Productivity Commission Inquiry into Early Childhood Education and Care

Goodstart Early Learning submission to Productivity Commission Inquiry draft report

February 2024

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About Goodstart

We are for children, not profit

Goodstart Early Learning (Goodstart) is Australia's largest not-for-profit social enterprise and Australia's largest provider of early childhood education and care, with 654 centres located across every state and territory, supporting more than 61,400 children from 51,500 families with a team of 15,800 employees.

As a not-for-profit social enterprise, our purpose is to ensure all Australia's children have the learning, development and wellbeing outcomes they need for school and life. We believe the best way to do this is to ensure all children have access to high quality, inclusive early learning and care no matter their location or life circumstances.

Executive Summary

Goodstart welcomes the Productivity Commission's draft report and its commitment to universal early childhood education and care (ECEC). If implemented with some essential and tangible enhancements, these reforms would be historic and would fundamentally reposition Australia from a nation focused on the out-dated concept of 'childcare' to one that is investing in our youngest citizens and their early education. It would arguably represent the most significant universal reforms since Medicare – providing every child in Australia access to early learning and setting them up for success in school and life, while simultaneously removing barriers to workforce participation for parents.

On that basis, we strongly endorse the Commission's draft recommendations to introduce a universal entitlement of at least three days of early learning per week for every child and to lift the subsidy rate to 100% to deliver free early learning for low-income families. These changes should be delivered through a new demand-side *Universal Early Learning Benefit*, which would replace the current *Child Care Subsidy*.

However, while the draft report has the right foundation, the ambition of a universal system will not be achieved on the basis of the current recommendations. There are areas that need to be explicitly addressed and some crucial gaps that need to be filled in the final report:

1. A stronger stewardship approach by governments, underpinned by the establishment of an ECEC Commission, with strong, legislated powers and legislation to enshrine the universal entitlement and implementation milestones, including attainment of access (supply), affordability, quality and inclusion. To be effective, system stewardship must encompass the entire before-school continuum of ECEC. It should include and seek to build equitable, universal provision, including preschool support for families, regardless of setting.
2. Maintain the current fee-based benchmark methodology for setting the hourly rate cap, rather than introducing a complex cost-based methodology, to support simplicity, equity and maintain affordability for families. This should be complemented by more robust, indirect price control measures and radical transparency, so the benefit of additional subsidy flows through to families.
3. In keeping with the mix of supply and demand-side subsidies, as suggested by the ACCC and included in the draft report, the final report should also recommend investment in supply-side funding programs to deliver specific policy priorities vital to reform success, namely:
    i. Improving pay and conditions via a Government-funded wages subsidy of at least 15%
    ii. Delivering two years of a teacher-led preschool program in settings that meet families' needs, including and especially levelling the playing field to make it affordable and practical for families to use high quality, convenient LDC preschool

iii. Creating a new Equity Support Program to build the inclusion ecosystem, including service and community-level investment in inclusion capability and improving the additional educator subsidy to deliver on the ambitions of a universal ECEC system and the NDIS review. This would embed a systemic approach to achieving equitable outcomes and deliver on the recommendations in the NDIS Review, as well as provide adequate supports for individual children with identified additional needs

4. Establish new financing and regulatory settings that create stronger incentives for the NFP sector to grow, to optimise public outlays and actively ensure all families have the choice of a high quality, inclusive and affordable NFP service in their community

We commend the PC and its draft report for putting the child at the centre of the reforms, but the final report must fill these critical gaps in the supports around the child. Without explicit recommendations on these matters, the entitlement will erode the strengths of the existing system and fail to deliver for the children and families who need it most.

In preparing its final report, we encourage the PC to have greater reference to the draft National Vision for ECEC, which sets four overall principles – Equity, Affordability, Quality and Accessibility – which are very useful organising principles in mapping the pathway for reform.

We appreciate the positive engagement with the PC to date and look forward to supporting the Commission to develop an holistic blueprint for a universal ECEC system that delivers equity, affordability, quality and accessibility for all Australia's children and their families.

A note about implementation priorities to get to a Universal Early Learning entitlement

When planning the phasing of reforms, the PC should make determinations about investment priorities. We agree with the PC's views that, in delivering on a universal entitlement for all children, there are higher priorities than moving straight to a 90% subsidy for all families or a 'fixed fee' for all families. There are higher impact areas for Government to invest in than delivering an additional $17,300 to families with incomes of over $400,000 per year. With this in mind, the implementation approach in the PC final report must prioritise the following reforms as critical enablers to successfully achieving a national universal entitlement:

1. ECEC wage subsidy, noting immediate investment is required to ensure there are enough educators and teachers to deliver the universal entitlement to ECEC for all children
2. Create a new Additional Hours Entitlement, which effectively removes the activity test to support all children to access early learning for at least 3 days per week, which will remove barriers to ECEC access for all children but especially benefit children from families with low incomes and low activity
3. Create the new Universal Early Learning Benefit (formerly Child Care Subsidy) with the 100% for low-income families to immediately address cost barriers for children likely to experience vulnerability and disadvantage
4. Ahead of introducing a more systemic approach to inclusion delivered through a radically enhanced Early Learning Priorities Fund and Equity Support Program, amend the Inclusion Support Program (ISP) funding by immediately increasing the additional educator hourly rate to at least $38.14/hour (Diploma qualified educator hourly rate, including on-costs), introducing annual indexation, removing weekly caps on hours of support (25/40 hours per week), and establishing the program as a demand-driven subsidy (not capped).

Reference tables

The following tables map out the PC draft recommendations and PC information requests to the chapter in which they are addressed in this submission. Note: these are in numerical order and not in the order of appearance in the submission.

PC DRAFT RECOMMENDATIONS

PC Draft Rec	Detail	GS Sub reference chapter
2.1	Ensure appropriate quality regulation for services outside the scope of the National Quality Framework	Ch. 2 – High quality early learning
2.2	Amend the Disability Standards for Education	Ch. 4 – Equity
2.3	Amend eligibility requirements for inclusion funding	Ch. 4 – Equity
2.4	Review and amend additional educator subsidies	Ch. 4 – Equity
2.5	Reduce administrative burden of Inclusion Support Program applications	Ch. 4 – Equity
2.6	Improve coordination of inclusion funding between governments	Ch. 4 – Equity
3.1	Reduce barriers to educator upskilling	Ch. 5 – Workforce
3.2	Support innovative delivery of teaching qualifications	Ch. 5 – Workforce
3.3	Improve registration arrangements for early childhood teachers	Ch. 5 – Workforce
3.4	Lift support and mentoring for new early childhood teachers	Ch. 5 – Workforce
3.5	Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications	Ch. 5 – Workforce
3.6	Contribute to professional development for the ECEC workforce	Ch. 5 – Workforce
3.7	Improve the ECEC Workforce Strategy	Ch. 5 – Workforce
5.1	Support universal access in persistently thin markets via supply-side funding	Ch. 6 – Availability
6.1	Monitor rises in fees and out-of-pocket expenses	Ch. 3 – Affordability
6.2	Modify the Child Care Subsidy to improve affordability and access	Ch. 3 – Affordability
6.3	Make information about CCS eligibility easy to find and understand	Ch. 3 – Affordability
6.4	Improve the CCS calculator on the Starting Blocks website	Ch. 3 – Affordability
6.5	Prompt families to update their details with Services Australia	Ch. 3 – Affordability
6.6	Provide better information to families about CCS withholding rates	Ch. 3 – Affordability
7.1	Ensure integrated services are available where needed	Ch. 4 – Equity
7.2	Support connections between ECEC and child and family services	Ch. 4 – Equity
7.3	Introduce a higher hourly rate cap for non-standard hours	Ch. 3 – Affordability
7.4	Examine planning restrictions related to operating hours	Ch. 6 - Availability
7.5	Ensure occasional care is available where needed	Ch. 1 – Stewardship
7.6	Support out of preschool hours ECEC	Ch. 7 – Preschool
8.1	State and territory regulatory authorities should improve their performance reporting	Ch. 2 – High quality early learning
8.2	A new review of the National Quality Framework	Ch. 2 – High quality early learning
8.3	Ensure regulatory authorities are adequately resourced	Ch. 2 – High quality early learning
8.4	Incentivise quality provision in new ECEC services	Ch. 2 – High quality early learning
9.1	Improve policy coordination and implementation	Ch. 1 – Stewardship Ch. 7 – Preschool
9.2	Establish an ECEC Commission	Ch. 1 – Stewardship

PC INFORMATION REQUESTS

PC Information Request	Detail	GS Sub reference chapter
2.2	Cultural safety in ECEC services	Ch. 4 – Equity
2.3	Functioning of the Inclusion Support Program in family day care	Ch. 4 – Equity
2.4	Transition to school statements	Ch. 2 – High quality early learning
3.1	ECEC-related vocational education and training	Ch. 5 – Workforce
3.2	Effectiveness of traineeship arrangements	Ch. 5 – Workforce
3.3	Falling completion rates for early childhood teaching qualifications	Ch. 5 – Workforce
5.1	Low rates of expansion among not-for-profit providers	Ch. 6 - Availability
5.2	Planning processes and availability of ECEC	Ch. 6 - Availability
6.1	Potential modifications to the activity test	Ch. 3 – Affordability
6.2	Child Care Subsidy taper rates	Ch. 3 – Affordability
6.3	Level and indexation of the hourly rate cap	Ch. 3 – Affordability
6.4	Potential expansions: CCS to families with restricted residency; Assistance for Isolated Children Distance Education Allowance to preschoolers in isolated areas	Ch. 3 – Affordability
6.5	Potential measures to reduce CCS administrative complexity	Ch. 3 – Affordability
7.1	The CCCF as a vehicle to address practical barriers to ECEC access	Ch. 4 – Equity
7.2	'System navigator' roles in the ECEC sector	Ch. 4 – Equity
7.3	Barriers and potential solutions to providing more flexible sessions of ECEC	Ch. 3 - Affordability
8.2	Regulatory actions against serial underperformers	Ch. 2 – High quality early learning
8.3	Support for services to meet the NQS	Ch. 2 – High quality early learning
9.1	Scope for broader funding reform	Ch. 3 – Affordability
9.2	An ECEC Commission	Ch. 1 – Stewardship

Abbreviations

ACCC	Australian Competition and Consumer Commission
ACCS	Additional Child Care Subsidy
ACNC	Australian Charities and Not-for-profits Commission
ACECQA	Australian Children's Education and Care Authority
AERO	Australian Education Research Organisation
ASQA	Australian Skills Quality Authority
ANZSCO	Australian and NZ Standard Classification of Occupations
CBDC	Centre-based day care (long day care)
CCS	Child Care Subsidy
ECEC	Early childhood education and care
ECT	Early Childhood Teacher
FDC	Family Day Care
FWC	Fair Work Commission
HCCS	Higher Child Care Subsidy
IDFM	Inclusion Development Fund Manager
IHACPA	Independent Health and Aged Care Pricing Authority
IHC	In Home Care
ISP	Inclusion Support Program
JSA	Jobs and Skills Australia
LANTITE	Literacy and Numeracy Test for Initial Teacher Education
LLN	Language, literacy and numeracy
MEA	Multi-Employer Agreement
NCVER	National Centre for Vocational Education Research
NDIS	National Disability Insurance Scheme
NFP	Not-for-profit
OOP	Out-of-pocket (costs)
PC	Productivity Commission
RAP	Reconciliation Action Plan
TSMIT	Temporary Skilled Migration Income Threshold
VET	Vocational education and training
WPI	Wage Price Index

1. Stewardship

1.1 Stewarding a stronger, high quality ECEC system

THIS CHAPTER RESPONDS TO THE FOLLOWING RECOMMENDATIONS / INFORMATION REQUESTS	
Draft Rec 9.1	Improve policy coordination and implementation
Draft Rec 9.2	Establish an ECEC Commission
Info Req 9.2	An ECEC Commission – its structure, functions and including ACECQA

OVERVIEW

Evidence from the PC and ACCC has shown that a more deliberate stewardship approach will be necessary to deliver on a universal entitlement for all children. We agree with the PC that there is a role for governments – and an ECEC Commission – in stewarding the ECEC system to ensure that a national vision and objectives of ECEC are met. We also consider that providers have a crucial role to play in planning, delivery and system improvement to meet the ECEC system vision and objectives – and this must be deliberately designed into the stewardship architecture.

