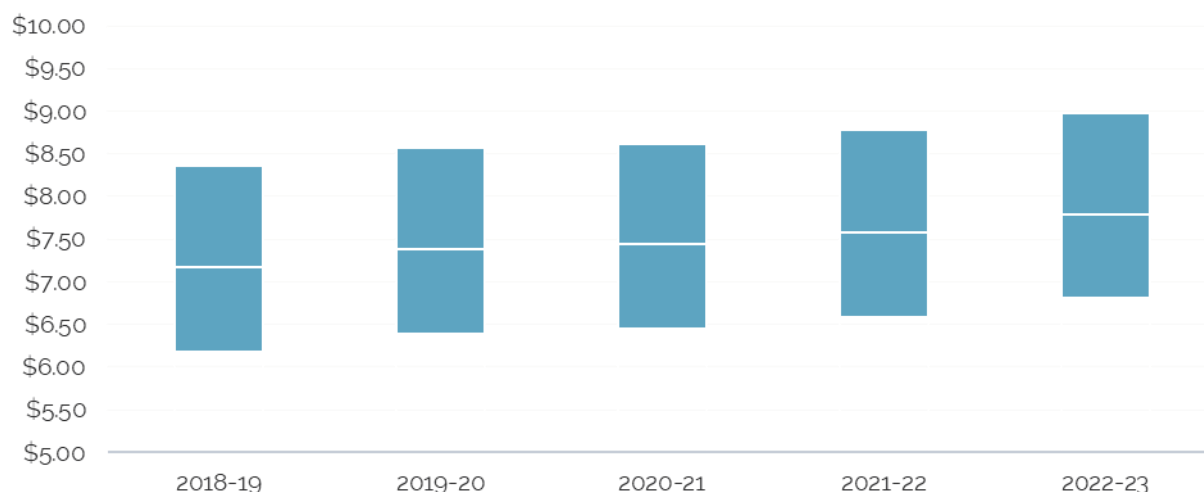
Figure 8.2 Distribution of fees per hour per child for family day care in NSW from 2018-19 to 2022-23 (\$ nominal)



Notes: Each box represents the interquartile range (the middle 50% of services) in each financial year. The top of the box is the 75th percentile and the bottom is the 25th percentile. The median is represented by the white line. Data for 2022-23 only includes data for the first 6 months of the year.

Source: Commonwealth DoE CCS child data and IPART analysis.

Figure 8.3 Distribution fees per hour per child outside school hours care in NSW from 2018-19 to 2022-23 (\$ nominal)



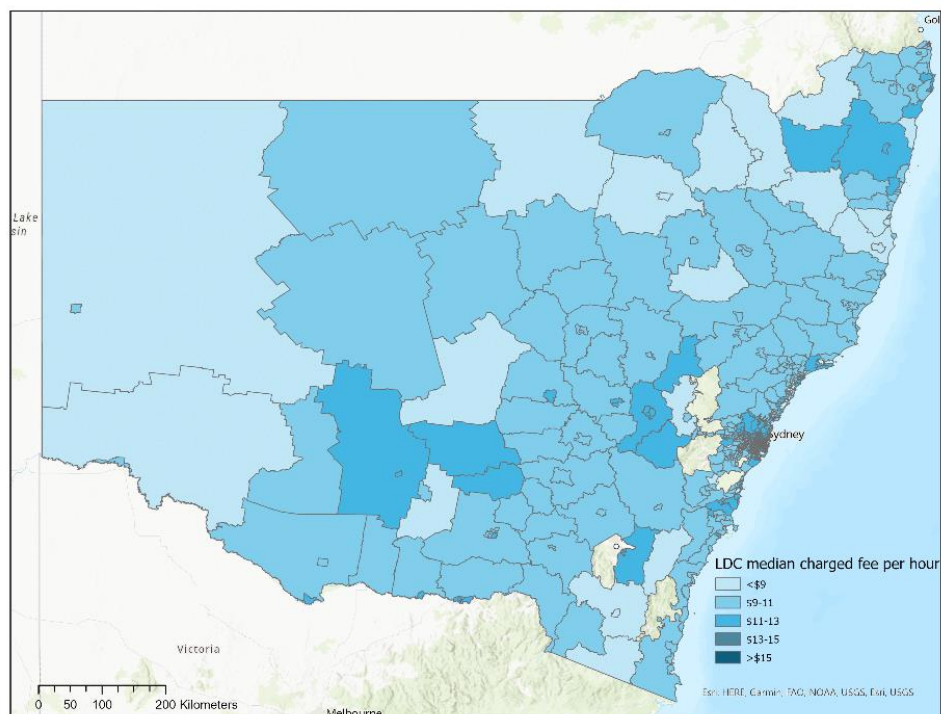
Notes: Each box represents the interquartile range (the middle 50% of services) in each financial year. The top of the box is the 75th percentile and the bottom is the 25th percentile. The median is represented by the white line. Data for 2022-23 only includes data for the first 6 months of the year.

Source: Commonwealth DoE CCS child data and IPART analysis.

Figure 8.4 to Figure 8.9 show the median fees by location in 2021-22 across NSW and within Greater Sydney. Long day care median fees were generally less expensive for SA2s located further away from Sydney. However, for family day care, median fees generally tended to be higher in locations closer to Sydney, as well as outer regional/remote locations. For OSHC, it appears that median fees were relatively more expensive for SA2s located outside of Sydney than for other service types.

