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- We will start at 10:32am



IPART Independent
Pricing and Regulatory
Tribunal | NSW

Review of early childhood education and care

Public Hearing, 30 October 2023

Agenda

01 Welcome and
Acknowledgement of Country

02 IPART presentation

03 Q & A session

04 Closing remarks



Welcome and Acknowledgement of Country

Carmel Donnelly PSM
Chair



IPART presentation

IPART review of early childhood education and care in NSW



Review the market

Report on factors driving affordability, accessibility, consumer choice and supply of services



Collect cost and revenue data

On current fees, household out-of-pocket costs, and provider revenue and costs



Estimate benchmark prices

That reflect the costs of providing quality services and to compare service fees



Recommend ways to improve

Affordability, accessibility and consumer choice

Timeline for our review



Draft overarching findings



Funding system

Is complex, fragmented, potentially inefficient, and can lead to perverse outcomes



Workforce availability and expertise

Is critical to the supply and accessibility of quality services, and constitutes a significant problem currently facing the sector



Digital transformation is needed

The lack of comprehensive, integrated, accessible, high quality digital services and data makes it hard for families to find, choose and use services and impedes good decision-making for providers and policy-makers



Scope to improve access to services and support in services

For families with children with diverse needs, disability, additional needs or experiencing disadvantage or vulnerability

Draft priority recommendations



Governments work together to develop integrated funding approach

- clarify objectives of funding approach
- prioritise improving affordability and accessibility for:
 - families with lower incomes
 - families living in regional or remote Australia
 - Aboriginal and Torres Strait Islander families
 - families with multiple vulnerabilities
- review activity test for receipt of Child Care Subsidy (CCS) as priority.



NSW Government refresh workforce strategy

Focus on ensuring:

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







NSW Government develop digital service and data strategy



So families can more easily find, choose and use services that meet their needs, and providers and governments can make better informed decisions with:

- practical online tools for families to access information, choose a service, understand out-of-pocket costs, enrol or join waitlist(s) and book casual places
- accurate up-to-date information on what services offer, fees and vacancies
- complementary in-person support.

Factors driving accessibility and choice

Issues	Draft findings	Draft recommendations
Availability and choice 	<ul style="list-style-type: none"> • Under-utilised capacity in some services • Families need more flexible options • Remote families face more barriers to access services 	<ul style="list-style-type: none"> • Develop a digital tool to make places available for occasional/casual bookings • Design Department preschool hours to suit the needs of the community
Inclusion 	<ul style="list-style-type: none"> • Scope to improve allied health service provision in services • Aboriginal Community-Controlled Organisations provide culturally supportive education and family support services 	<ul style="list-style-type: none"> • Ensure services can provide inclusive education and care • Ensure provision of culturally safe and inclusive education and care • Develop and implement a model and system for wrap-around support for children/ families experiencing disadvantage and/or vulnerability
Information 	<ul style="list-style-type: none"> • Families need more meaningful information • Rating information not routinely shared • Digital literacy/access can impact families' ability to navigate/engage with system 	<ul style="list-style-type: none"> • As part of digital strategy, ensure families can more easily find, choose and use services that meet their needs • Advocate for NQS to highlight inclusion • Provide information on services at Service NSW
Funding arrangements 	<ul style="list-style-type: none"> • Scope to improve the design of existing funding programs to better support inclusion 	<ul style="list-style-type: none"> • Review funding programs and grants that support accessibility and inclusion

Factors driving affordability

Issues	Draft findings	Draft recommendations
<p>Out-of-pocket costs</p> 	<ul style="list-style-type: none">• Available subsidies may not be adequate for some families, especially for those experiencing high levels of disadvantage and/or vulnerability• Additional out-of-pocket costs associated with vacation care are often not subsidised• Out-of-pocket costs influence parents' employment decisions	<ul style="list-style-type: none">• Recommend Commonwealth Government consider additional support for families experiencing disadvantage and/or vulnerability• Require OSHC providers to include excursion costs as part of advertised fees• As part of its digital strategy, work to improve data transparency, collection and sharing arrangements to inform family decision-making
<p>Funding arrangements and provider costs</p> 	<ul style="list-style-type: none">• CCS activity test is a barrier for some families• CCS application process is difficult to navigate• Families experiencing disadvantage and/or vulnerability would benefit from additional support	<ul style="list-style-type: none">• Recommend Commonwealth Government simplify CCS application process and review activity test requirement and eligibility criteria