Goodstart considers the four primary objectives of a system stewardship approach for ECEC should be to:

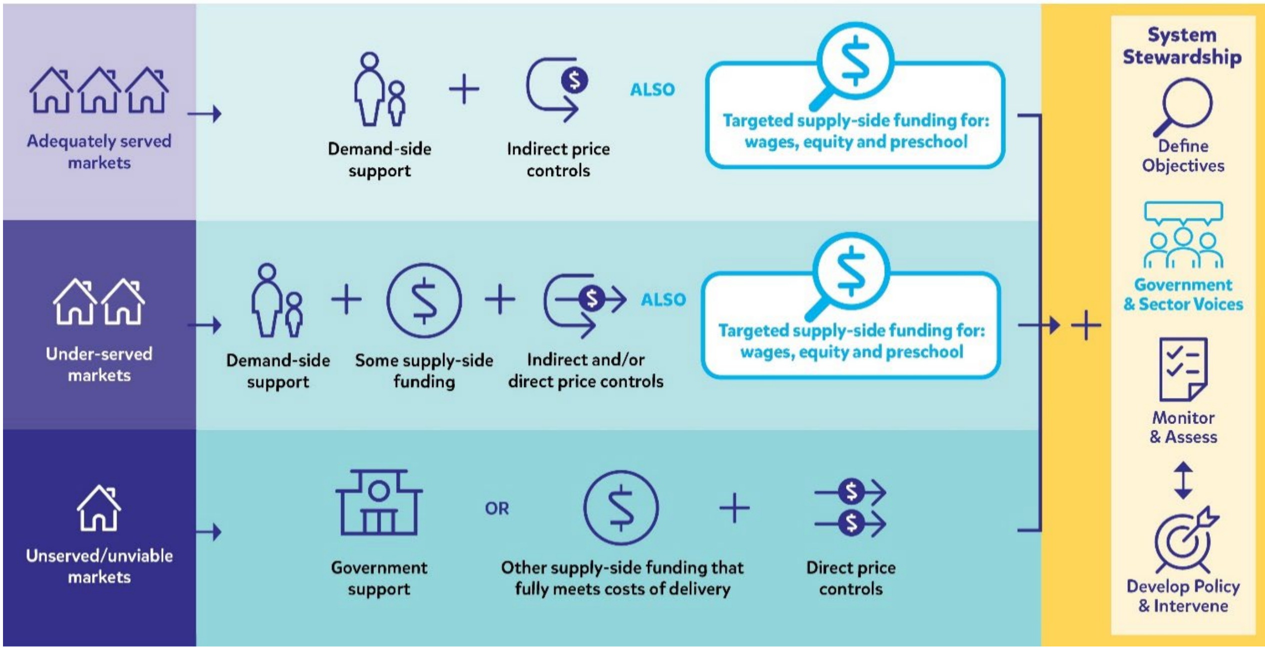
1. Define objectives for the system in line with the National Vision for ECEC: affordability, accessibility, quality and equity
2. Enable concrete partnerships and shared accountability for outcomes between governments and the sector
3. Plan and monitor implementation of reforms and assess system performance and outcomes
4. Develop financial and regulatory policy and intervene as required to ensure outcomes are achieved.

A commitment to an historic universal entitlement to ECEC for at least three days per week for all children will require active *market* stewardship to ensure that supply of places (through both infrastructure and workforce) meets increased demand. However, Goodstart considers there is also a broader stewardship role required to deliver on the National Vision for ECEC. As such, we welcome the PC's broader proposal for *system* stewardship, which is based on shared accountability for outcomes across governments, the sector and a proposed independent ECEC Commission.

Adopting a genuine system stewardship approach would make use of the various regulatory and financing levers available in ECEC across different levels of government, create new levers to monitor and report on the performance of the system against these objectives, and take action to ensure they are being met. We have considered the ACCC's infographic which complement the PC's draft findings with important additions in light blue as outlined in **Figure 1.1** over the page.

FIGURE 1.1: Goodstart's vision for a strong, stewarded ECEC system (adapted from the ACCC)

Adapted by Goodstart from ACCC Child Care Inquiry Final report Figure 1.



Roles and responsibilities in ECEC system stewardship

Goodstart supports the PC's recommendation to adopt a more formal stewardship approach, underpinned by an ECEC Commission, with the following roles and responsibilities:

- **Australian Government as lead steward**, with responsibilities as primary funder of ECEC and with dual policy responsibilities of child development and parental workforce participation
- **State and Territory Governments as co-stewards**, with responsibility for quality regulation and a role in preschool funding and delivery
- **Local Governments** to support stewardship efforts, particularly in relation to planning and supply. Local government involvement is crucial given their responsibilities for planning, as well as delivery in some jurisdictions
- **An ECEC Commission** to oversee a stewardship approach and hold state, territory and federal governments and the market accountable in relation to access (supply – both facilities and workforce with links to pay and conditions), affordability (fee and out-of-pocket cost monitoring,), quality (including but not limited to the current role of ACECQA) and equity/inclusion
- An explicit role for **ECEC providers** as a formal part of the ECEC Commission governance framework, as partners in delivering the objectives of the National Vision for ECEC, particularly in planning and providing ECEC in underserved and unserved markets.

Further detail on suggested roles and responsibilities for governments and the proposed ECEC Commission (including ACECQA's current regulatory functions) are outlined in Table 1.1.

System stewardship functions required to deliver on the National Vision for ECEC

Under a system stewardship approach, all Australian governments – underpinned by the ECEC Commission – should work together to achieve objectives for ECEC that reflect the four 'principles' of the (draft) National Vision for ECEC[1] agreed to by National Cabinet, specifically: access (supply), quality, affordability and equity (inclusion).

[1] Draft National Vision for early childhood education and care, March 2023, accessed here.

The ECEC Commission should oversee the attainment of these commitments through the activities outlined in **Table 1.1** below.

TABLE 1.1: Stewardship objectives, functions and stakeholder roles and responsibilities

<table>
<tr><th colspan="2">Access (supply)
Ensure all children have access to affordable, high quality and inclusive early learning that meets their needs, regardless of where they live, by ensuring an adequate supply of ECEC places, including the choice of high quality, not-for-profit services</th></tr>
<tr><th>Functions</th><th>Roles and responsibilities</th></tr>
<tr><td>Local market supply and demand monitoring, reporting and advice to governments, including direct regulatory intervention, with consideration to impacts of both over- and under-supply
This should include the development of a national database to monitor supply and demand for ECEC in local markets, which is updated regularly (refer GS Rec 6.1)
Workforce monitoring, planning and funding and regulatory activities to ensure there is a sufficient pipeline of teachers and educators to meet current and future demand for places, and designing and monitoring workforce initiatives, including training and sector development.
Planning and commissioning services in identified unserved and underserved markets, e.g. through alternative financing instruments, including supply-side funding, government loans and/or loan guarantees to support supply (i.e. growth) of NFP services.
Ensuring the market is meeting the needs of families in the community, e.g. ensuring supply of places for children birth to 2 years, OSHC, occasional care, flexible hours of delivery, etc.</td><td>Australian Government
Respond to ECEC Commission recommendations to support supply of ECEC places
Support supply of NFP providers in all markets
Support ECEC workforce
Ensure market meets family & community needs
State/Territory Governments
Co-fund/design/deliver with federal gov to support supply
Funding for future ECEC planning needs
Support flexible access to ECEC
ECEC Commission
Monitor and report on supply and demand
Advising on markets requiring supply-side funding and/or integrated services
ECEC workforce strategy oversight
monitor and report on market mix and areas where Local need is not met
ECEC providers/sector
Supply ECEC places, including places commissioned by ECEC Commission in underserved and unserved communities
Contribute data and information to support to local market supply and demand database and analyses</td></tr>
<tr><th colspan="2">Quality
Supporting continuous quality improvement in the ECEC system</th></tr>
<tr><th>Functions</th><th>Roles and responsibilities</th></tr>
<tr><td>Role clarity and improved coordination between local, state and federal governments in building and service planning and approvals to ensure new ECEC services have a proven track record of high quality provision
promoting high quality services and providers, particularly not-for-profit providers, including ensuring all families have the choice of not-for-profit services in their community
implementing consequences for providers with low quality service provision, particularly serial underperformers
reporting on the progress and/or attainment of quality commitments and outcomes, including activities by state regulatory authorities, e.g. frequency of quality assessment and rating processes
ensuring the workforce has the capability to deliver quality (i.e. sufficient access to ongoing professional development, upskilling etc).</td><td>Australian Government
Fund (or jointly fund) NQA component of new NPA supporting more frequent A&R and continuous quality improvement objectives.
Joint role with all levels of gov's re service approvals for quality providers and consequences for poor quality providers
State/Territory Governments
Primary responsibility for regulation of the national law
Primary responsibility for ensuring a sufficient and capable workforce to deliver quality objectives
ECEC Commission
New omnibus NPA accountability, i.e. report on frequency of A&R, etc
Previous ACECQA roles: Oversee and report on NQF performance; maintain national registers; host NQA ITS; assess and approve ECEC qualifications; award NQS Excellent ratings; and train state RA Authorised Officers</td></tr>
</table>

<table>
<tr><th colspan="2">Equity (inclusion)
Supporting universal access to high quality, inclusive ECEC for all children</th></tr>
<tr><th>Functions</th><th>Roles and Responsibilities</th></tr>
<tr><td>• Access and availability monitoring, analysis and reporting of participation and non-participation of children likely to be vulnerable
• Recommend data-informed, evidence-based strategies to support equity and inclusion, including:
o Advising on or directing government funding for services, programs or initiatives to support inclusion of all children in ECEC and that funding is adequate to address need.
o Supporting research and pilots on improving service delivery of inclusive ECEC
• Identify and recommend ways for the ECEC system to connect with the broader service system, including streamlining and better national coordination of NDIS reform responses.</td><td>Australian Government
• Funding levers – supply-side, child-level funding through Inclusion Support Programs
• CCCF funding for Aboriginal community-controlled organisations and underserved markets
State/Territory Governments
• Ensure ECEC services are connected with other State children support services
ECEC Commission
• Monitor and report on participation, advise governments on who is missing out and where, with recommendations on how to address.</td></tr>
<tr><th colspan="2">Affordability
Ensuring affordability for families and effective use of taxpayer investment</th></tr>
<tr><th>Functions</th><th>Roles and Responsibilities</th></tr>
<tr><td>• Stronger price monitoring and transparency to support comparability for families, providers and governments and to ensure indirect price controls, as recommended by the ACCC, operate as effectively as possible within local markets
• Ensuring that price constraint policies are effective (e.g. hourly rate cap is up to date, identifying and addressing ‘excessive fee increases’ and excessive profits)
• Ensuring fee subsidy programs (Federal and State) are effective in achieving their stated objectives
• Closely monitoring participation of key equity groups to ensure cost is not a barrier to access.</td><td>Australian Government
• Use regulatory levers to improve price transparency and administer consequences for non-compliance
State/Territory Governments
• Ensure fee subsides are efficient and effective in addressing objectives
ECEC Commission
• Monitor and report effectiveness of affordability mechanisms.</td></tr>
</table>

Goodstart encourages the PC to also consider aligning the Final Report’s findings and recommendations to the four principles of the National Vision for ECEC. This approach would involve elevating quality issues to a pillar in the Commission’s Inquiry Report and recognising its criticality as a system objective. It would also involve subsuming ‘flexibility’ issues into access.

GOODSTART RECOMMENDATIONS 1.1

Goodstart supports a system stewardship approach with four key objectives:

1. Define objectives in line with the National Vision for ECEC
2. Partnership and shared accountability between government and the sector
3. Plan, monitor and assess system outcomes
4. Develop funding and policy settings and intervene when required.

Goodstart recommends the PC consider aligning the four pillars in the final PC report to align with the four principles of the draft National Vision for ECEC, specifically: accessibility, affordability, quality and equity.

1.2 Legislating for a coordinated stewardship approach

RECOMMENDATION 9.1 – Improve policy coordination and implementation

The Australian, state and territory governments should form a new National Partnership Agreement (NPA) for Early Childhood Education and Care (ECEC) by 2026. The NPA should articulate the national vision for ECEC and clarify roles and responsibilities between all governments.

- *The Australian Government should remain responsible for early childhood policies in the years before preschool and for associated funding responsibilities and for the funding of outside school hours care through the CCS.*
- *State and territory governments should remain responsible for preschool, school readiness and take on the responsibility of ensuring the delivery of outside school hours care in government schools.*
- *Governments should build upon the Preschool Reform Agreement to ensure funding supports the desired outcomes, regardless of the preschool delivery model adopted in each jurisdiction.*
- *The NPA can also help to establish a more formal stewardship approach, underpinned by an ECEC Commission (draft rec 9.2).*

RESPONSE

Goodstart supports a formal stewardship approach, to deliver on a universal entitlement to ECEC for all children with federal, state and territory governments as system stewards, underpinned by an ECEC Commission. However, we consider that to ensure the security and longevity of the vision, the stewardship roles for the government, the role of the sector and the establishment of an ECEC Commission should be established in Commonwealth legislation and not through a National Partnership Agreement.