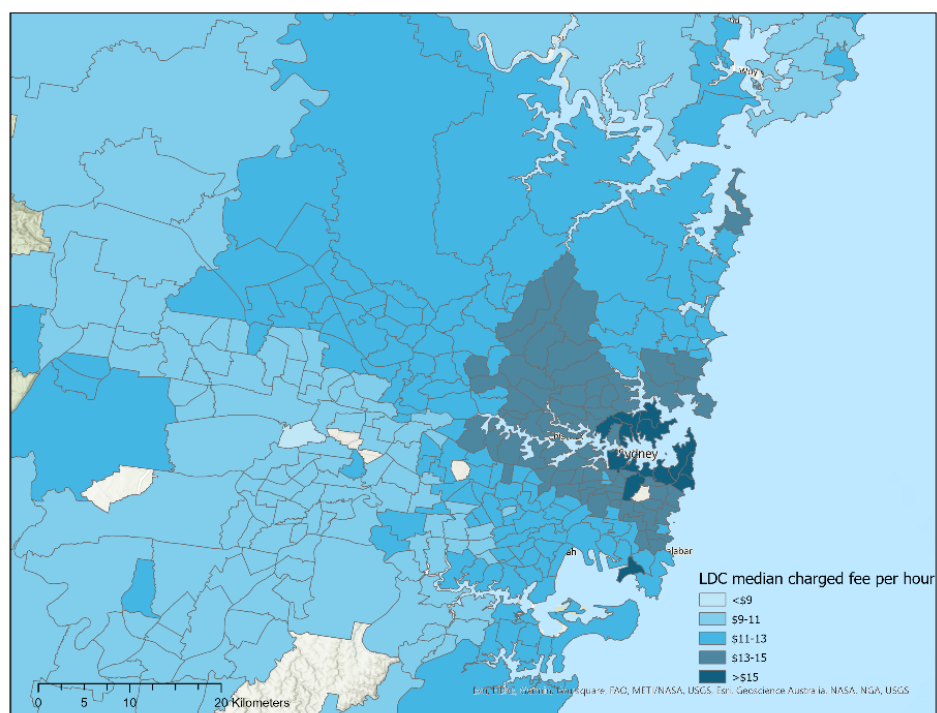
Our benchmark estimates based on prices generally reflect our findings on provider costs detailed in Chapter 7, and also section 8.2.

Figure 8.4 Median fees per hour for long day care in NSW by location (SA2) 2021-22 (\$ nominal)



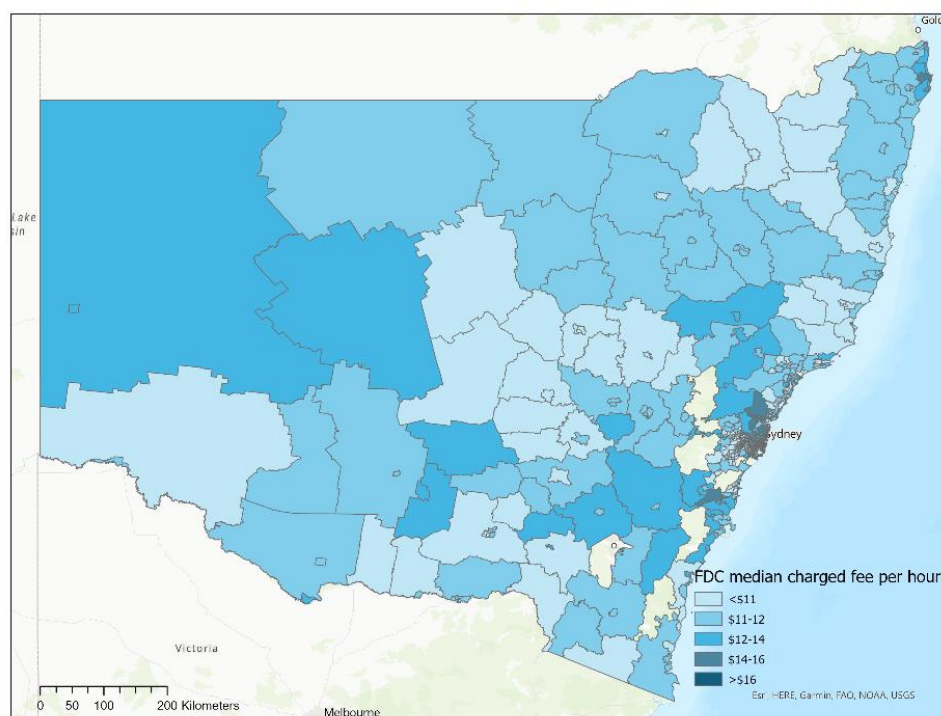
Source: Commonwealth DoE CCS child data, IPART analysis.

Figure 8.5 Median fees per hour for long day care in Greater Sydney by location (SA2) 2021-22 (\$ nominal)