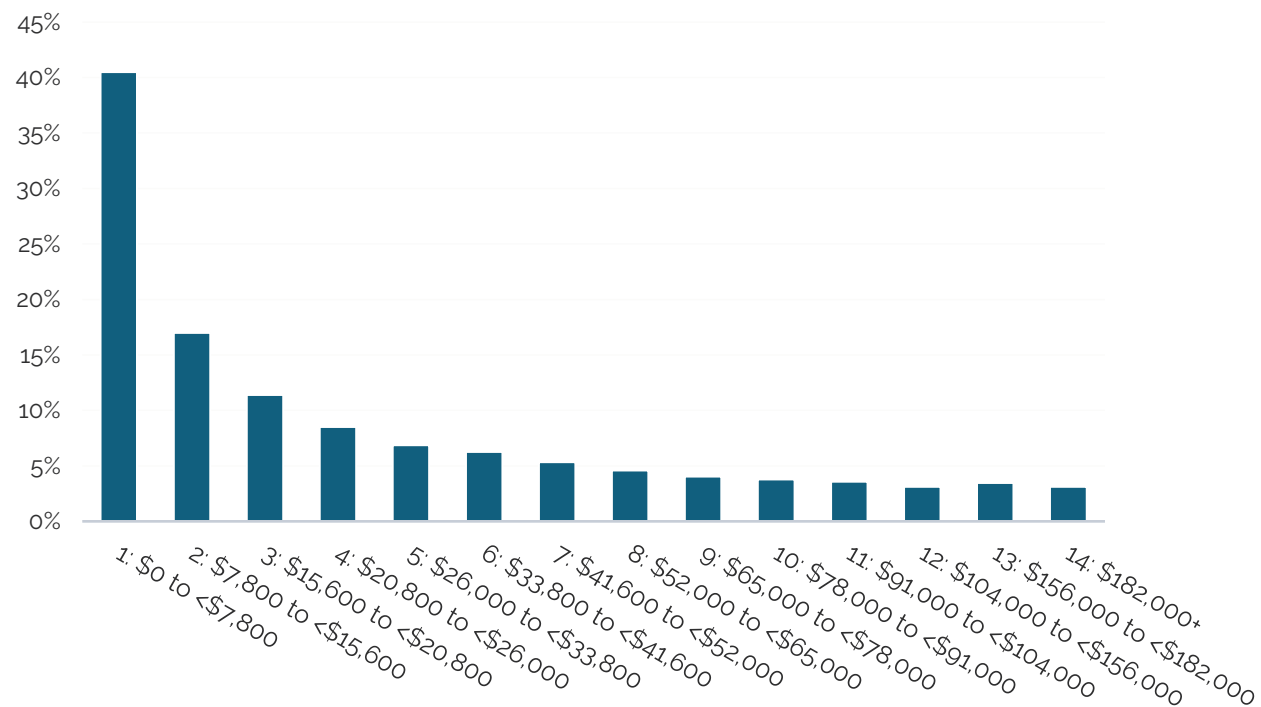
Average family out-of-pocket costs per child in NSW (2021-22)

Service type	Service fee \$/hour	Family out-of-pocket cost \$/hour	Out-of-pocket fees %	Out-of-pocket cost \$/year
Long day care				
(0-2 years)	\$11.88	\$5.20	44%	\$4,409 (for 16hrs/wk)
(3-5 years)	\$11.20	\$4.95	44%	\$5,200 (for 20hrs/wk)
Family day care				
(0-2 years)	\$11.65	\$4.88	42%	\$2,802 (for 11hrs/wk)
(3-5 years)	\$11.41	\$4.60	40%	\$2,919 (for 12hrs/wk)
OSHC	\$7.67	\$3.64	47%	\$893 (for 5hrs/wk)
NSW DoE preschool	\$0.00	\$0.00	-	\$0 (for 2.5 days/wk)
Community preschool	\$43/day	\$16/day	37%	\$1,920 (for 3 days/wk)
Occasional care	\$11.27	\$3.94	35%	\$1,855 (for 9hrs/wk)

