

Our ref: R24/76, OUT:39861
10 July 2025

Ms Jennifer Vincent
Director, Pricing
IPART NSW
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Re: Early childhood education and care – 2025 Independent Market Monitoring Review

Dear Ms Vincent

Thank you for the opportunity to provide feedback to IPART NSW on the early childhood education and care (ECEC) [2025 Independent Market Monitoring Review \(IMMR\) Methodology Paper](#).

Local Government NSW (LGNSW) is the peak body for local government in New South Wales, representing general purpose councils as well as related entities. LGNSW facilitates the development of an effective community-based system of local government in the state. This submission is in draft form until endorsed by the LGNSW Board at its next meeting. We will advise of any amendments to the submission in due course.

Almost half of all NSW councils operate centre-based ECEC services, with over 300 local government ECEC services, including preschool, long day care, family day care (FDC), mobile care, occasional care, vacation care and outside of school hours care. Councils provide services reflecting the diversity of their community such as Culturally and Linguistically Diverse (CALD) families, children with different needs, 'hard-to-reach' families, Aboriginal and Torres Strait Islander communities, refugee communities, and families experiencing intergenerational illiteracy.

Council-run ECEC services are high quality, with 42% of state/territory and local government managed services rated "exceeding" the National Quality Standards compared to 11% for private for-profit¹ (the highest and lowest scores per provider type respectively).

¹ ACECQA [NQF Snapshot Q4 2024](#) – released February 2025 – p14

Councils actively support the development of a diverse range of ECEC services, including for-profit providers, to meet the needs of their communities and contribute to a thriving local economy.

LGNSW has long called for a dedicated funding stream for local government that supports the viability of councils' significant role in the ECEC sector and continues to advocate for this reform that would ensure high quality, universally accessible and affordable early childhood education and care for all members of the community.

ECEC services for all communities

Councils provide a valuable, affordable and critical service to communities, including vulnerable families and children with disability. In some communities, especially in regional or rural areas, councils are often the only childcare provider.

Councils are under increasing financial strain. They are absorbing an estimated \$1.5 billion in cost shifting from both the NSW and Australian Governments², while also operating under rate capping that limits their ability to raise revenue. At the same time, funding from other levels of government remains inadequate to meet growing service demands. This financial pressure is eroding the sustainability of council-operated ECEC services, with many councils subsidising ECEC centres because the fees do not cover the running costs. Without sufficient support, there is a real risk that councils may be forced to withdraw from delivering ECEC services. This would leave families without access to essential early learning opportunities and could have broader impacts on local economies and workforce participation.

By not distinguishing local governments as a separate ECEC provider type in table 2.1, the methodology risks underrepresenting the unique challenges faced by local government providers. This may have implications for the funding decisions that IPART's market monitoring informs.

Councils undertake Community Strategic Plans, including delivery and operational plans and resourcing strategies such as asset management plans to meet the needs and priorities of their communities. These plans and strategies contain demographic data such as CALD, Aboriginal and Torres Strait Islander people, disability or Socio-Economic Indexes for Areas (SEIFA) which help identify service community needs, service shortages and inform councils' long-term decision making. IPART may wish to delve into this information in areas of ECEC thin markets to identify needs and planning.

In LGNSW's submission to the previous IPART NSW IMMR, LGNSW identified:

- the need to better utilise Starting Blocks to capture (or disseminate) data including vacancy rates and fees.

² [LGNSW Cost Shifting Report](#) 2025

- visibility of where children receiving Inclusion Support Program (ISP) funding are enrolled by provider type to reduce the risk of inequitable funding distribution.

LGNSW once again calls for this to be embedded into the methodology.

Accurate, timely data that can be accessed by ECEC providers will help to identify opportunities to better support vulnerable community members, embed cultural practices in ECEC services and drive better Closing the Gap outcomes. Data from ISP funding could also be used to map current accessibility and inclusion needs across the state, helping to identify where support is most needed.