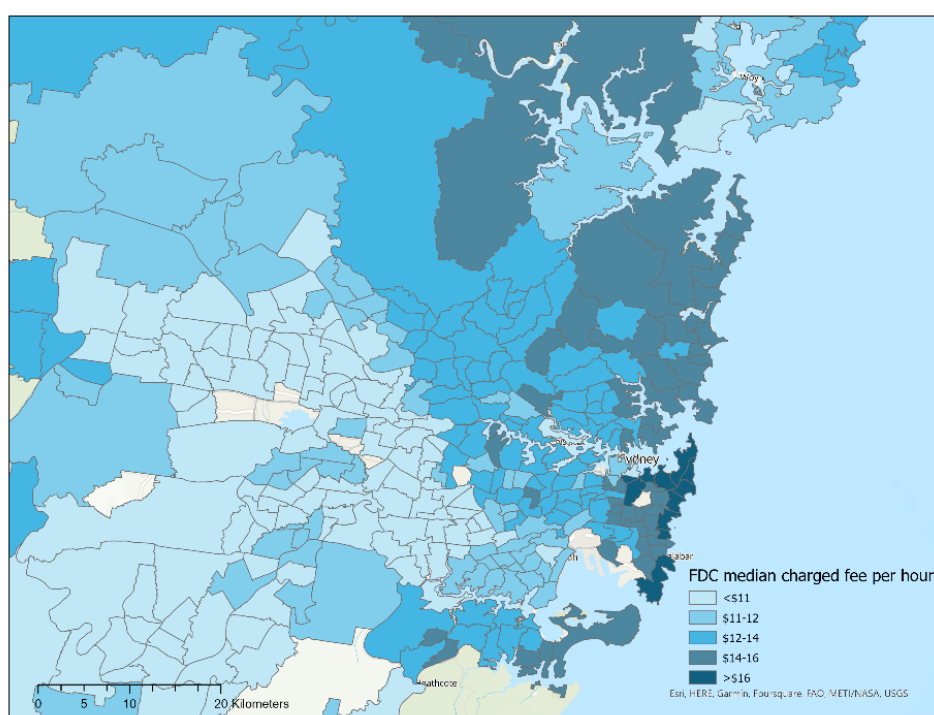
Source: Commonwealth DoE CCS child data, IPART analysis.

Figure 8.6 Median fees per hour for family day care in NSW by location (SA2) 2021-22 (\$ nominal)



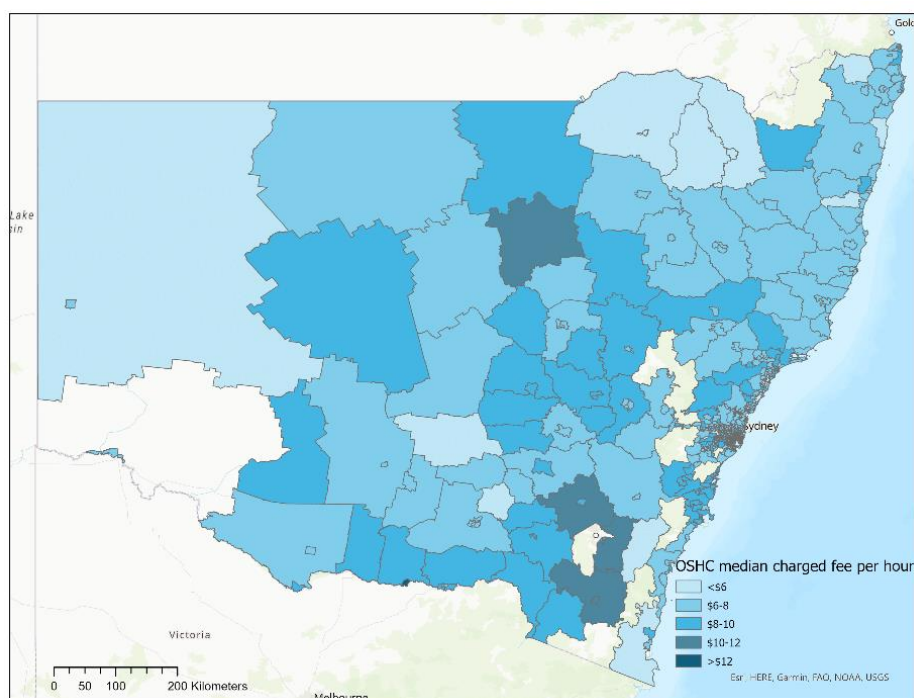
Source: Commonwealth DoE CCS child data, IPART analysis.

Figure 8.7 Median fees per hour for family day care in Greater Sydney by location (SA2) 2021-22 (\$ nominal)



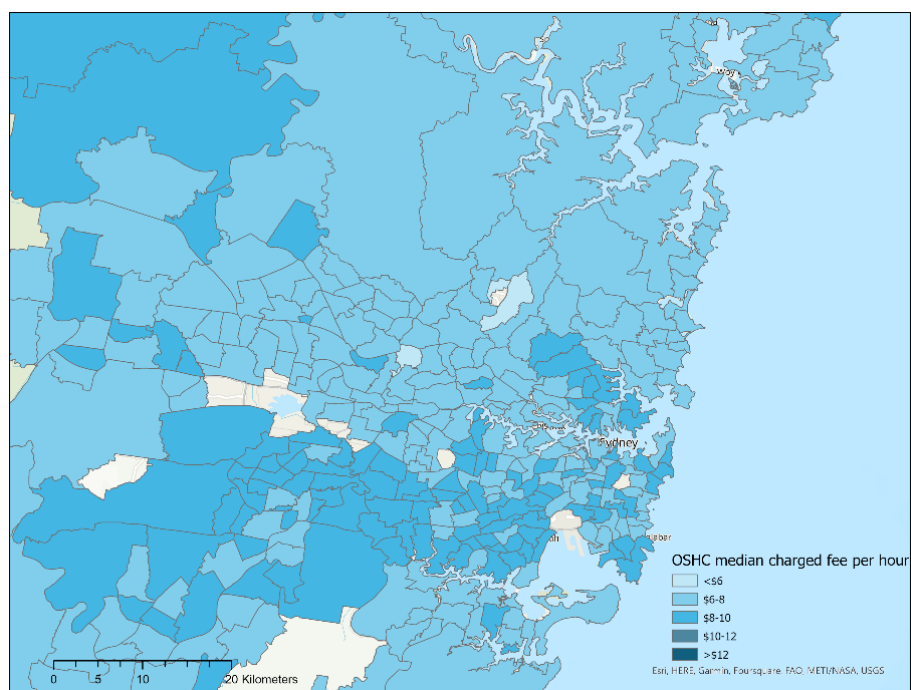
Source: Commonwealth DoE CCS child data, IPART analysis.