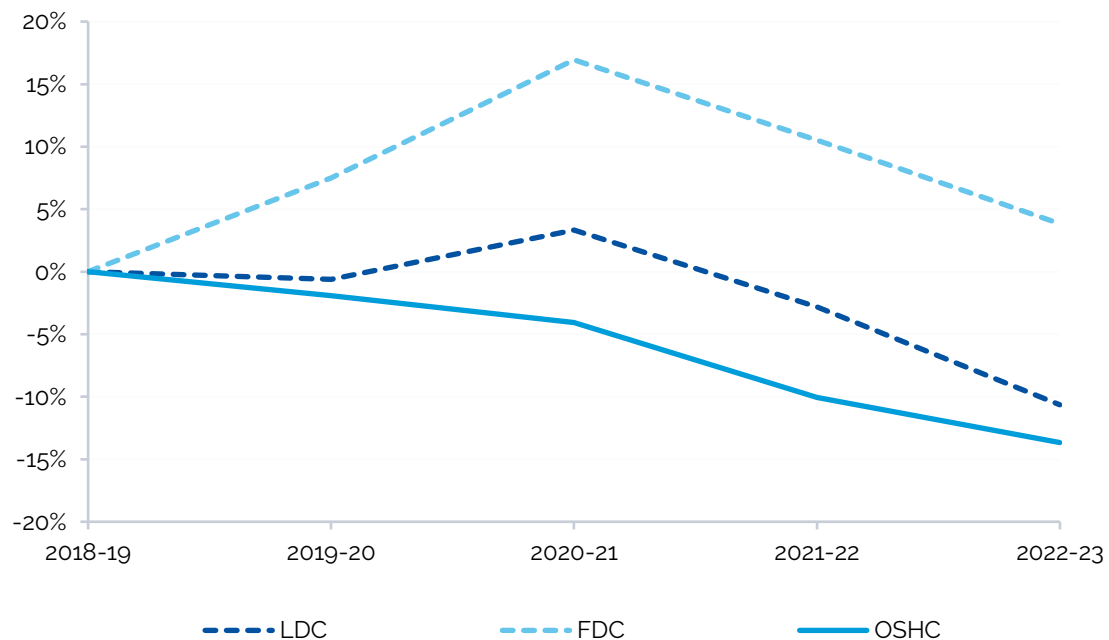
Source: Commonwealth CCS data, Care for Kids data, NSW DoE data, service websites and IPART analysis

Average family out-of-pocket costs per child in NSW

Proportion of yearly household income for long day care (2021-22)







Cumulative % change in real cost/hour over time



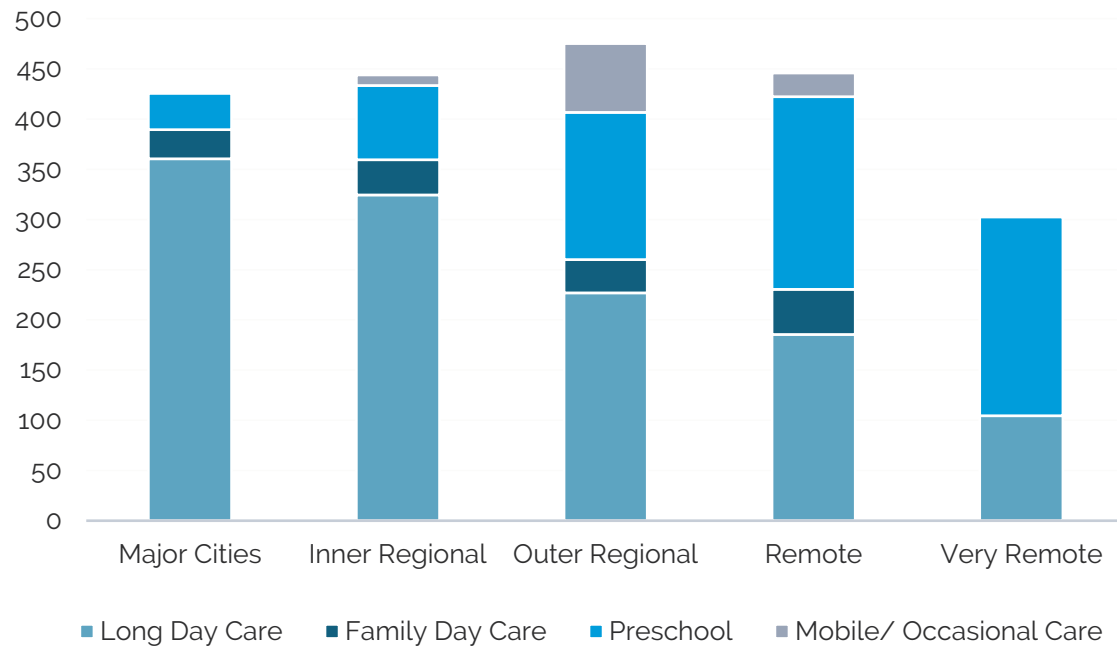
Source: Commonwealth CCS data , IPART analysis.