Legislation should enshrine the National Vision for ECEC, its four principles, the universal entitlement and implementation milestones. Legislation should also define the powers, responsibilities and governance arrangements for the ECEC Commission. In addition, legislative amendments should also be made to Family Assistance Law, National Law and other relevant legislation to require governments to provide data and information to the ECEC Commission in order it for it to deliver on its objectives. The current National Quality Authority IT System (NQA ITS) provides an appropriate centralised system that could be enhanced to monitor and report on objectives. Enacting these functions, responsibilities and governance arrangements in legislation are necessary for the ECEC Commission to deliver on its objectives and to effectively embed system stewardship across a federated system.

A new National Agreement

Goodstart supports in-principle the proposed omnibus Commonwealth-State agreement to clearly define ECEC objectives and clarify roles for federal, state and territory governments as system stewards. However, the agreement should not be limited to *ambitions* but to clearly set expectations, accountability mechanisms and consequences for not meeting objectives.

Goodstart recommends the PC final report recommends a National Agreement (NA) instead of a National Partnership Agreement (NPA), which would provide funding certainty and continuity, largely safeguarded from changing political agendas or budget priorities. The experience of the unexpected cessation of the NPA on the National Quality Agenda in 2018 demonstrates the uncertainty inherent in NPAs whereas National Agreements "typically contain significant policy content and act as sources of ongoing funding"[2].

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[2] Agreements, Federal Financial Relations, accessed here [Agreements | Federal Financial Relations]

Goodstart supports the proposal for the new agreement to commence in 2026 with negotiations commencing in late 2024, to be finalised in 2025. This would allow the agreement to commence immediately after the expiry of the current Preschool Reform Agreement. If a phased approach to reform is implemented, a National Agreement also ensures the National Agreement is especially necessary if a phased approach to reform is adopted, so there is reduced risk of interruptions to the agreed and planned timeline with the renegotiation or cessation of a short-term NPA.

Consistent with Goodstart's proposed stewardship objectives, we recommend the scope of the agreement:

- Reflect the four 'principles' of the draft National Vision for ECEC, which are quality, access, affordability, and equity (inclusion). This should include restating the original commitment of the National Quality Agenda and the associated NPA for continuous quality improvement
- Clearly define the policy, regulatory and funding responsibilities and contributions of each level of government
- Resolve the fragmented, uncoordinated funding and delivery approach for preschool which is a fundamental part of ensuring universal access for all children (see Chapter 3 for Goodstart's full response to Draft Recommendation 9.1).

We support in-principle the intention of agreeing a new National Agreement to 'help' establish a more formal stewardship approach. However, we recommend this is significantly strengthened in the final report to instead establish a formal stewardship approach – and the ECEC Commission – through national legislation.

GOODSTART RECOMMENDATIONS 1.2

In relation to Draft Recommendation 9.1:

1. Goodstart recommends that the National Vision for ECEC and associated principles be enshrined in State and Commonwealth legislation, including the Family Assistance Law and the NQF National Law
2. Goodstart supports in principle the proposed omnibus national agreement but recommends a National Agreement rather than a National Partnership Agreement for longevity
3. Goodstart recommends that the wording in PC final report be amended to clarify the Australian Government should remain responsible for early childhood policies in the 'early years before school,' not the 'years before preschool'
4. Goodstart recommends that governments reaffirm or renegotiate ECEC roles and responsibilities when agreeing the National Vision for ECEC and negotiating a new National Agreement.

1.3 Establishing an ECEC Commission

RECOMMENDATION 9.2 – Establish an ECEC Commission

A stewardship model – where the Australian, state and territory governments better coordinate their roles in the ECEC system and share accountability for sector outcomes – should be implemented to address some of the challenges observed in the market, coordinate a more cohesive policy response and steer the sector towards universal access. This should be underpinned by an ECEC Commission, jointly established by the Australian, state and territory governments as part of a new National Partnership Agreement (draft recommendation 9.1). The ECEC Commission should have two main functions:

- *support the Australian, state and territory governments to better coordinate and deliver ECEC policies, by providing information and advice*

- *provide a mechanism to hold the system stewards publicly accountable for achieving the objectives of ECEC policy.*
- *The ECEC Commission will require high quality data to execute its advisory and reporting functions effectively. It should have the authority to collect data from the Australian, state and territory governments, as well as mechanisms to safely store and share data between jurisdictions*

INFORMATION REQUEST 9.2 – An ECEC Commission

The Commission is seeking views on:

- *How the proposed ECEC Commission could be structured*
- *What the scope of its functions should be*
- *Whether it should include the national regulator, ACECQA*

RESPONSE

ECEC Commission powers and remit

Goodstart supports the establishment of a dedicated body, i.e. the ECEC Commission, to support consistent and coordinated policy across the ECEC system and to independently hold governments and providers to account for delivering on system objectives and commitments.

Goodstart recommends the ECEC Commission have powers and responsibilities beyond the information and advisory body proposed in the draft PC report.

As noted above, such powers should be enacted in legislation giving authority to the Commission to compel provision of the necessary data and information it needs to fulfil its system and market oversight functions. Complementary, consequential amendments should be made to the Family Assistance Law and National Law to require all levels of government to provide the required information and to respond to publications and recommendations made by the ECEC Commission within a set timeframe. In the absence of these legislated powers, there is a risk the Commission will be unable to obtain the data necessary within a reasonable timeframe to assess progress towards ECEC objectives or powers to require governments and providers to be accountable, e.g. by being required to respond to public advice, reporting and recommendations within a set timeframe.

Goodstart considers the Commission should have similar reporting powers to the ANAO, in that:

1) It can report on any matter relevant to its roles and responsibilities (i.e. the ANAO decides its own performance audit priorities)
2) Its reports <u>must</u> be tabled in the relevant Parliament within 15 sitting days <u>and</u> the response of the relevant authority must be tabled within 30 sitting days.

We recommend the new Commission builds on the existing strengths and responsibilities currently fulfilled by ACECQA but with a broader remit, greater investment, and stronger powers than the current cooperative model in which ACECQA has been established. In principle, it is not desirable to have two governance bodies, so legislative amendments should transfer ACECQA's prescribed regulatory and quality oversight functions to the ECEC Commission. (Further information regarding the role of ACECQA, below.)

Roles and responsibilities of an ECEC Commission

The PC proposes an ECEC Commission be established to fulfill two main functions:

1. Support Australian, state and territory governments to better coordinate and deliver ECEC policies, by providing information and advice
2. Provide a mechanism to hold the system stewards (and the sector) publicly accountable for achieving the objectives of ECEC policy through monitoring, review and public reporting.

Within these two functions, the ECEC Commission would be responsible for: performance monitoring of the new National Agreement on ECEC; research, monitoring and evaluation; coordinating an approach to workforce planning; exploring connections between the ECEC sector and other support services; and developing priorities for investment.

To deliver on system stewardship objectives, Goodstart proposes an ECEC Commission should also have the following responsibilities and functions, in addition to the functions ascribed the Commission by the PC:

1) Price monitoring and reporting, including advice to Government on local fees and excessive fee increases and reporting outcomes to governments, families and providers
2) Supply and demand monitoring, including monitoring provision of specific places, e.g. birth to 2 years, supporting growth and development of not-for-profit services, etc and publicly reporting findings and recommendations
3) Commissioning high quality, not-for-profit providers to supply ECEC places or specific service types (e.g. integrated services) to meet the needs of communities, particularly underserved or unserved communities
4) Absorb ACECQA quality oversight function but with increased responsibility in relation to quality service provision and NQF oversight, i.e. return to previous ACECQA functions of publicly available training or information (see PC Info request 8.3 re supporting services to meet NQS).

To fulfill these functions, in addition to public policy implementation required capabilities for the ECEC Commissioners should include: retaining the pedagogical expertise of ACECQA with strengthened capacity in areas such as demography and planning, human services market regulation and economics expertise, expertise in inclusion and equity in ECEC, including in Aboriginal and Torres Strait Islander representation, workforce planning, child and family consumer expertise.

We acknowledge that many of these functions could be fulfilled by a well-resourced government department and / or by ascribing new powers to ACECQA. However, the strengths of an independent commission are that it:

- Offers centrality and independence from government, especially in that it is not a state or federal government but oversees ECEC at the system-level view
- Establishes an authorising environment for policy, funding and regulatory recommendations/changes at all levels of government, i.e. the Australian Government cannot require/compel a state government to act outside of a national or bilateral agreement
- Provides independent oversight of price and quality transparency measures and can administer funding consequences for poor quality or excessive fees or fee increases, as needed
- Publishes reports that are available publicly and less subject to political decisions about what can and cannot be released.

The most important thing is that the body (or bodies) are well-resourced and have appropriate powers to deliver on the vision and objectives for ECEC system.

Case study: Housing Australia administers funds to commission supply

Housing Australia (previously the National Housing Finance and Investment Corporation), is a statutory independent national housing authority, established under Commonwealth legislation. They work with the private sector, community housing providers and all levels of Government to facilitate and deliver programs to increase access to social and affordable housing and home ownership.

With a mandate to bring together all levels of government, institutional investors, lenders, community housing providers, faith-based organisations, private sector developers and construction companies to facilitate and support delivery of more social and affordable housing, the strategic objectives of Housing Australia are to:

- *facilitate the sustainable growth of the community housing sector across Australia*
- *facilitate investment to increase the supply of social and affordable housing*
- *strengthen stakeholder relationships that support better housing outcomes*
- *deliver high-performance organisation practices and outcomes*
- *establish a best-practice governance regime.*

Housing Australia administers housing programs on behalf of Government via dedicated legislated facilities, including annual disbursements from the Housing Australia Future Fund. This involves calling for, and facilitating, co-investment proposals from the community housing sector to support the development of new social and affordable housing.

ECEC providers as partners in delivering on ECEC vision and objectives

Goodstart recommends the ECEC Commission formally establish a partnership with ECEC providers as part of its governance framework with the explicit objective of informing planning and delivering supply, particularly in underserved or unserved communities. A formalised partnership between the ECEC sector, the ECEC Commission and government stewards will ensure a more effective approach to increasing supply in ways that achieve the objectives of affordability, access, quality and equity (inclusion).

Goodstart recommends the ECEC Commission adopt a two-pronged partnership approach:

- Delivery partners – a small number of providers to provide design and input into planning and formal commissioning of actions to deliver on the vision, particularly in increasing supply to deliver access to under-served and unserved communities
- Provider advisory group – a sector reference group with whom the ECEC Commission consults and takes advice from on broader policy and funding proposals in relation to quality, affordability and equity.

Conducting a comprehensive feasibility study with market supply analysis in underserved and unserved markets should be the first priority for the ECEC Commission and its provider delivery partners. The supply analysis in the feasibility study will be necessary to consider the Commission's objectives and deliverables with reference to prioritisation, budgetary factors and implementation sequencing.

Provider representation in the ECEC Commission governance could be achieved in a similar way to the representation of market representatives on the Australian Energy Market Commission (AEMC) (see case study below). Consistent with the objectives of the ECEC Commission, the AEMC has responsibility for making decisions and providing advice in relation to price, quality, safety, reliability and security of supply (as well as emissions reductions). It is supported by a Reliability Panel, which extends beyond that of an advisory or reference group and instead performs important functions to ensure the market is meeting the needs of consumers. In the same way, provider representation in ECEC Commission governance could ensure the ECEC market is meeting the needs of children and families.

Case study: The Australian Energy Market Commission (AEMC)

The AEMC is an independent statutory body that governs the Australian electricity and natural gas markets, including retail elements of those markets. Its purpose is to promote efficient, reliable and secure energy markets that serve the long-term interests of customers.

As well as four Commissioners and the executive leadership team, the governance structure of the AEMC includes a Reliability Panel. Reliability panel members represent participants in the national electricity market, including small and large consumers, generators, network businesses, retailers and the Australian Energy Market Operator. The AEMC appoints members to the Panel for a period of up to three years, in consultation with industry, end use consumers and consumer groups.

The Reliability Panel:

- *monitors, reviews and reports on safety, security and reliability of national electricity system*
- *perform other functions / powers under National Electricity Law and National Electricity Rules*
- *determines standards and some guidelines used by AEMO and other market participants, which help to maintain a secure and reliable power system for consumers.*

The ECEC Commission is likely to focus on meeting the needs of underserved and unserved communities, at least in the first instance. Providers must not only be *willing* to support the ECEC Commission to deliver upon the vision but also have the organisational *capability* and *capacity*, particularly in providing access for underserved or unserved markets.