Figure 8.8 Median fees per hour for OSHC in NSW by location (SA2) 2021-22 (\$ nominal)



Source: Commonwealth DoE CCS child data, IPART analysis.

Figure 8.9 Median fees per hour for OSHC in Greater Sydney by location (SA2) 2021-22 (\$ nominal)



Source: Commonwealth DoE CCS child data, IPART analysis.

8.3 Benchmark estimates based on cost build-up

In addition to looking at benchmark estimates based on actual prices, we used the results of our cost analysis outlined in Chapter 7, as an input for our provider costs benchmarking model, which estimates a cost build-up by service type, age group and location.

Our benchmark estimates presented in this section are based on the costs of service delivery excluding subsidies, funding or grant programs.

For long day care and OSHC, the model uses rent and labour costs calculated based on large providers' data returns and on salary data from the National Workforce Census.

As we did not receive data from any large family day care providers, the model for family day care uses cost inputs from the long day care model adjusted for different workforce composition and the relevant ratios, and rent inputs as estimated based on Australian Bureau of Statistics (ABS) housing data.

Table 8.3 to Table 8.6 show the main results of our benchmarking model for long day care, OSHC, family day care and preschool.

Costs can be calculated in 2 ways:

- per place taken up, based on a provider's reported occupancy rate
- per place offered, based on a provider's reported maximum capacity.

Our cost analysis was mostly based on costs per place offered to isolate variations in costs independently of variation in occupancy rates. The costs per place taken up benchmark estimates below are calculated based on an occupancy rate of 90%. Lower occupancy rates substantially inflate costs per place taken up, as fixed costs like rent are spread over a lower number of places.

Our cost benchmark estimates mirror the results of our provider costs analysis outlined in Chapter 7. Costs of service delivery are higher in Sydney than in other areas of NSW. Costs are also significantly higher for younger cohorts of children, due to higher staffing requirements. The costs we calculated for family day care are comparable to long day care, which is the position outlined by the Family Day Care Australia in a submission to the Productivity Commission.^{43,4}

In calculating benchmark cost estimates for service provision, we had to make a number of assumptions on how providers might operate their services. We show benchmark costs as a range to reflect this. The lower end of the range is associated with a low cost scenario, where a service might operate at high occupancy rate, lower margins, lower than average rental costs, no payroll tax costs⁴³ and limited additional costs. The higher end of the range is associated with a high cost scenario with lower occupancy, higher margins and on costs, etc. The vast majority of providers are likely to have costs towards the middle of these ranges. We also recognise that the quality of a service can be related to the cost of providing the service, where reduced costs may result in a reduced level of quality.

⁴³ As it is the case, for example, for not-for-profit providers.

In some cases, our benchmark estimates based on the costs of service are higher than our benchmark estimates based on actual prices. This can be due to several factors including that the estimates in this section do not include supply-side subsidies, grants or funding, or account for cross-subsidisation by providers between services or groups of children within a service. Actual price estimates may also include discounts that providers apply for certain days or if more than one child attends.

We note that our benchmarks are not intended to assess efficiency in the sector nor to develop pricing mechanisms, and these activities are beyond our Terms of Reference for the review. We also note that our benchmarks are based on current wages and salaries paid to workers in the sector, to reflect the accurate cost composition of current service delivery, as well as highlighting potential issues and challenges in cost and revenue management. The benchmarks are not intended to assess whether these salaries are appropriate or efficient.

Our benchmarks serve as a starting point to build Government's knowledge and understanding of the sector and as a measure of comparison. We agree that developing benchmarks is a complex task due to challenges like data collection and variability in the sector. However, it is due to these challenges that benchmarking can be useful to highlight areas of improvement in the sector. The benchmarks are intended to be considered alongside our recommendations, in particular those around workforce and data strategies, to address issues in the sector moving forward.

Table 8.3 Cost per place and breakdown of providing long day care (based on age) in NSW (\$2023-24)

	Sydney	Other regions
Places taken up (\$ per day)		
0-24 months	\$150 to \$250	\$140 to \$240
24-36 months	\$130 to \$220	\$125 to \$210
3 year olds	\$90 to \$165	\$85 to \$155
4 and 5 year olds	\$90 to \$165	\$85 to \$155
Average	\$110 to \$195	\$105 to \$185
Non-labour costs (\$ per day)		
0-24 months	\$30 to \$45	\$25 to \$40
24-36 months	\$30 to \$45	\$25 to \$40
3 year olds	\$30 to \$45	\$25 to \$35
4 and 5 year olds	\$30 to \$45	\$25 to \$35
Labour costs (\$ per day)		
0-24 months	\$120 to \$200	\$120 to \$200
24-36 months	\$105 to \$175	\$100 to \$175
3 year olds	\$60 to \$115	\$60 to \$115
4 and 5 year olds	\$60 to \$115	\$60 to \$115
Places taken up (\$ per hour)		
0-24 months	\$15 to \$25	\$14 to \$24
24-36 months	\$13 to \$22	\$13 to \$21
3 year olds	\$9 to \$16	\$8 to \$15
4 and 5 year olds	\$9 to \$16	\$8 to \$15
Average	\$11 to \$19	\$11 to \$18
Places offered (\$ per hour)		
0-24 months	\$14 to \$21	\$13 to \$20
24-36 months	\$13 to \$19	\$12 to \$18
3 year olds	\$8 to \$14	\$8 to \$13
4 and 5 year olds	\$8 to \$14	\$8 to \$13
Average	\$11 to \$16	\$10 to \$16

Note: Labour costs and non-labour costs may not sum to equal places taken up (\$ per day) due to rounding.