Factors driving supply

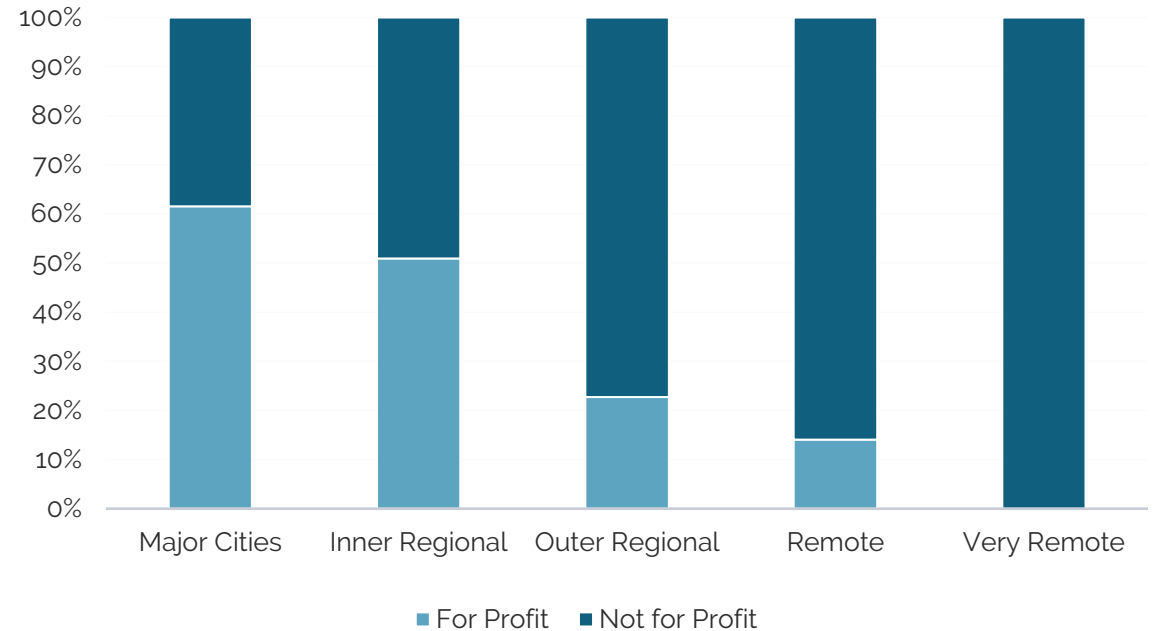
Issues	Draft findings	Draft recommendations
Quantifying demand for services 	<ul style="list-style-type: none"> Providers use population levels as an indicator of demand Remoteness of location associated with lower number of places per school-aged child 	<ul style="list-style-type: none"> As part of its digital strategy, advocate to Commonwealth Government to provide access to CCS attendance and enrolment data to inform planning
Different providers respond to different incentives 	<ul style="list-style-type: none"> For-profit services more likely to establish in areas with more economic resources There are more preschools and fewer long day cares as remoteness increases and population centres more isolated 	<ul style="list-style-type: none"> Consider appropriate incentives to ensure sufficient services are available across NSW
Workforce availability 	<ul style="list-style-type: none"> Recruitment and retention of workers is an issue across the sector Opportunity to progress National Workforce Strategy Staff absences can significantly impact families 	<ul style="list-style-type: none"> Update Early Childhood Education Workforce Strategy Recognise value of a diverse workforce, including Aboriginal and Torres Strait Islander culture and language Develop short-term educator relief policy for services
Other factors 	<ul style="list-style-type: none"> Not-for-profit services lack access to capital When establishing or growing services, providers are affected by regulatory and planning constraints Suitable premises may not be available 	<ul style="list-style-type: none"> Review process and criteria for applying for capital grant funding Investigate better coordination of regulatory and planning processes Explore partnerships with providers to co-locate services on school premises in regional NSW

Licensed places in NSW (2023)