We note that investment is likely to be required to support providers with the willingness and capability to contribute, including to the feasibility study and to help deliver on the national vision. Making investments in organisations with experience in delivering high quality ECEC, particularly in underserved and unserved communities, is far more efficient and effective than governments directly delivering ECEC. Investment and support required to support the growth of the NFP sector in particular, is outlined at in Section 6.3 below.

The role of ACECQA

It should be recognised that since its establishment as a critical element of the National Quality Framework (NQF), ACECQA has made an invaluable contribution to the implementation of the National Quality Agenda and the uplift in ECEC quality across Australia. However, as part of this historic reform and strengthening of governance, Goodstart recommends an ECEC Commission takes on ACECQA's roles and responsibilities to avoid having two separate bodies both responsible for governance, accountability and/or oversight of objectives within the ECEC system.

It is important to note that ACECQA is an independent national authority that assists governments in administering the NQF; it is not a national regulator, as stated in the PC Information Request 9.2.[3] Rather, its key roles include regular NQF performance reporting, maintaining national registers of providers and services, hosting the NQA IT System, assessing and approving ECEC qualifications, training state regulatory authority authorised officers, and awarding NQS Excellent ratings. ACEQCA also has responsibility for the Government's fee and quality information website, Starting Blocks, and leads the development of the National ECEC Workforce Strategy and associated implementation plans, which are functions clearly aligned with the proposed remit of an ECEC Commission.

[3] ACECQA About Us: https://www.acecqa.gov.au/about-us

To avoid duplication of investment and oversight responsibilities, Goodstart supports an ECEC Commission being established in a way that continues the important policy and regulatory functions for which ACECQA is currently responsible, but with a broader remit beyond quality and with stronger powers. While ACECQA's reporting functions have been helpful and informative, the challenges experienced by ACECQA in driving outcomes under the cooperative model highlights the reasons why a new ECEC Commission should have stronger powers in relation to data, reporting and accountability in order to be effective. We also note there is potentially duplication between the proposed functions of the new ECEC Commission and AERO. We would encourage an approach that sees investment and research efforts for ECEC consolidated in the new Commission to ensure efficiency and appropriate attention and focus on the early years. This would also avoid duplication of effort and ensure the most efficient use of resources for the early years.

Goodstart also supports continued quality regulation by state and territory regulatory authorities, with the Commission to oversee and support quality improvement and reporting. However, moving to a true national regulator for core safety and compliance functions is not a priority for this reform process, and there is not a strong case for change, noting the significant costs and risks of such a move outweigh any potential benefits.[4]

We acknowledge there are pros and cons to different governance approaches. What is most important is ensuring that the functions necessary to deliver effective stewardship are undertaken by a body or bodies that have the necessary powers and investment to drive change to ensure the system is delivering on agreed outcomes for children, families, the sector and Government.

GOODSTART RECOMMENDATIONS 1.3

In response to Information Request 9.2 and in relation to Draft Recommendation 9.2:

1. Goodstart supports the establishment of an ECEC Commission to oversee a system stewardship approach to ECEC
2. Goodstart recommends that Recommendation 9.2 is *amended* so the ECEC Commission is established in legislation and not through a National Partnership Agreement, in order to give it the statutory powers necessary to achieve its objectives
3. Goodstart recommends that Recommendation 9.2 is *amended* to define a broader role for an ECEC Commission and explicitly ascribe it powers beyond the PC's current proposal of a reporting and advisory body, consistent with the ACCC Final Report[5]
4. Goodstart recommends the ECEC Commission assumes the roles and functions that currently sit with the independent quality authority, ACECQA, to avoid having two governance and oversight bodies
5. Goodstart recommends representation on the ECEC Commission incorporate formal partnership with the ECEC sector with the formal appointment of provider representatives as part of its governance structure.

[4] As noted in Chapter 3 – Affordability, we do not support efficient cost or price setting as mechanisms for price regulation. However, if price setting were to be implemented, it would not be appropriate for the ECEC Commission to be responsible for setting prices. Instead, this should be conducted by an independent pricing body, similar to the aged care sector model, which separates the national regulator from the pricing authority.

[5] ACCC Childcare Inquiry Final Report (December 2023), Recommendation 7.

1.4 Stewardship to deliver supply

Availability of ECEC through ECEC market management

Goodstart supports stronger governance through stronger market stewardship by governments and the ECEC Commission. This should explicitly consider the interaction in roles and responsibilities of local, state and federal governments particularly in relation to supply of ECEC in local markets.

A stewardship approach should include:

- Publicly available database on demand, supply and the needs of local markets across Australia for ECEC that is constantly updated to inform investment decisions (see section 6.1)
- Proactive public investment to ensure supply of ECEC in persistently underserved or unserved markets, including supply-side funding to complement demand-side funding or as standalone financing stream (see section 6.2)
- Proactive public policy interventions and investments to support the expansion of high quality, inclusive providers, particularly in the NFP sector (see section 6.3)
- Supporting quality by requiring providers to demonstrate proven track record of high quality provision, i.e. providers would not be able to acquire additional services until at least 95% of their current services Meet the NQS (see section 2.2)
- Improving planning and approval processes for new ECEC services to address both undersupply and oversupply including better coordination and flow of services pre-approvals and approvals with all levels of government (see section 6.4).

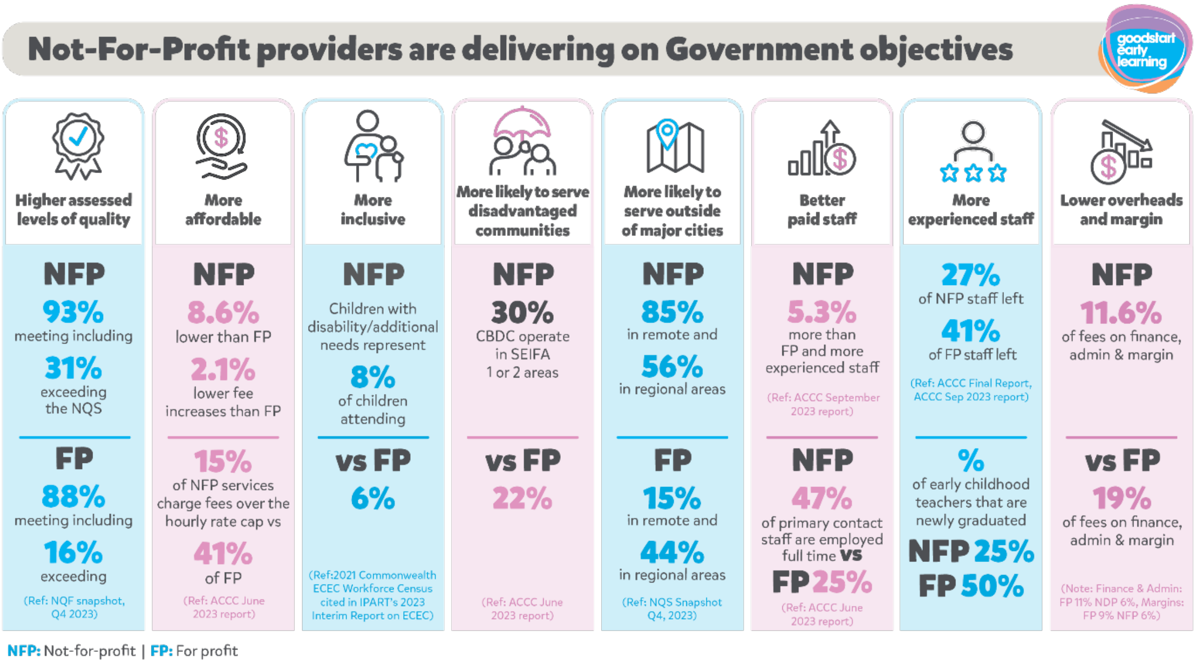
While the PC report discusses undersupply as a key issue, oversupply is a problem in some markets, and this should also be of concern to the Commission. As discussed in section 6.1, oversupply drives inefficiency for tax payers as it lowers occupancy across more centres and reduces viability, which results in higher fees as providers seek to recover fixed costs, such as labour and property costs. Therefore, over-supply can lead to higher fees, which is consistent with the ACCC's finding that 'there are higher fees in markets where there are more providers.'[6] Oversupply is also a problem in the context of workforce shortages and leads to a finite talent pool being spread too thinly across more physical services than are required to serve the community.

Goodstart proposes that the ECEC Commission monitor and report on over-supply, as well as under-supply of ECEC places. Further, planning and approval of new services should require providers to demonstrate local demand (i.e. they are not seeking to open in areas with oversupply) and that they have a track record of delivering high quality ECEC.

[6] ACCC Childcare Inquiry June 2023 Interim Report, available here.

Growth of NFP provision should be a specific stewardship priority to deliver a universal ECEC system

FIGURE 1.2: Not-For-Profit providers are delivering on Government objectives



Goodstart welcomes the interest of the Commission in considering why the NFP sector has not grown over the past decade. A more important threshold question from a policy objective, is should expansion of the NFP sector be a policy objective or not? Goodstart would argue that stewardship should include an express objective of promoting the expansion of NFP provision because NFP providers are more closely aligned with the delivery of the objectives of a universal ECEC system – affordability, quality, accessibility and equity. The evidence accumulated by the ACCC and by the State inquiries in South Australia and New South Wales have confirmed this:

- Affordability: NFP providers have lower fees and fee increases[7], are more likely to be below the hourly rate cap[8], lower overheads[9] and lower margins[10]
- Quality: NFP providers have higher quality ratings,[11] pay their educators more[12] and leading to higher staff retention[13] and more experienced teachers[14]
- Access: NFP providers are more likely to have services in regional and remote communities[15] and low SEIFA communities than in high SEIFA areas[16], and are more likely to support loss-making centres in disadvantaged communities[17]
- Equity: NFP providers invest more of their earnings to support social inclusion activities[18], support more children with additional needs[19] or who are vulnerable.[20]

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[7] ACCC (2024) Final Report p. 89, ACCC June report p. 94
[8] ACCC (2024) ibid p.76
[9] ACCC (2023) Sep. report p. 54
[10] ACCC (2023) ibid p. 130
[11] ACECQA NQF Snapshot September Quarter 2023
[12] ACCC (2024) p. 116-7 & 122; ACCC (2023) Sep. report p. 152-3 SA Royal Commission (2023) Final Report p. 69
[13] ACCC (2023) Sep. report p. 150-151
[14] ACCC (2024) Final Report p. 114
[15] ACCC (2023) June report p. 46
[16] ACCC (2023) Sep. report p. 102; IPART (2023) Inquiry into ECEC Interim Report p 127
[17] ACCC (2023) Sep. report p. 107, IPART (2023) p. 148
[18] ACCC (2023) Sep. report p. 139-140, Deloitte Access Economics (2023) Mapping Long Day Care and Non-Government preschool in South Australia report to the Royal Commission pp. 17-19
[19] IPART (2023) Inquiry into ECEC Interim Report p. 52-3
[20] Goodstart Initial Submission to the PC p. 82

The evidence base clearly shows that NFP providers are operating efficiently in delivering government objectives and meeting the needs of children and families, and are doing so more efficiently and effectively, on average, than the for-profit sector. With access to this new evidence, it is appropriate that the PC consider and make recommendations in the final report to provide policy options to Government to address barriers and provide incentives for NFP providers to grow.

As we stated in our first submission, all families should have access to high quality ECEC and we recognise there are around 1,000 for-profit services rated as Exceeding the NQS. There is a role for different ownership structures in a mixed market and a role for government delivery. However, the ACCC has provided new, strong evidence that NFP providers are, in fact, already more efficient at delivering on the broader objectives a universal system is trying to achieve. As we undertake this historic reform to move to a truly universal child level entitlement, direct intervention will be required to ensure the long-term viability and growth of the NFP sector.

There is no one-size-fits-all approach to supporting growth in high quality, NFP services but the evidence from the last two decades makes it clear that a more deliberate and comprehensive approach is needed to maintain and grow the NFP sector.

To ensure the long-term viability of the NFP sector, we propose that the Final Report recommend recognising that the growth of the NFP sector is a desirable policy outcome and should be an explicit objective of system stewardship and a deliverable for the new ECEC Commission. This should include specific targets, an investment strategy and planning provisions across all levels of Government.

Specific recommendations to address the challenges the NFP sector face in growing, including access to finance, are discussed in more detail in our response to Information Request 5.1 in Chapter 6.