Source: Large providers data returns, information on awards, National Workforce Census data, IPART analysis.

Table 8.4 Cost per place and breakdown of providing OSHC in NSW (\$2023-24)

	Sydney	Other regions
Places taken up (\$ per day)		
School terms (morning and afternoon sessions)	\$25 to \$40	\$25 to \$40
Morning session (2 hours per day)	\$10 to \$15	\$10 to \$15
Afternoon session (3 hours per day)	\$15 to \$25	\$15 to \$25
School holidays (10 hours per day, including excursion)	\$60 to \$110	\$60 to \$110
Non-labour costs (\$ per day)		
School terms (morning and afternoon sessions)	\$5 to \$10	\$5 to \$10
School holidays (10 hours per day, including excursion)	\$20 to \$45	\$20 to \$45
Labour costs (\$ per day)		
School terms (morning and afternoon sessions)	\$20 to \$35	\$20 to \$35
School holidays (10 hours per day, including excursion)	\$40 to \$65	\$40 to \$65
Places taken up (\$ per hour)		
School terms (morning and afternoon sessions)	\$5 to \$8	\$5 to \$8
School holidays (10 hours per day, including excursion)	\$6 to \$11	\$6 to \$11
Average	\$5 to \$8	\$5 to \$8
Places offered (\$ per hour)		
School terms (morning and afternoon sessions)	\$4 to \$6	\$4 to \$6
School holidays (10 hours per day, including excursion)	\$6 to \$10	\$6 to \$9
Average	\$4 to \$6	\$4 to \$6

Notes: Labour costs and non-labour costs may not sum to equal places taken up (\$ per day) due to rounding. Costs for OSHC during school holidays include the cost of excursions (which was not included in our benchmark estimates in our Interim Report).

Source: Large providers data returns, information on awards, National Workforce Census data, IPART analysis.

Table 8.5 Cost per place and breakdown of providing family day care for below school age children in NSW (\$2023-24)

	Sydney	Other regions
Places taken up (\$ per day)		
Below school age	\$140 to \$200	\$130 to \$185
Non-labour costs (\$ per day)		
Below school age	\$25 to \$50	\$20 to \$35
Labour costs (\$ per day)		
Below school age	\$110 to \$155	\$110 to \$155
Places taken up (\$ per hour)		
Below school age	\$14 to \$20	\$13 to \$19
Places offered (\$ per hour)		
Below school age	\$13 to \$17	\$12 to \$16

Note: Labour costs and non-labour costs may not sum to equal places taken up (\$ per day) due to rounding.

Source: Large providers data returns, information on awards, National Workforce Census data, IPART analysis.

Table 8.6 Cost per place and breakdown of providing community preschool in NSW (\$2023-24)

	Sydney	Other regions
Places taken up (\$ per day)		
Average	\$85 to \$150	\$80 to \$140
Non-labour costs (\$ per day)		
Average	\$35 to \$55	\$30 to \$45
Labour costs (\$ per day)		
Average	\$50 to \$95	\$50 to \$100
Places taken up (\$ per hour)		
Average	\$11 to \$19	\$10 to \$18
Places offered (\$ per hour)		
Average	\$10 to \$16	\$9 to \$15

Notes: Labour costs and non-labour costs may not sum to equal places taken up (\$ per day) due to rounding. We refined some of our assumptions about labour costs since our Interim Report.

Source: Large providers data returns, information on awards, National Workforce Census data, IPART analysis.

8.4 Data limitations and other factors

We heard feedback from stakeholders raising concerns about limitations of comparing prices, costs and revenue across providers and developing benchmark prices to compare prices.

Box 8.1 What we have heard – estimating benchmark prices

The most cited concern was that benchmark prices could fail to reflect that high quality of care often results in higher costs. Providers cautioned against suggesting that quality improvements (like more inclusive care) may not be cost efficient when compared to price benchmarks. Submissions explained that quality of care should be taken into account when analysing costs and developing benchmarks.⁴⁸⁵

Providers cited the high diversity of circumstances and costs in the sector as a challenge to benchmark design, and suggest dividing services and providers across several categories, such as location, size, age composition of children, proportion of children with needs, and staff qualification levels.⁴⁸⁶

Some stakeholders articulated additional caveats, e.g. Early Learning and Care Council of Australia cautions that benchmarks are a static and backwards-looking measure of performance, and should be informed by broader organisational strategy considerations.⁴⁸⁷

Estimation of average fees for a given provider are also complicated, since fee schedules may differ based on day of the week, time of the year and/or age of children attending.⁴⁸⁸

Goodstart Early Learning considers that deriving a benchmark price from cost information, like our proposed bottom-up approach, is not feasible since fees can be based on additional elements like market condition, cross-subsidies within providers and access to funding.