Licensed places per 1,000 children aged 0-5 years



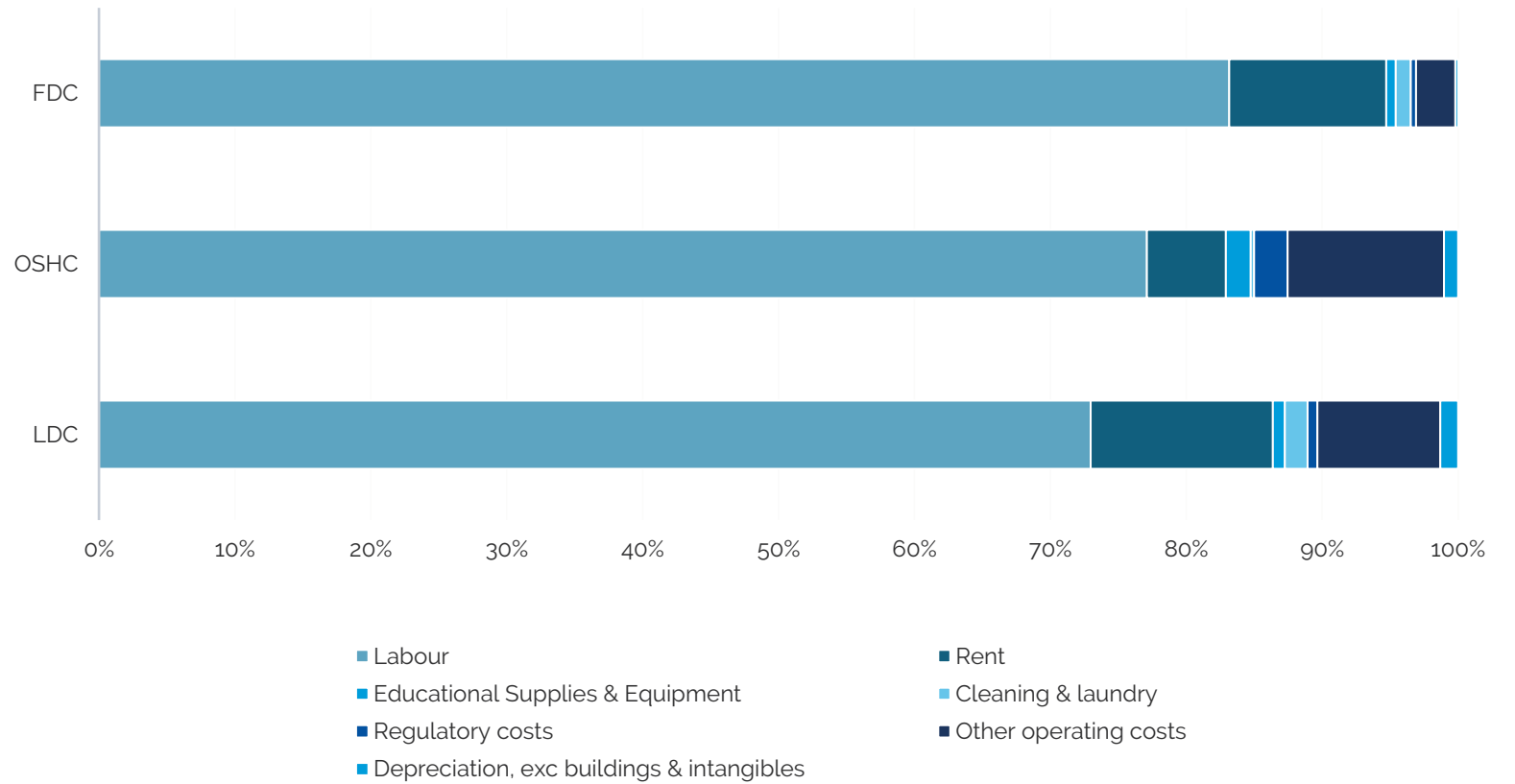
Share of licensed places by profit status and remoteness



Source: Commonwealth CCS data, NQAITS data and IPART analysis



Provider costs

Average cost of main expenditure categories for large providers per year per place offered in NSW (2022)