2. High quality early learning

THIS CHAPTER RESPONDS TO THE FOLLOWING RECOMMENDATIONS / INFO REQUESTS	
Draft Rec 2.1	Ensure appropriate quality regulation for services outside the scope of the NQF
Info Req 2.4	Transition to school statements
Draft Rec 8.1	State and territory regulatory authorities should improve their performance reporting
Draft Rec 8.2	A new review of the National Quality Framework
Info Req 8.2	Regulatory actions against serial underperformers
Draft Rec 8.3	Ensure regulatory authorities are adequately resourced
Info Req 8.3	Support for services to meet the NQS

OVERVIEW

We agree with the PC's commentary that quality provision is paramount to the delivery of a universal early learning entitlement that will improve children's outcomes. Goodstart supports the National Quality Framework and notes the biggest barrier to delivering universal high quality is the shortage of qualified and skilled educators and teachers. To deliver a universal system additional investment in workforce pay and support for professional development is required, alongside stronger regulation for poor performers and greater transparency and consistency in relation to quality and the Assessment and Ratings process.

2.1 Support and strengthen the National Quality Framework

RECOMMENDATION 2.1 – Ensure appropriate quality regulation for services outside the scope of the NQF

An ECEC commission (draft rec 9.2) should be tasked with reviewing ***regulatory arrangements for out-of-scope services*** *receiving direct Australian Government ECEC funding to ensure they meet the needs of children. As part of this work, the ECEC Commission, with Australian, state and territory governments should undertake a process of joint decision-making with Aboriginal and Torres Strait Islander services, communities and peaks to determine the appropriate way to regulate the quality of Aboriginal and Torres Strait Islander services out-of-scope of the National Quality Framework.*

RESPONSE

Goodstart supports **Draft Recommendation 2.1** in principle to ensure that all children have access to high quality ECEC but notes that funding must also be adequate to support quality provision.

Goodstart defers to the position of SNAICC as the community-controlled peak for Aboriginal and Torres Strait Islander children on quality regulation of Aboriginal and Torres Strait Islander services outside of the NQF. In addition, Goodstart recommends that preschools in Tasmania and Western Australia should be included in the NQF, noting the Tasmanian government committed to this some years ago.

INFORMATION REQUEST 2.4 – Transition to school statements

The Commission is seeking information on the extent to which transition-to-school statements are used, their adequacy and whether they contribute to more effective transitions.

RESPONSE

Goodstart supports the use of transition-to-school statements and considers these statements to be part of a suite of tools and strategies that make a positive contribution to effective continuity of learning. These statements are a summative assessment of a child's learning and development and a key element of the Early Years Learning Framework.

Goodstart teachers in Queensland, New South Wales, Victoria and the Australian Capital Territory complete state-mandated transition-to-school statements for all funded children attending our preschool and kindergarten programs. These are shared with schools via digital portals or through paper-based reports. Teachers in other states and territories complete a Goodstart-provided transition-to-school statement that aligns with the Early Years Learning Framework. These are shared with families, who are then able to share these with their child's school.

When used effectively, Goodstart considers that transition-to-school statements do contribute to more successful transitions for children. The statements offer information about a child's social, emotional, physical and academic progress and learning across the year as well as what the family and teacher believe to be the most impactful strategies for supporting the child's transition to a new context. For most children and families, this improves the continuity of learning between the ECEC setting and the school setting.

This is particularly important for children and families that have an identified vulnerability or complex learning needs. This cohort require high quality professional conversations and documentation to be shared between the ECEC setting and the school to ensure the continuation of successful strategies, programs and information shared across key stakeholders involved in the child's education and care. Transition to School Statements are part of this important documentation.

Effectiveness could be improved with a nationally consistent approach to developing and sharing statements as well as adequate funding for teachers' time to complete and discuss the statements with both families and the local school teams. This is particularly important for families and children with complex additional needs. Goodstart's approach has been to allocate and fund 60 minutes for a teacher to write a transition-to-school statement and meet with the family to share what has been documented. This is a reasonable allocation of time for a quality report to be written and shared with a family.

GOODSTART RECOMMENDATIONS 2.1

In relation to Information Request 2.4:

Goodstart recommends improving the effectiveness of transition-to-school statements by:

1. Creating a nationally consistent approach to the statements, including in the system, approach and access; and
2. Investing in backfill through the revised supply-side preschool funding arrangements, to provide teachers with the time to complete and discuss the statements with both families and the local school teams.

DRAFT RECOMMENDATION 8.1 - State and territory regulatory authorities should improve their performance reporting

To improve the transparency of the ECEC regulatory system, all regulatory authorities should publish an annual report detailing progress against key objectives, including metrics on the number of assessments performed, average time between assessments, funding and other monitoring, compliance and enforcement activities.

DRAFT RECOMMENDATION 8.2 - A new review of the National Quality Framework

Australian, state and territory governments should, through the Education Ministers Meeting, commission ACECQA to review the National Quality Framework, with a specific focus on the way in which services are assessed against the National Quality Standard, and if assessments could be made *more accurate, consistent and efficient. NQF reviews should be conducted on a regular basis to enable regulators to incorporate feedback from ECEC providers as well as new findings from research on links between ECEC quality and children's outcomes.*

RESPONSE

Goodstart supports **Draft Recommendations 8.1** and **8.2,** that the transparency of the ECEC regulatory system should be improved by all regulatory authorities publishing an annual report detailing progress against key objectives and that the NQF should be reviewed.

The NQF was intended to be reviewed every three years. These timelines have not been met and instead, it has been reviewed approximately every four to five years.

The recommendation to improve the transparency of the ECEC regulatory system and increase the frequency and robustness of state performance reporting will be critical to the effectiveness of a system stewardship approach and to the function of the ECEC Commission, which would have responsibility for overseeing and analysing such performance reports and making recommendations in response to the findings.

2.2 Strengthen stewardship arrangements to encourage quality improvement and apply consequences for poor quality

DRAFT RECOMMENDATION 8.4 – Incentivise quality provision in new ECEC services

State and territory regulatory authorities should be required to consider the performance of a provider's existing services when making decisions on an application to approve new services from that provider, and prioritise new service approvals from higher rated providers over those with lower existing service ratings.

INFORMATION REQUEST 8.2 – Regulatory actions against serial underperformers

The Commission is seeking views about the most appropriate regulatory actions for serial underperformers, while considering the effects on families and children from more severe measures (such as service closure). Would this be best addressed by additional powers for regulatory authorities, or by regulators making more use of existing powers?

RESPONSE

Goodstart supports strong regulatory actions for serial underperforming services and to strengthen the current arrangements. On this basis, Goodstart also supports D**raft Recommendation 8.4.**

While Australia can rightly celebrate the success of the National Quality Standard (NQS) since 2010, weaknesses are apparent. After a decade of quality regulations, 12% of CBDC do not meet the NQS. In April 2023, nationally:

- 872 services were assessed as *Working Towards*.
- Of these, 337 had previously been rated as *Working Towards* and 14 rated as *Significant Improvement Required*.
- Three-quarters (75%) of these centres had not been reassessed within 12 months and 35% had not been reassessed in three years

- Further, 57 services in South Australia or Queensland had assessments that were more than eight years old.[21]

The NQF already has provisions to address services that do not meet the minimum quality standards, including for two or more consecutive assessment-and-ratings rounds. Specific actions taken in such cases can vary, but typically, they involve a combination of monitoring, support, and intervention by the state-based regulatory authority. However, state and territory regulatory bodies vary in capacity to offer supports to services.

To evolve quality ratings into a fully formed stewardship system, ratings must be consistent and regular. As a provider operating in every state and territory, we find inconsistency in assessment and ratings standards, processes and assessors both between jurisdictions and within jurisdictions. Regulators should work together more closely to ensure that assessment and ratings are consistent, both within and between jurisdictions, with ACECQA playing a formal moderating role.

There should also be stronger accountability arrangements for state and territory regulators, including transparent reporting, to ensure that assessments are conducted every three years for all services, and annually for services not meeting the NQS. This could be delivered through a new National Partnership – see Section 1.2. Goodstart considers that it is also important that families receive information about their service's assessment outcome.

For services not meeting the NQS, a *Working Towards* assessment should bring closer scrutiny while the centre should use the period between reviews to consider and update their Quality Improvement Plan, reflect on their practices, and work on the elements where change is required to meet the NQS. State regulators should be proactive in supporting services to improve their practices, particularly in low SEIFA areas.

If the service continues to fall below the minimum quality standard after consecutive assessments, Goodstart considers that regulatory authorities should take additional measures, including:

- imposing conditions on a service approval;
- directing remedial actions; and/or
- suspension or cancellation of service approvals in extremely high-risk situations.

If a service fails to meet the NQS for a third time, the regulator should consider more serious action. This may be that the provider loses their license for that service or, in cases where the service is crucial in meeting local demand, this could include more active management of the service. After three assessments, *Working Towards* should not be acceptable, unless there are exceptional local circumstances (e.g. remote service unable to attract staff).

Further, Goodstart recommends that new regulatory powers should be created to allow services to be transitioned from serial underperforming approved providers to providers with a strong track record on quality, inclusion and affordability as a management option. In addition, a provider with fewer than 95% of its services meeting the NQS should be prohibited from adding new services until the threshold is met.

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[21] ACECQA National register 12/4/2023.

GOODSTART RECOMMENDATIONS 2.2

In relation to Information Request 8.2 and Draft Recommendation 8.4:

1. Goodstart recommends the final report includes a specific recommendation focused on maintaining and strengthening the NQF with stronger regulatory action. This includes by:
    a. Including the following ECEC quality and accountability activities in the new 'omnibus' national agreement:
        i. ensure services are assessed and rated against the NQS at least once every three years, and annually if they do not meet the NQS
        ii. to work more directly with services to raise quality, especially in areas where quality is likely to be lower (i.e. low Socio-Economic Index for Areas and remote areas)
        iii. provide families with up-to-date and reliable information about service quality, including outcomes of Assessment and Rating processes
        iv. deliver transparent quarterly reporting about the reliability and consistency of assessments across and within jurisdictions
        v. implement stronger and nationally consistent consequences for services rated as working towards the NQS for two or more cycles in a row
        vi. create strong incentives for achieving excellence and sharing excellent practice.
    b. Taking the following steps when a service fails to meet the NQS two times in a row:
        i. direct supervision or administration, to bring the service up to standard or face removal of access to subsidies
        ii. imposing conditions on a service's approval
        iii. directing certain remedial action
        iv. (in extremely high-risk situations) suspension or cancellation of service approval.
    c. improving national consistency of pre-assessment engagement timeframes and the assessment and ratings process, by embedding the process in national policy and/or legislation
    d. implementing transparent and regular reporting, to demonstrate that assessments and ratings are consistent between jurisdictions
        i. in instances where it is not, address with ACECQA mandated to play a moderating role
    e. more effectively promoting service quality ratings to families; for example, every family should be informed of their centre's assessment and ratings outcomes.
2. Goodstart supports Draft Recommendation 8.2 and suggests that:
    a. new regulatory powers should be created to transition services from serial underperforming approved providers to providers with a strong track record on quality, inclusion and affordability.
    b. a provider that has fewer than 95% of its services meeting the NQS should be prohibited from adding new services until this threshold is met.

DRAFT RECOMMENDATION 8.3 - Ensure regulatory authorities are adequately resourced

The operations of the state and territory regulatory authorities that administer the National Quality Framework should be independently reviewed. This review should examine the timeliness of assessments, and whether additional funding is required to enable authorities to improve timeliness. Based on the outcomes of this review, the Australian Government should ensure additional funding is provided to state and territory regulatory authorities, to provide updated assessments within agreed timeframes.

INFORMATION REQUEST 8.3 - Support for services to meet the NQS

The Commission is seeking information and evidence about the extent to which services need more support to meet the NQS, and the types of support required. For example, would the Quality Support Program offered in New South Wales provide the type of support needed by services in other states to meet the NQS?

RESPONSE

Goodstart supports **Draft Recommendation 8.3**, that regulatory authorities are adequately resourced to administer the NQF, including increased investment to assess and rate services at least every three years, consistent with the original intention of the NQF. We also support the proposal for the operations of state and territory regulatory authorities that administer the NQF to be independently reviewed.

In response to **Information Request 8.3**, Goodstart is highly supportive of the proactive programs being delivered by the NSW Regulatory Authority, which works with providers to improve their practices. We would support similar programs being adopted in other states and territories.

Further initiatives to support services to meet the NQS should be identified by governments and the proposed ECEC Commission, as part their roles in stewarding quality within the ECEC system.