Goodstart also considers that insights from other sectors, such as healthcare, are unlikely to prove useful as the early childhood education and care sector is a lot more varied and fragmented, stating that healthcare regulation is extremely complex and was developed over many years. Goodstart suggests that calculating benchmark prices from observed fees is instead a more viable approach.⁴⁸⁹

Blacktown City Council reports determining fees based on a benchmarking process with its local service providers, to ensure revenue completely recovers costs against forecast utilisation.⁴⁹⁰

8.4.1 We used data from many sources to estimate benchmark prices and costs

We have collected data on fees, provider costs and revenue from the following sources:

- 21 large (more than 30 services each) providers of long day care and outside school hours care, via section 22 notice to provide a copy of the compulsory data return they prepared for the ACCC's childcare inquiry.
- 21 small (fewer than 5 services) and medium (5 to 30 services) providers of long day care, outside school hours care, preschool and family day care (only 1 data point for family day care). Some of these providers made a voluntary submission to us of the voluntary data return they prepared for the ACCC's childcare inquiry and some were recruited by us to complete the same template that the ACCC used to collect data from small and medium providers.
- 30 community preschools' public financial reports submitted to the Australian Charities and Not-for-profits Commission, downloaded from its website.
- NSW Department of Education data on 99 public schools with preschools (costs apportioned by student numbers).
- Early childhood education and care educator award rate information from NSW Department of Education.
- Early Childhood Education and Care National Workforce Census 2021 dataset.
- NSW Department of Education early childhood education and care program funding data.
- Commonwealth Department of Education Child Care Subsidy administrative data at child and service level.

We encountered some challenges with collecting data for this task. In particular, we found that up-to-date service fee data for community and mobile preschools and occasional care is not widely publicly available. Some providers of these services do not publicly list their fees and this data is not collected at the same scale, level of detail and frequency as other service types. Furthermore, when fees are reported, they are often not reported consistently, with many providers advertising per day fees, while CCS and other sources define fees on a per hour basis.

Improving data collection on service fees for community and mobile preschools and occasional care would enable a higher level of detail and accuracy when setting benchmark prices. We have made some recommendations to improve data transparency on fee information in section 5.1.

8.4.2 We made a number of assumptions in undertaking our analysis

We have made a number of assumptions in collating and validating data, choosing inputs and in undertaking our analysis.

- Our analysis of provider costs is mostly based on cost data submitted by long day care and OSHC large providers.
 - Only one family day care provider returned cost data, so analysis of family day care is based on the long day care cost model with modifications and cost estimations based on desktop research.
 - Cost data for preschools was gathered from publicly available financial reports for not-for-profit preschools from a representative sample.
- Data on fee revenue is mostly based on Commonwealth Department of Education databases on the CCS scheme.
 - Funding revenue data from other programs is based on NSW DoE databases, but aggregation of these sources wasn't always feasible.
- As data sources are fragmented, often inconsistent, and incomplete, it is not always possible to directly compare cost/revenue output across sources.

Appendices

Appendix A >>

Terms of Reference



A.1 Terms of Reference

Terms of Reference for review of NSW early childhood education and care affordability, accessibility and consumer choice

I, Victor Dominello, Minister for Customer Service, under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992*, request the Independent Pricing and Regulatory Tribunal (IPART) to assess affordability, accessibility and consumer choice in the NSW early childhood education and care sector.

Background

Governments in Australia provide financial assistance for early childhood education and care through a mix of payments to families, support for providers and the direct provision of services. The Commonwealth Government's role in early childhood education and care is largely confined to funding. The NSW Government provides funding and support for providers, service regulation and some direct service provision.

NSW early childhood education and care services are delivered in a range of service types. Not-for-profit and for-profit providers provide the majority of early childhood education and care services in NSW, with the NSW Department of Education and local governments providing some services.

In June 2022, the NSW Government announced the Early Years Commitment, a \$15.9 billion investment over 10 years in the NSW early childhood education and care sector. This reform plan will change and deepen the NSW's Government's relationships and responsibilities in the early childhood education and care sector. NSW will grow beyond its responsibilities of preschool funding and early childhood education and care regulation into funding and shaping outcomes across more early childhood education and care service types. The NSW Government wants its investment to improve accessibility, affordability, quality and safety outcomes, not only the sector's commercial performance.

Children who participate in quality early childhood education and care are more likely to succeed at school and have improved lifelong educational, social and economic outcomes.

While the early childhood education and care sector is subsidised and regulated for safety and quality, the NSW Government currently has limited oversight of affordability, accessibility and consumer choice. To ensure the reforms and investment result in improved outcomes for children and families and inform its stewardship of the sector, the NSW Government seeks more information about affordability, accessibility and consumer choice across different children and family groups, geographies, service types and provider types. This includes more information about supply shortages and barriers to affordability and accessibility.

The findings of this report may be used by the person commissioned by the Minister under section (5)(1) of the *Childcare and Economic Opportunity Fund Act 2022* (CEOF Act) to inform the independent market monitoring report.

The task

IPART is requested to:

1. Review the market for early childhood education and care in NSW and report on factors which drive:
 - a. supply of services
 - b. affordability, accessibility and consumer choice
 across different children and family groups, geographies, service types and provider types.
2. Collect current fee, household out of pocket costs and provider revenue and cost information consistent with the Australian Competition and Consumer Commission (ACCC) price inquiry approach (where possible to minimise duplication) across different children and family groups, geographies, service types and provider types.
3. Estimate benchmark prices that can be used as a standard to measure and compare early childhood education and care fees. These benchmark prices should reflect the costs of providing quality services for different children and family groups, geographies, service types and provider types.
4. Recommend ways for the NSW Government to improve early childhood education and care affordability, accessibility and consumer choice relevant to the scope of these Terms of Reference.

IPART will not develop, investigate or recommend price regulation or price setting mechanisms.