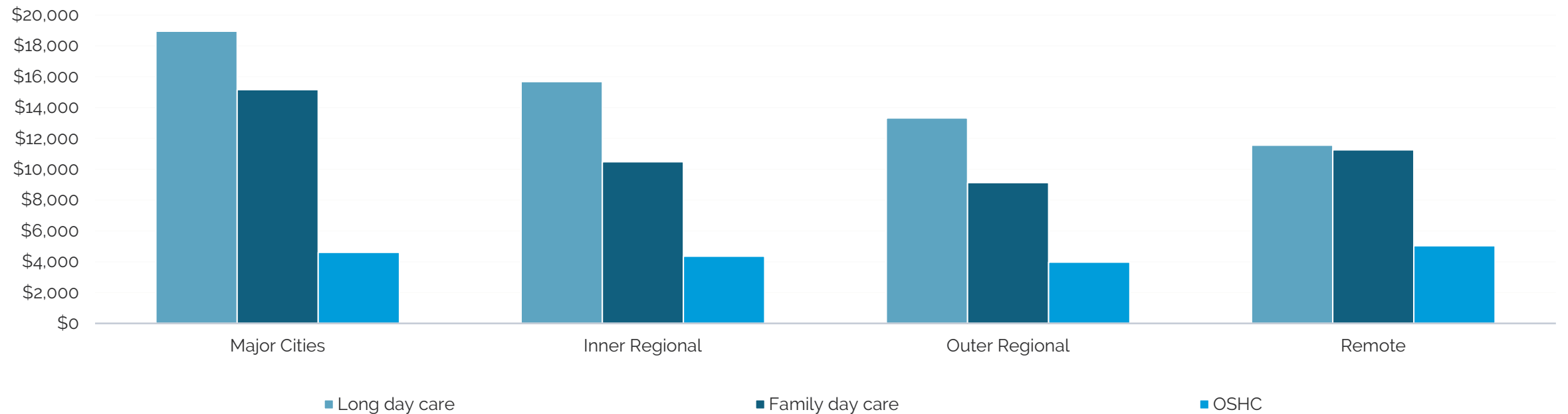
Source: Large provider data returns and IPART analysis

Provider costs and revenue

Issues	Draft findings	Draft recommendations
<p>Revenue from fees and government funding</p> 	<ul style="list-style-type: none">• Current funding system is complex and fragmented• It implements support to the sector inconsistently and doesn't effectively integrate different objectives of workforce participation for parents (requiring "care" for children) and early education of children (where the focus is on children's outcomes)	<ul style="list-style-type: none">• Pending a national review of the funding system, in the short term, review all NSW funding programs and grants for the sector
<p>Data transparency, collection and sharing</p> 	<ul style="list-style-type: none">• Data sources for cost and revenue data are varied, fragmented, hard to access, and often inconsistent• Reliable government administrative data on funding other than CCS is fragmented and difficult to aggregate and reconcile	<ul style="list-style-type: none">• As part of its digital strategy, work to improve data transparency, collection and sharing arrangements


Average provider revenue in NSW (2022)

From fees (per child/year)

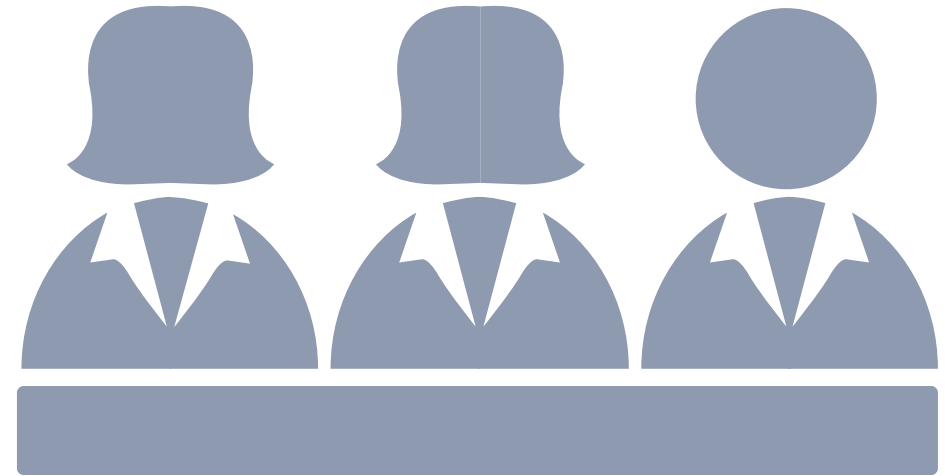


Source: Commonwealth CCS data and IPART analysis

Draft benchmark price estimates

		Actual fees method		Cost per place method	
		\$/hr	\$/day	\$/hr	\$/day
	Long day care	\$12.63	\$126	\$11 to \$20	\$110 to \$195
	Family day care	\$12.60	\$126	\$13 to \$20	\$135 to \$200
	OSHC	\$8.52	Before: \$17 After: \$26 Holidays: \$85	\$4 to \$8	Before: \$10 to \$15 After: \$15 to \$25 Holidays: \$45 to \$80
	Community preschool	N/A	\$48	\$11 to \$18	\$90 to \$140

Q & A session





Closing remarks

Timeline for our review



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