3. Affordability

3.1 Affordability and complexity should not be barriers to ECEC access

THIS CHAPTER RESPONDS TO THE FOLLOWING RECOMMENDATIONS / INFO REQUESTS	
Draft finding 9.1	A one-size-fits-all funding model would not be efficient or effective
Draft finding 9.2	Improving components of the funding model would support universal access
Info Req 9.1	Scope for broader funding reform
Draft finding 6.1	ECEC is less affordable for lower income families
Draft finding 6.3	CCS changes would reduce affordability barriers for lower income families
Draft finding 6.4	Broad based CCS changes would make ECEC more affordable for all families but come at a substantial cost to taxpayers
Draft finding 6.5	Lower income families would not benefit if the only change to the CCS were a 90% subsidy rate for all families
Draft finding 6.2	ECEC subsidy arrangements can be a barrier to access for some families
Info Req 6.1	Monitor rises in fees and out-of-pocket expenses
Info Req 6.2	Modify the Child Care Subsidy to improve affordability and access
Info Req 6.5	Potential measures to reduce CCS administrative complexity
Draft Rec 6.2	Modify the Child Care Subsidy to improve affordability and access
Draft Rec 7.3	Introduce a higher hourly rate cap for non-standard hours
Info Req 6.3	Level and indexation of the hourly rate cap
Draft Rec 6.1	Monitor rises in fees and out-of-pocket expenses
Draft Rec 6.3	Make information about CCS eligibility easy to find and understand
Draft Rec 6.4	Improve the CCS calculator on the Starting Blocks website
Draft Rec 6.5	Prompt families to update their details with Services Australia
Draft Rec 6.6	Provide better information to families about CCS withholding rates
Info Req 6.4	CCS to families with restricted residency; Assistance for Isolated Children Distance Education Allowance to preschoolers in isolated areas
Info Req 6.5	Potential measures to reduce CCS administrative complexity
Draft finding 7.5	Families do not use a significant amount of the ECEC they pay for
Info Req 7.3	Barriers and potential solutions to providing more flexible sessions of ECEC

3.2 The ECEC funding model

Draft Finding 9.1 – A one-size-fits-all funding model would not be efficient or effective

Draft Finding 9.2 – Improving components of the funding model would support universal access

Information request 9.1 – Scope for broader funding reform

The Commission welcomes views on the implications of broader funding reform in ECEC for children, families, services providers and governments, including the benefits and costs of expanding the use of supply-side funding mechanisms.

RESPONSE

Goodstart agrees with the Commission's draft findings that a mixed funding approach can efficiently and effectively underpin a universal system (**Draft Finding 9.1**).

Goodstart welcomes and supports most of the Commission's proposed reforms to improve efficiency and effectiveness of the Child Care Subsidy, Additional Child Care Subsidy, Inclusion Support Program and Community Child Care Fund, and agrees with **Draft Finding 9.2.** However, we suggest these reforms are significant and should be reframed as creating a new Universal Early Learning Benefit and complementary programs, underpinned by a new stronger stewardship approach by government.

In response to **Information Request 9.1,** Goodstart has carefully considered the potential benefits and risks associated with broader funding reform in ECEC, including expanding the use of supply-side funding mechanisms.

After very careful consideration and analysis, Goodstart supports retaining and reforming the current mixed funding model based on demand-side subsidies (the Child Care Subsidy and linked subsidies – but with new names) as the primary payment mechanism, complemented by targeted, nationally consistent supply-side funding instruments to ensure access for all children and support:

- pay and conditions (Chapter 5)
- equity and inclusion support (Chapter 4); and
- preschool programs in the two years before school (Chapter 7)
- ensuring supply in unserved and underserved markets and funding for community-controlled early childhood services for Aboriginal and Torres Strait Islander children (Chapter 6).

Reforms to these supply-side funding arrangements are necessary to ensure equity of access and national consistency (in the case of preschool funding), which Goodstart considers to be the most effective instruments to deliver on these objectives.

Critically, however, Goodstart does not support broader reform to move to supply-side funding as the primary payment mechanism. In the absence of a compelling rationale for wholesale reform, Goodstart is concerned about the risk of underfunding and undersupply that has characterised many supply-side funding models internationally, and the adverse impacts this would have on the sector and on families. Additionally, such a move would be a seismic shift and the complexity of implementation cannot be underestimated – a change on this scale would take many years and it would direct effort away from more pressing reform priorities around access, equity and workforce.

While Goodstart notes there are merits, in theory, to a supply-side funding for both providers and government, our in-depth analysis of systems and jurisdictions where such funding dominates suggests these advantages are substantially outweighed by the costs and risks.

On balance, our assessment is that stronger stewardship through policy and funding levers, along with improved targeted supply-side funding, can deliver stronger levers for affordability, quality and inclusion, and benefits of greater funding certainty without the significant potential risk associated with wholesale change to the primary payment mechanism. However, the success of a future stewardship models hangs on the willingness of the government to legislate core features of a model that can both adapt and take action to redress inequities and poor quality. These features should not be left to the vagaries of Commonwealth/State National Partnership Agreement negotiations. While central parameter-setting of this kind will be novel for the Australian Government, it is preferable to protracted negotiation with states, cost modelling, and any ongoing Australian Government responsibility as a wage and price arbiter. The legislative architecture of the NQF may also be a useful guide.

In forming this view, Goodstart considers that a full supply-side funding model:

- **Requires government to possess granular, accurate, and real-time data on costs across the sector**. There is no existing mechanism or IT platform in ECEC to collect ECEC costs robustly. As such, it would require major new data collection on an annual basis, which would be resource-intensive for providers and government. It would require significant investment from government in a new pricing authority and would involve significant additional contracting and compliance burden for government and providers
- **May not recognise the full costs of providing quality care and/or not keep pace with rising costs.** There is significant risk that cost calculations are not adequately updated in a timely way and instead an indexation rate is adopted that loses value over time, and places sector sustainability at risk. This has been the experience with supply-side funding of 'free hours' in the UK[22] and 'free ECE' in New Zealand[23] where government subsidies have not met the full costs of delivery which has forced operators to cross-subsidise 'free' hours by higher fees on 'non-free' hours, or by imposing other parent fees
- **Depends on government willingness to adequately fund quality and provide incentives to invest in quality above 'base' expectations**. Supply side funding is typically based on 'average' or 'efficient' cost calculations. Where a provider chooses to invest more in quality, inclusion or improving wages for educators, the funding system is unlikely to value that. International experience suggests supply-side models tend to underestimate the costs of delivering high-quality ECEC and/or quality is threatened when there is budget pressure on governments to save money
- **Would effectively require the Government to set educator wages** through budget decision-making processes. As with all budget decision-making, this would be political with outcomes affected by other policy and investment priorities of the government of the day. Educators and teachers in Australia's demand-side funded system are generally paid more than in the supply-side funded ECEC systems of Canada, New Zealand and England
- **Would cap supply based on funding availability (despite being designed to expand access).** Again, the international experience in ECEC shows this can lead to inadequate supply of 'public places' and risks the emergence of a two tier ECEC system with growth in a fully privatised market to meet demand
- **Would be very expensive and regressive**. Moving from a means-tested subsidy system to a flat rate supply-side funding system would come at a very high cost to taxpayers while overwhelmingly benefitting higher income families (as noted by the Commission from their modelling of a fixed $10 a day model). Such a high cost could overwhelm the opportunity to invest in more urgent priorities to deliver universal ECEC, such as improving wages, fixing the activity test, and increasing funding for equity and inclusion support
- **Is often accompanied by regulated fixed fees which present a range of challenges.** To help contain out-of-pocket impacts on families in supply-side funding models, regulated fixed-fee models have been introduced in some jurisdictions. While it can appear attractive to provide fixed and certain costs for families by regulating parent fees, the experience in Quebec suggests that a number of unintended consequences have materialised when adopted:
    - While this was successful in increasing the workforce participation rate of women, rapid growth in the system came at the expense of quality. As a result, child development outcomes stalled

[22] Institute for Fiscal Studies "Early Years Spending Update: Budget Reforms & Beyond" IFS Report R274 Sep 2023

[23] NZ childcare affordability is the worst in the world, Government discovers "Stuff" 13/11/2022 www.stuff.co.nz/national/300737191/nz-childcare-affordability-is-the-worst-in-the-world-government-discovers

- The reforms failed to generate the required increase in supply of places, and instead led to shortages. Government budget pressures stalled growth in subsidised places, while lower-quality private places outside the core subsidised system grew to meet demand. Concerningly, access to quality ECEC has not been distributed equitably across income levels with children from low-income households disproportionately using lower-quality care.[24] By 2021, Quebec's waitlist for fee-capped places exceeded 51,000,[25] while in the last five years, Quebec has generated only 15,200 new places.[26] In the same period in New South Wales (with a population slightly smaller than Quebec), 31,000 additional children were accommodated in long-day care services.[27]

Wholesale reform to supply-side funding as the primary payment mechanism could be appropriate if there were evidence of excessive fees and/or profits in the current mixed market approach to ECEC delivery. However, the ACCC stated: "*we do not observe excessive profits in aggregate across the sector*" and found increasing costs reflected in increased fees. These findings and other findings and recommendations from the ACCC indicate that the current financing approach is not fundamentally broken and wholesale reform to the financing instrument, and associated implementation costs and risks, is not justified at this time.

Goodstart notes that the Final ACCC Report also supports further consideration of the benefits and challenges of supply-side funding subsidies is the longer term noting, "*Given the challenges of direct price controls and that our analysis does not show systemic excess profit margins from 2018 to 2022, this report recommends that, as part of a market stewardship role, further consideration be given to the pros and cons of supply-side subsidies coupled with other more direct forms of market intervention, as appropriate (recommendation 8).*"

GOODSTART RECOMMENDATION 3.1

In response to Information Request 9.1:

1. Goodstart strongly supports retaining the architecture of the current mixed funding model including Child Care Subsidy (CCS) and linked subsidies as the primary financing instruments, complemented by nationally consistent supply-side funding instruments for:
    a. Funding for wages increases for ECEC educators
    b. Equity and Inclusion
    c. Preschool
    d. Supply in under-served and unserved markets and for Aboriginal community-controlled early childhood services.
2. Goodstart recommends that in addition to the reforms to the funding model that the Commission has proposed, the Commission further consider and address key gaps in their recommended priorities for investment to enable universal access to high-quality ECEC, namely:
    a. A new supply-side mechanism for full government funding of wage increases for ECEC educators (see chapter 5)
    b. A new radically enhanced supply-side equity funding mechanism (see chapter 4).

[24] Rahim Mohamed: Quebec's Child-Care Program at 25: A Scorecard 12/1/2022 www.readtheline.ca/p/rahim-mohamed-quebecs-child-care?r=4dseo
[25] Montreal Gazette (23 August 2021) *With a wait list of 50,000, Quebec announces 9,000 new daycare sports.* Accessible at: https://montrealgazette.com/news/local-news/with-a-wait-list-of-50000-quebec-announces-9000-new-daycare-spots
[26] Quebec Ministry of Family Affairs, *Development of the educational childcare network webpage*. Accessible at: www.mfa.gouv.qc.ca/fr/services-de-garde/developpement-du-reseau/Pages/index.aspx
[27] Australian Government Department of Education, *Early childhood - Quarterly childcare subsidy reports.* Accessible at: www.education.gov.au/early-childhood/early-childhood-data-and-reports/quarterly-reports-usage-services-fees-and-subsidies

3.3 Priority reforms to the Child Care Subsidy

Draft finding 6.1: ECEC is less affordable for lower income families

Draft finding 6.3: CCS changes would reduce affordability barriers for lower income families

Draft finding 6.4: Broad-based CCS changes would make ECEC more affordable for all families but come at a substantial cost to taxpayers

Draft finding 6.5: Lower income families would not benefit if the only change to the CCS were a 90% subsidy rate for all families

RESPONSE

While noting the Commission's modelling for the draft report was preliminary only, Goodstart agrees with the Commission's headline assessment on changes to subsidy arrangements that will deliver the highest return on investment, namely:

- relaxing the activity test to support access to up to three days subsidised ECEC for all children and
- increasing the maximum rate of CCS to 100% for low-income families (**Draft Finding 6.3**).

Goodstart also agrees with the Commission's findings that alternate broad-based CCS reform options – namely, increasing CCS rates to 90% for all families or a $10 a day fixed fee model, would involve significantly higher levels of investment that would disproportionately flow to higher income families and in some options deliver no additional assistance to low-income families and also deliver no substantial increase in workforce participation (**Draft Finding 6.4 and 6.5**).

We agree with the Commission that these models do not deliver best 'bang for buck' in terms of the benefit of additional participation in ECEC and workforce versus the cost of additional subsidy and would be regressive. Goodstart considers that there are higher relative investment priorities at this time, namely ensuring vulnerable children can receive the benefits of high quality ECEC and substantially reforming inclusion support, fixing wages for ECEC educators and increasing financial support for low-income families.