In conducting the review and developing recommendations, IPART is to have regard to:

1. The diversity of the NSW early childhood education and care sector, including across children and family groups, geographies and local markets, service types and provider types
2. The roles and responsibilities of government (both NSW and Australian Governments), providers and non-government participants
3. Public funding and subsidy arrangements for providers and service provision
4. Competitive neutrality principles
5. The extent of convenience-based, location-based, price-based and quality-based consumer choice for families in different geographies
6. The information that families have access to about the accessibility, affordability, convenience, quality and safety of early childhood education and care services
7. Demand and supply for early childhood education and care, including circumstances where demand and supply is too low to support effective accessibility and consumer choice
8. The objectives and provisions of the CEOF Act
9. The state of the sector, including workforce supply and pay and conditions and service quality standards
10. The ACCC price inquiry of child care and the Productivity Commission inquiry into the sector and any other key reports impacting the sector that may arise during IPART's review

11. The benefits, costs and risks of any recommendations
12. The impacts of any recommendations on:
 - a. accessibility, affordability, convenience, flexibility, quality and safety of early childhood education and care for families, including families facing diverse individual circumstances
 - b. the early childhood education and care workforce
 - c. service provision and operational and financial sustainability of sector participants at a service, provider and sector level
 - d. barriers to entry for sector participants
 - e. NSW and Australian Government legislation and policy and program objectives
 - f. the capacity of the NSW Government to successfully implement them.
13. Any other matters IPART considers relevant.

IPART will consider the early childhood education and care market for children aged 0 to 12 years. The review will include community and mobile preschool, family day care, long day care, NSW Department of Education preschool, occasional care, and outside school hours care (before and after school care and vacation care) service types. Playgroups are excluded.

IPART is required to consult with families and communities (including Aboriginal and Torres Strait Islander communities), NSW early childhood education and care providers and sector, NSW Government agencies, NSW local government, the ACCC regarding its national price inquiry of early childhood education and care competition and pricing, the Australian Government Department of Education, and other interested parties.

Timeframe

IPART is to provide a final report to the Premier and the Minister for Education and Early Learning no later than December 2023. IPART is to provide an interim report on market conditions by August 2023.^{rr}

IPART should provide regular progress briefings to the NSW Department of Education.

^{rr} Subsequently extended to 20 October 2023.

Appendix B »

Digital service and data examples

B

B.1 Digital service and data examples from the health sector

The digital service and data strategy could draw from elements of digital service and data strategies and tools that have been developed and implemented in other jurisdictions and sectors. Examples from the health sector include:

- [Western Sydney Local Health District Digital Health Strategy 2023-2028](#) – A strategy to help the people of Western Sydney access innovative digital health solutions. This strategy focuses on clear objectives that centre around consumer experience, digitally empowering staff, automation and data analytics. It illustrates connections between strategic goals, and the enablers required to meet these goals. For example, the goal of early awareness and inclusive education is met with enablers including proactive screening and tests, personalised patient education and a proactive shift from treatment to wellness. The strategy also identifies current global trends that are shifting the delivery of healthcare and how the sector will need to accommodate these changes.
- [Digital First for Health: Ontario](#) – A strategy that highlights opportunities for improvement in the Ontario healthcare sector through modernising legislation, improving virtual care access, and promoting integrated care. An example of this strategy which displays best practice is the streamlining of digital health, through a standards-based approach. The strategy involves integrating existing digital health assets, to contribute towards a more efficient and coordinated health care system.
- [Australia's National Digital Health Strategy](#) – This strategy is outcomes-focused, and discusses the inputs and outputs required to achieve them. The 7 key outcomes of the strategy are:
 - health information that is available whenever and wherever it is needed
 - health information that can be exchanged securely
 - high-quality data with a commonly understood meaning that can be used with confidence
 - better availability and access to prescriptions and medicines information
 - digitally enabled models of care that improve accessibility, quality, safety, and efficiency
 - a workforce confidently using digital health technologies to deliver health and care
 - a thriving digital health industry delivering world-class innovation.

The strategy then explains the deliverables currently being developed and implemented to achieve these outcomes.

Appendix C »