Recommendations

1. *That IPART include a separate provider type for local government in its methodology, to better identify the unique challenges facing council ECEC providers operating in thin markets, and to appropriately inform any prospective support or resourcing.*
2. *That IPART better utilise Starting Blocks to capture and disseminate vacancy rate and fee data.*
3. *That IPART ensure ISP funding data is captured to map current accessibility and inclusion needs to better support inclusive services and for future service planning.*

Full cost of delivering ECEC services

Many councils are facing significant financial challenges in providing services to their community. While there are various funding streams available to support ECEC providers, the gap between the true costs of the service provided and the subsidy offered continues to widen, leaving ECEC providers either financially constrained or forced to increase gap fees for families that may struggle to afford them. This impacts councils' ability to deliver other important services for their community.

Regional and rural councils have reported challenges in accessing high quality training opportunities. Councils provide child safe training, refresher training, ongoing professional development opportunities, administrative and compliance obligations, staff backfill to release staff for training and other associated on-costs. These costs are absorbed into councils' existing budgets, and with tight margins, there is limited capacity to absorb any additional costs from ongoing regulatory reform – particularly in thin markets.

Recommendation

4. *That IPART ensure that the full costs of delivering ECEC services are reflected in the IMMR, including NSW ISP, NDIS, allied health services, CPI increases, Worker*

Retention Program funding, Fair Work Commission Gender Undervaluation Review and associated training costs.

Funding schemes match community need

Current funding mechanisms may unintentionally reinforce market dynamics. Any funding schemes should align to clearly defined objectives and goals that are tested against the existing needs of the community.

Accurate data will support ECEC providers in planning for their services, such as allied health needs, cultural practices or particularly vulnerable cohorts, and will support government funding mechanisms to be targeted and responsive.

Recommendation

5. *That IPART ensure current and emerging community needs are factored into the IMMR, including areas previously considered thin markets where changing market dynamics may no longer warrant that classification.*

Workforce development

The Local Government Award is a skills-based award and does not discriminate on the basis of gender. As such, it is important to recognise the Local Government Award in the IMMR data indicator and analysis.

LGNSW welcomes the IMMR's objective to support the ECEC workforce, as the [2023 IMMR Final Report](#) noted that workforce shortages are impacting the supply of ECEC services³. The [2022 Local Government Workforce and Future Skills Report](#) similarly notes that the local government sector has experienced "unplanned staff turnover in aged, disability and childcare services (9%)⁴".

LGNSW advocates for funding and incentives to increase trainee employment across local government operations and supports measures to increase trainees/educators in areas of undersupply. The NSW Government's "Fresh Start for Local Government Apprentices, Trainees and Cadets Grants Program", aims to address skills shortages and bolster the local government workforce. Under the Scheme in rounds 1 and 2, councils identified 44 early childhood education trainees. Councils welcome support to recruit and retain ECEC educators, including extending paid placement funding for Early Childhood Teachers (ECT) students to Diploma and Cert III students.

Job retention data should be aligned with policy levers and incentives designed to attract, retain and support ECEC staff, particularly in regional areas. These incentives

³ [IPART NSW 2023 IMMR Final Report](#), p10

⁴ [LGNSW Workforce Skills and Capability Survey](#) 2022



could include tax benefits, housing subsidies, transport assistance, access to local education and training, and targeted bonuses such as regional placement incentives.

Recommendations

- 6. That IPART ensure any local government specific award considerations are captured in the IMMR, noting the Local Government Award differs from the Modern Award and may impact workforce sustainability and cost structures.*
- 7. That the NSW Government align job retention data with policy levers and incentives (such as tax benefits, housing subsidies, transport options, local education access, and bonus payments) to support workforce attraction, retention, and regional relocation.*

LGNSW welcomes the opportunity to contribute to the IMMR review and highlight the specific needs of council ECEC providers. For further information or clarification regarding this submission, please contact LGNSW's [REDACTED]
[REDACTED]

Yours sincerely

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