We note that the Commission has not yet modelled changes to CCS rates for families with household incomes above $80,000 but there will be flow-on impacts of increasing the maximum rate which will also improve affordability for other families.

Goodstart also contends that resetting the CCS hourly rate cap – using a fee benchmark approach consistent with the original methodology for setting the cap (2018) – would deliver significant affordability benefits. This change is a priority recommendation and Goodstart recommends that the Commission include this change in their modelling for the final report.

Goodstart's detailed response to the Commission's recommended changes to the Child Care Subsidy and information requests are in the sections in this Chapter.

GOODSTART RECOMMENDATIONS 3.2

In considering Draft Findings 6.1, 6.3, 6.4, 6.5 and Information Request 9.1:

1. Goodstart strongly supports the Commission's priority reforms for improving ECEC affordability, which prioritise increased assistance to lower income families where the ECEC and workforce participation benefits are strongest, specifically:
    a. Relaxing the activity test to support universal access to three days subsidised ECEC
    b. Increasing the maximum CCS rate to 100% for low-income families.
2. Goodstart also recommends the hourly CCS rate cap be reset using a fee benchmark (e.g. the median + 17.5% methodology applied to the CCS or 85th percentile of fees), as it is a key lever to improve affordability, and recommends the Commission include this policy change in its final report.

3.4 Recommended changes to the Child Care Subsidy to improve affordability

3.4.1 The CCS activity test and subsidised hours

Draft Recommendation 6.2 [Part 1] - Modify the Child Care Subsidy to improve affordability and access

All families to access up to 30 hours or three days of subsidised care per week without an activity requirement.

Information request 6.1 – Potential modifications to the activity test

(1) The Commission is seeking views on the costs and benefits of options to modify the Child Care Subsidy activity test. Draft recommendation 6.2 would relax the activity test to allow all families to access up to 30 hours of subsidised care a week (60 hours per fortnight) regardless of activity, providing a step towards universal access. Options for the levels of activity that should be required for hours above 60 hours of subsidised care per fortnight could include:

- *retaining the current activity test for hours of care over 60 hours per fortnight. This would allow 60 subsidised hours for all families, up to 72 hours of subsidised hours for families with 16 to 48 activity hours per fortnight, and up to 100 hours of subsidised care for those with more than 48 activity hours*
- *simplifying the number of activity test tiers further by allowing 60 subsidised hours for all families and up to 100 subsidised hours for those with more than 48 activity hours*
- *simplifying the number of activity test tiers by allowing 72 subsidised hours for all families and up to 100 subsidised hours for those with more than 48 activity hours.*

(2) The introduction of a modified activity test could also be phased, for example, starting with lower income families, in order to allow time for supply to respond to increased demand and to evaluate the effects of the change before relaxing the activity test more widely. The Commission is seeking views on the costs and benefits of a phased introduction, and which cohorts of families would benefit most from being able to access a relaxed activity test earlier.

RESPONSE

Goodstart endorses and welcomes the Commission's recommendation (**Draft Recommendation 6.2**, **part 1**) to relax the activity test to allow all children to access three days a week of subsidies ECEC without an activity requirement.

Goodstart, along with many other early childhood providers, professionals and development experts have been deeply concerned about the adverse impacts on vulnerable children of the reforms to tighten the activity test in 2018.

It would be preferable to completely remove the activity test, as it is mechanism that sends the wrong signal. The introduction of the complex and restrictive activity test in 2018 was not evidence based and sent a message that (mostly) women were offloading children to childcare even when they do not 'need' it. The reality is that early education is a productivity multiplier – rationing access to ECEC based on parental work patterns impoverishes the economy as much as individual children.

While Goodstart's policy position remains that the activity test should be abolished entirely, an entitlement to three days a week of subsidised, quality ECEC for all children is a critical reform fundamental to universal access and is strongly supported. This change alone would be historic and should form the foundation of a new Universal Early Learning Benefit for all children in Australia aged five and under.

In response to Information Request 6.1, Goodstart supports the Commission's third proposed option - 72 subsidised hours for all families and up to 100 subsidised hours for those with more than 48 activity hours. Goodstart considers that *up to* 72 hours of subsidised care (rather than 60) is required to deliver a three-day entitlement on the basis that many CBDC sessions are offered as 11- or 12-hour sessions.

Goodstart's experience is that families accessing 11 or 12- hour sessions do so because they require and value flexibility – they are effectively purchasing a window of time, rather than a fixed number of hours of access. Our attendance data also shows that most families enrolled in centres with 11 or 12-hour sessions do use the early morning or late drop off, usually to meet work commitments. Over a representative four-month period in 2023, of the Goodstart families attending 11 or 12-hour sessions:

- 46% used an early drop off within the first hour of opening
- 57% used a late pick up within an hour of closing.

If only 60 hours were subsidised, families enrolled at these centres on a minimum hours CCS entitlement would have to pay full cost for any hours above 10 hours and/or centres that currently offer 11 or 12-hour sessions may reduce their session lengths, which would negatively impact families who need it. Offering the flexibility of early starts and late finishes is a positive feature of the current system and should be retained.

A simplified 'one step' activity test where families report *once* if they need more than three days would reduce the administrative burden on families and government. Goodstart considers there would be limited additional cost associated with this change given the evidence that families only use what they need.[28]

Goodstart notes the Commission's consideration of a phased introduction of a three-day entitlement with no activity test. Goodstart considers that changing the activity test is an urgent reform which should not be delayed – over the past six years more than 42,000 children experiencing vulnerability across Australia have missed out on the benefits of quality early learning.

A universal entitlement will lead to increased demand over time, therefore the most critical reform to ensure adequate supply of places will meet demand is to fix wages for ECEC educators. We encourage the Commission to consider stronger recommendations on government funding for wages in their final report (see Section 5.1).

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[28] ACCC September Interim Report, p.178.

GOODSTART RECOMMENDATIONS 3.3

In response to Draft Recommendation 6.2 [part 1] and Information Request 6.1:

1. Goodstart supports relaxing the activity test to allow all families to access up to three days a week of subsidised ECEC through a new Universal Early Learning Benefit without an activity requirement.
2. Goodstart supports an entitlement of up to 72 hours a fortnight with no activity test, noting that many families require and value the flexibility provided by 12-hour sessions. We also support up to 100 hours a fortnight for families with more than 48 activity hours.
3. Goodstart recommends urgent implementation of changes to the activity test as a priority reform.

3.4.2 Increased CCS rates and tapers

Draft Recommendation 6.2 [Part 2] - Modify the Child Care Subsidy to improve affordability and access

Families with annual income at or below $80,000 should be eligible for a subsidy rate of 100% of the fee, up to the hourly cap.

Related Information Requests

INFORMATION REQUEST 6.2 – Child Care Subsidy taper rates

The Commission is seeking views on how Child Care Subsidy taper rates could be designed if the top rate of subsidy was increased to 100% of the hourly rate cap, as proposed in draft recommendation 6.2. This includes options to adjust taper rates for the Higher Child Care Subsidy, available to families with multiple children aged five or younger in ECEC who are eligible for a subsidy.

INFORMATION REQUEST 6.5 [Part 1] - Potential measures to reduce CCS administrative complexity

The Commission is seeking views on the costs and benefits of potential measures to reduce Child Care Subsidy (CCS) administrative complexity. These may include:

- streamlining the Higher Child Care Subsidy rate to be more aligned with the CCS rate over time.

RESPONSE

Increasing the maximum rate of Child Care Subsidy to 100%

Goodstart supports increasing the maximum rate of CCS to 100% (up to hourly cap) for families with household income up to $80,000 (**Draft Recommendation 6.2, part 2).** Subject to the hourly cap being reset and indexed by an appropriate methodology (see Section 3.4), this change would make ECEC free or almost free for 30% of families.

This change would be an important part of a reform package by ensuring affordability is not a barrier to access for low-income families.

To support the intention of the Commission's recommendation to make ECEC free or almost free for low-income families – Goodstart also recommends the Commission consider and recommend that the 5% withholding amount (at least for low-income families) be abolished. Families on low incomes are managing their budgets week to week, and 'free' does not feel free if you still have a co-payment. The Commission's **Draft Recommendation 6.5** to enhance Services Australia prompts to families to report income changes would complement this change.

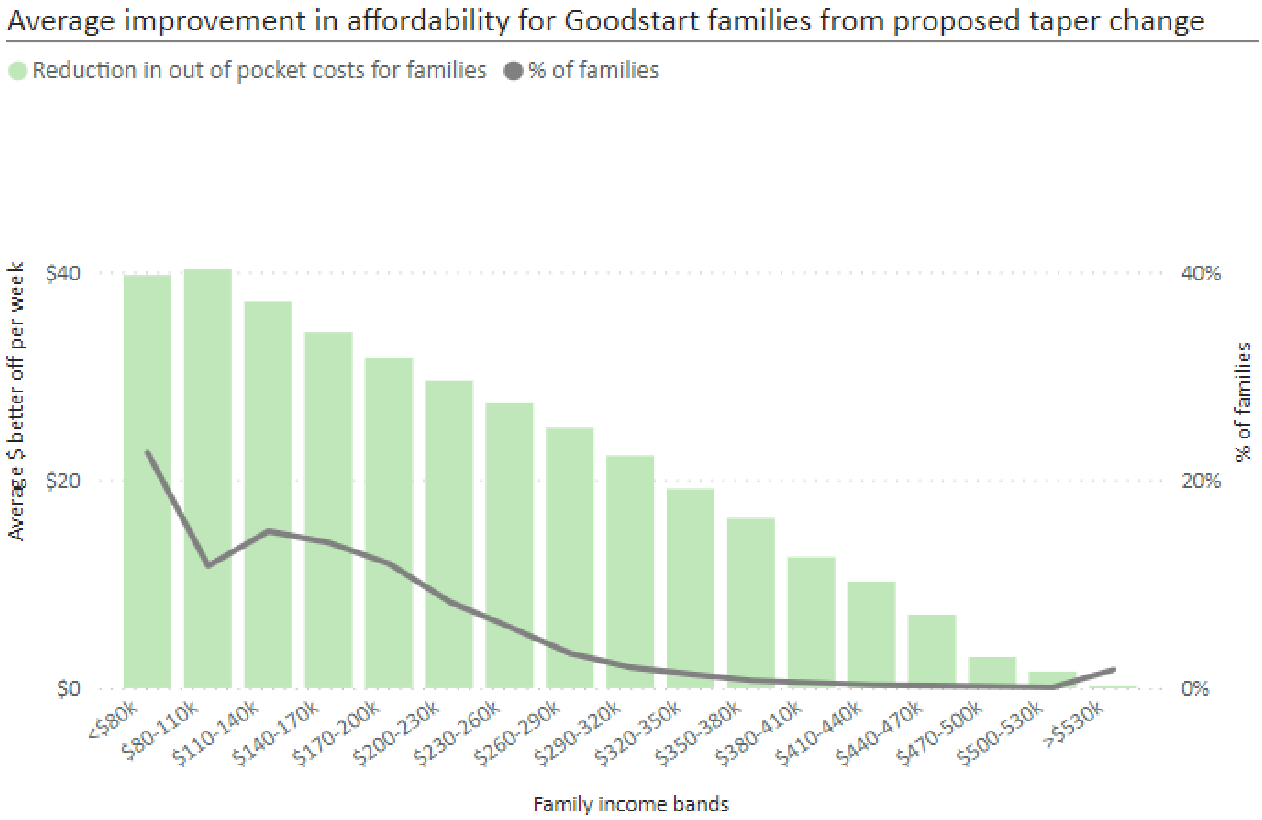
Goodstart notes that the remaining 70% of families would still have an out-of-pocket cost for their ECEC, which would maintain downward pressure on fees through local price competition. Maintaining income testing is also more affordable for taxpayers and ensures additional investment is directed where it is likely to have the biggest impact in terms of improved outcomes for children and workforce participation as per the PC's draft findings at 6.1, 6.3 and 6.4.

CCS taper rates

In response to **Information Request 6.2**, Goodstart's recommendation is that CCS rates taper gradually from $80,000 household income to the current income cut-out of around $530,000. This would involve a change in the current CCS taper rate from a 1% reduction for every $5,000 in income to a 1% reduction for every $4,500 in income (Goodstart's proposed taper).