Glossary



C.1 Glossary

Term	Meaning
Australian Children's Education and Care Quality Authority (ACECQA)	The independent national body established to support states and territories in delivering best-practice regulation of early childhood education and care services and ensure national consistency in administering the National Quality Framework (NQF) to improve quality outcomes for children.
Child Care Subsidy (CCS)	The Commonwealth Government program to help families with service fees. Through the CCS, eligible families enrolling their children in a service offered by an approved provider receive reductions on the fees they pay for the service.
Cost per place offered	Costs incurred by a provider to deliver their services, divided by the number of places that the provider has made available for these services.
Cost per place taken up	Costs incurred by a provider to deliver their services, divided by the number of children enrolled in these services.
Disability/additional needs	In this report, the term 'children with disability/additional needs' refers to children with a formal diagnosis of disability or developmental delay, children without a formal diagnosis that display behaviours consistent with a diagnosis of disability or developmental delay, and children with mental health, behavioural and wellbeing difficulties, including those who have experienced trauma.
Early childhood education and care	Education and care services provided to children aged 0 to 12 years in a variety of settings, including long day care, family day care, preschool (including mobile, community and Department of Education preschools), out of school hours care and occasional care. Does not include school services or playgroups.
Educator	An individual who provides education and care for children as part of an education and care service. Educators typically hold a diploma or certificate level qualification.
Family day care	Family day care is a type of early childhood education and care usually provided in the home of an educator.
Have Your Say consultation and/or survey	Survey and consultation undertaken in collaboration with the NSW Government Have your Say platform for community consultation.
Issues Paper	Paper released by IPART in April 2023 to set out key issues and questions for the early childhood education and care sector, and seek feedback from providers, workers, families, and other stakeholders.
Interim Report	Paper released by IPART in October 2023 to set out our draft findings and recommendations, and seek feedback from providers, workers, families, and other stakeholders.
Large provider	A provider operating 40 or more services.
Long day care	A service licensed under the National Quality Framework that provides early childhood education and care service that provides services for at least 40 weeks a year and is thus eligible for Child Care Subsidy funding. It can include any pattern or arrangement of care provided in this setting but is primarily focused on children up to 6 years of age.
Multifunctional Aboriginal Children's Services (MACS)	Not-for-profit community-based services established to meet the social and development needs of Aboriginal and Torres Strait Islander children.
Medium provider	A provider operating 5 to 39 services.
National Quality Framework	The National Quality Framework (NQF) provides a national approach to regulation, assessment and quality improvement for early childhood education and care and outside school hours care services across Australia. The NQF includes: <ul style="list-style-type: none"> • National Law and National Regulations • National Quality Standard • assessment and quality rating process • national learning frameworks.
National Quality Standard	The National Quality Standard (NQS) sets a national benchmark for early childhood education and care and outside school hours care services in Australia.
National Workforce Census	The Early Childhood Education and Care National Workforce Census is held by Commonwealth Department of Education to collect information on staff demographics, types of work, qualifications and experience in the early childhood education and care sector.

Term	Meaning
Occasional care	Occasional care services provide flexible early childhood education and care for children aged to 6 years. Children do not need to be enrolled for particular days each week.
Out-of-pocket costs	The early childhood education and care expenses to families after taking into account the Child Care Subsidy (including any Addition Child Care Subsidy and excluding any subsidy amount withheld) and/or any NSW Government fee relief.
Outside school hours care	A service that provides early childhood education and care before and after school hours and during school vacations for children who normally attend school.
Preschool	A service that provides early childhood education and care to children aged 3-5 years for fewer than 40 weeks a year and thus is not eligible for Child Care Subsidy funding. Alternative terms used for preschool in other states and territories include kindergarten, pre-preparatory and reception.
Preschool program	An early childhood education program, delivered by a qualified teacher to children aged 3-5 years, focusing on the year before school, in long day care or in preschool.
Provider	An entity or individual approved by the Regulatory Authority to provide early childhood education and care services.
Provider costs	Costs incurred by providers to deliver their services.
Provider revenue	Revenue collected by providers, mainly through fees charged to families for the provision of services, and government funding programs.
Provider type	Classification of early childhood education and care providers based on whether they operate as a for-profit business entity or a not-for-profit organisation.
QARS	The Quality Assurance and Regulatory Services Directorate within the NSW Department of Education operates as the NSW Regulatory Authority for early childhood education and care. QARS regulates, monitors, and supports about 6,000 services across NSW.
Remoteness Areas	The Accessibility/Remoteness Index of Australia divides Australia into 5 classes of remoteness which are characterised by a measure of relative geographic access to services. The classifications are: <ul style="list-style-type: none"> • Major Cities of Australia • Inner Regional Australia • Outer Regional Australia • Remote Australia • Very Remote Australia.
Small provider	A provider operating 1 to 4 services.
Socio-Economic Indexes for Areas (SEIFA)	Developed by the Australian Bureau of Statistics (ABS), SEIFA combines Census data such as income, education, employment, occupation, housing and family structure to summarise the socio-economic characteristics of an area. Each area receives a SEIFA score indicating how relatively advantaged or disadvantaged that area is compared with other areas. There are 4 SEIFA indexes: <ul style="list-style-type: none"> • Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) • Index of Relative Socio-economic Disadvantage (IRSD) • Index of Education and Occupation (IEO) • Index of Economic Resources (IER).
Statistical Area Level 2 (SA2)	SA2s are medium-sized general-purpose areas built up from whole Statistical Areas Level 1 (SA1s). Their purpose is to represent a community that interacts together socially and economically. SA2s generally have a population between 3,000 and 25,000 with an average of about 10,000 people. NSW consists of 644 SA2s.
Statistical Area Level 3 (SA3)	Statistical Areas Level 3 (SA3s) are geographic areas built from whole Statistical Areas Level 2 (SA2s). They are designed for the output of regional data clustering groups of SA2s that have similar regional characteristics. NSW consists of 93 SA3s.
Teacher	An early childhood teacher holds a degree and provides educational programs in accordance with the Early Years Learning Framework.
Worker	Any worker in the early childhood education and care sector. This includes those employed in administrative or support roles as well as educators and teachers.

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- ¹² Productivity Commission, *A path to universal early childhood education and care*, Draft Report, November 2023, p 3.
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- ²⁴ Royal Far West [submission](#) to IPART Issues Paper, May 2023, p 17; Early Learning and Care Council of Australia [submission](#) to IPART Issues Paper, May 2023, p 3; Community Connections Solutions Australia [submission](#) to IPART Issues Paper, May 2023, p 15.
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- ⁴⁸⁸ Early Learning and Care Council of Australia (ELACCA), [submission](#) to IPART Issues Paper, May 2023, pp 2, 4.
- ⁴⁸⁹ Goodstart Early Learning [submission](#) to IPART Issues Paper, May 2023, pp 4, 18-22.
- ⁴⁹⁰ Blacktown City Council [submission](#) to IPART Issues Paper, May 2023, pp 6-7.

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