As demonstrated in the graph and table below, the benefit of this approach is that all families currently eligible for CCS would be better off because they are receiving a higher CCS rate, but the greatest benefits are delivered to lower and middle-income families who currently spend the highest shares of their disposable income on ECEC costs.[29]

GRAPH 3.1: Distributional benefits of Goodstart proposed taper



[29] To support our analysis of likely impact of the Commission's recommendations, Goodstart has modelled impacts based on our current families and attendance patterns. A full list of assumptions for the model is at Appendix A.

TABLE 3.1: Distribution of benefit of Goodstart proposed taper – no other policy changes

Family Income	<$80k	$80k - $110k	$110k - $140k	$140k - $170k	$170k - $200k	$200k - $230k	$230k - $260k	$260k - $290k	$290k - $320k	$320k - $350k	$350k - $380k	$380k - $410k	$410k - $440k	$440k - $470k	$470k - $500k	$500k - $530k	>$530k
Average $ better off per week ($)	$40	$40	$37	$34	$32	$30	$27	$25	$22	$19	$16	$12	$10	$7	$3	$2	$0
% of families (%)	23.0%	12.0%	15.0%	14.0%	12.0%	8.3%	5.8%	3.4%	2.0%	1.3%	0.7%	0.5%	0.3%	0.2%	0.2%	0.1%	1.8%

While a taper rate of 1% for every $4,500 income is still significantly more generous that the taper rates in place before the 2023 Cheaper Childcare reforms were introduced[30], Goodstart notes that extending CCS eligibility to families with household income up to $530,000 was a key commitment of the current Government and it has only recently commenced. Any further tightening of the taper would see families lose eligibility to CCS.

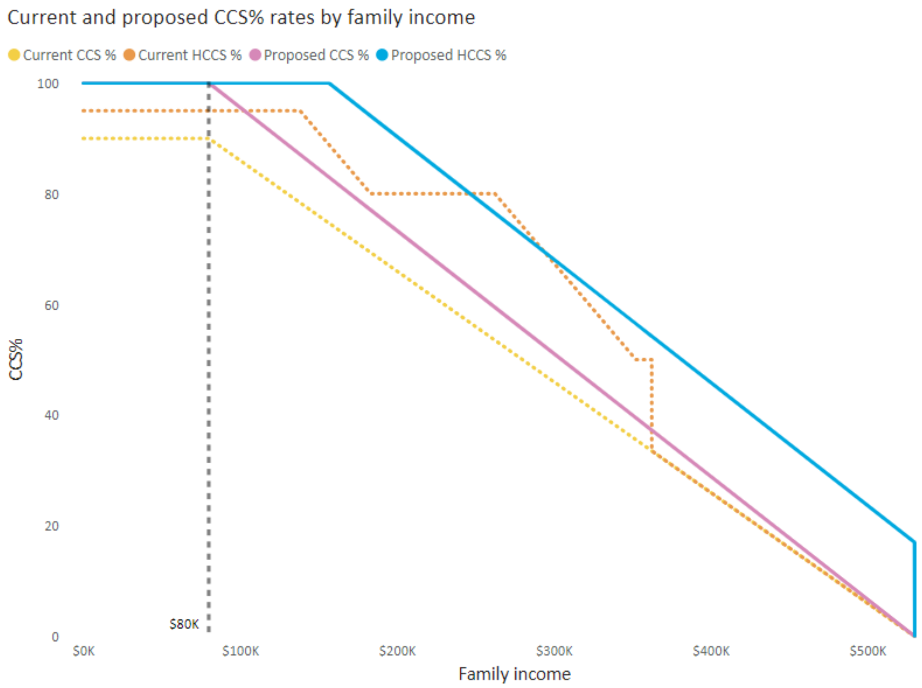
Goodstart also notes that taper arrangements for any form of government assistance are inevitably subject to 'optioneering' and modelling as even small changes can have significant cost implications and family impacts. As such, Goodstart recommends that any changes to subsidy and taper rates l should consider the following design features:

1. **Increased financial support for low-income households** to direct Government investment where generate the largest return. Children from low-income families benefit most from ECEC but attend least, and low-income families are most responsive to changes in net child care costs when making ECEC and workforce participation decisions. The Commission's recommendation to increase the maximum rate of CCS to 100% for families up to $80,000 is sound in this regard and should be maintained
2. **Maintain gradual taper rates that sustain workforce incentives particularly for low-income families who are most responsive to EMTRs**. A gradual taper rate should be retained. Cliffs in subsidy rates for lower income families (such as in the Scenario Two in the Commission's preliminary modelling from the draft report) should be avoided. Sudden drops can discourage parents from increasing work hours or seeking better-paying employment and can result in significant over or underpayments for families with fluctuating income. Avoiding sudden cliffs in taper rates helps prevent situations where families are more than marginally worse off due to earning slightly more
3. **Balanced targeting of payments with participation incentives as f**amilies with higher incomes are less sensitive to child-care costs when making decisions about workforce participation decisions and ECEC participation decisions. Taper rates should ensure that secondary income earners at all household income levels should not face unacceptably high EMTRs from taking on additional work
4. **Simplicity** – complexity in rates and tapers (for example 'kinked tapers') can make it hard for families to understand their entitlements

NB: Goodstart supports maintaining income testing on the combined family taxable income. Visualisation of proposed taper follows.

[30] Taper rates pre-July 2023 were 1% for every $3000 income, which resulted in a CCS income cut off at $356,756 p.a.

GRAPH 3.2: Current and proposed CCS percentage rates by family income



Higher child care subsidy

Goodstart agrees with the Commission's assessment (p. 384) that the current situation whereby the HCCS rate is no longer linked to the CCS rate creates additional complexity in the system. In response to relevant parts of **Information Requests 6.2 & 6.5**, Goodstart recommends that the HCCS rate is aligned to the CCS rate with a loading, with a smooth (rather than kinked) taper that follows the CCS taper. To ensure families currently receiving HCCS are not worse off, Goodstart suggests that the HCCS rate carry a loading at least 17% higher than the CCS rate. This would mean that families with more than one child aged birth-5 would receive a 100% HCCS for second and subsequent children on incomes of up to $156,500, tapering down to 17% at $530,000.

GOODSTART RECOMMENDATIONS 3.4

In response to Information Request 6.2, Information Request 6.5 [Part 1] and in relation to Draft Recommendation 6.2 [Part 2]:

1. Goodstart supports increasing the maximum CCS rates to 100% for families with household income up to $80,000
2. Goodstart also recommends abolishing the 5% withholding amount (at least for low-income families) to deliver the full benefit of the proposed CCS rate increase to families throughout the year, while enhancing Services Australia prompts to families to report income changes
3. Goodstart recommends a gradual taper from $80,000 that retains the current income cut out for CCS at around $530,000. This would involve a revised, slightly steeper taper rate of 1% reduction for every $4,500 in income
4. Goodstart recommends aligning the HCCS rate with the CCS rate and taper with a 17% loading to ensure no family is worse off, overall
5. Goodstart recommends renaming the subsidy to the Universal Early Learning Benefit (or another similar name that reflects the primary purpose of the subsidy is to support universal access to early education).

3.4.3 The hourly rate cap – resetting and indexation

Draft Recommendation 6.2, remaining parts

In addition, the Australian Government should review the hourly rate cap associated with the Child Care Subsidy, and set a new cap based on the average efficient costs of providing ECEC services. This should include consideration of a higher hourly rate cap for non-standard hours (draft recommendation 7.3).

The hourly cap should be reviewed every three years to ensure it continues to reflect costs (in conjunction with other work mentioned in draft rec 6.1).

In between these reviews, the hourly rate cap should be indexed at a rate that best reflects changes in the costs of provision such as wage indices or CPI.

Linked Recommendation 6.1

(1) The Australian Government should monitor changes in fees and out-of-pocket expenses on a regular basis to identify services where movements are out of step with sector norms. Increases that vary markedly should prompt closer investigation, and a regulatory response should be considered if they are not reasonable.

(2) To inform judgements about what reasonable increases might look like, the Australian Government should commission a detailed investigation of costs and profits across the sector every three years, along the lines of the work that the Australian Competition and Consumer Commission has been undertaking. This work would also signal if the hourly rate cap needed to be reset.

Draft recommendation 7.3

The Australian Government should raise the hourly rate cap for ECEC delivered during non-standard hours. In designing the higher rate cap, the Australian Government should ensure:

- *families are required to provide evidence that both parents work non-standard hours to access the higher rate cap*
- *the higher rate cap is only available during non-standard hours, with the definition adopted in the Children's Services Award (weekdays before 6.00am and after 6.30pm and weekends) offering a useful anchor point (but is not available if services offer care for a short period either side of standard hours)*
- *the higher rate cap is applied to all service types, although different rates should be set for each service type to reflect differences between them in costs of provision.*

The higher rate cap should be set based on the costs of providing early childhood education and care during non-standard hours and subject to regular review and indexation as outlined in draft recommendation 6.2.

Information request 6.3

The Commission is seeking information on how the level and indexation of the Child Care Subsidy's hourly rate cap could be adjusted to better reflect costs of provision over time, including a higher hourly rate cap for non-standard hours, as proposed in draft recommendations 6.2 and 7.3.

RESPONSE

Resetting the hourly rate cap is justified….

Both the ACCC and the Commission have found that CPI indexation of the hourly rate cap has failed to keep pace with delivery costs, largely due to rising labour costs which contribute to 69% of total costs in CBDC, running significantly higher than CPI.

In this context of unavoidable cost increases, it is unsurprising that more services are now changing fees above the hourly rate cap and the proportion of CBDC services with fees above the hourly rate cap has increased from 13% to 22% between 2018 and 2022.

Goodstart strongly supports resetting the cap to preserve the value of CCS entitlements for families attending a service with a fee above the hourly rate cap.

…. but changing the methodology for setting the cap is not justified

As noted in the Commission's draft report (p. 368), the intent of the hourly rate cap was to provide some downward pressure on fees by sending a strong message about what a 'high fee' service is while allowing variability in fees. In line with this original intent, the CCS hourly cap was set based on a fee benchmark of average fee + 17.5% (which fell at around the 85^{th} percentile of fees charged nationally).

The ACCC has concluded that, as an indirect price control, the hourly rate cap is likely to have a limited effect in placing downward pressure on prices, but also concluded that there is 'limited price sensitivity….in households consuming childcare services' (p. 229) in any regard. The ACCC also identifies opportunities to improve price transparency for families which may improve the effectiveness of local markets and the hourly rate cap by making it easier for families to compare prices. The ACCC then focuses its attention on the *adequacy* of the hourly rate cap as it impacts on affordability and recommends that the cap be reset and appropriately indexed, so fewer families experience fees above the cap.

Goodstart agrees with the ACCC's findings but notes it is does not provide a rationale for changing the methodology to move to an average efficient cost approach for determining the hourly rate cap which would result in reducing it from the current level. The ACCC has not calculated an 'efficient cost', but the average costs they have published are all lower than the corresponding hourly fee cap for the period: an average hourly cost of $11.78 for large for not-profit providers and $11.64 for large for-profit – around $1 *lower* than the corresponding hourly rate cap for the period of $12.74. [31]

A reduced hourly cap could be justified if there were evidence of profiteering or widespread excessive fees, but the ACCC found that:

> *"Most childcare entities or businesses do not appear to be making excess profits, and approximately 25% of childcare providers structured as companies are making almost no profit or suffering a loss."*

And also…

> *"Costs for large providers providing centre based day care grew faster than inflation between 2018 and 2022, increasing by 27% over the period... We note that our June interim report found that centre based day care fees had increased by 20% across all services between 2018 and 2022."*

The ACCC acknowledges (p. 301) that there is limited scope for services to charge lower fees given cost increases. In this context, reducing the hourly rate cap would not lead to reduced fees – it would just lead to higher out-of-pocket costs for families, noting that providers have limited scope to reduce costs and ECEC services have a high proportion of fixed costs.

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[31] Based on the ACCC's analysis, an even lower average cost could be derived based on average fees charged less average margin.

A fee-based methodology for resetting the cap should be maintained……

Goodstart considers that the original fee-based methodology of average fees + 17.5% for setting the cap remains a balanced approach to ensure that the cap does not become an impediment to affordability while also proving some constraint on outlays for Government and price signals for families. The key benefits of this approach are:

1. *Efficiency* – a benchmark based on fees charged (rather than a cost determination) is simple to administer and the data is already available and reported in real time
2. *Equity* – maintaining the fee benchmark above the national average recognises that ECEC fees vary due to a range of factors (including location, age of the child, session length) and ensures the vast majority of families receive their full CCS entitlements
3. *Effectiveness* – a benchmark based on fees charged is likely to have greater effectiveness within local markets if implemented alongside stronger price transparency measures and indirect price regulation through reporting to families.

Goodstart recommends that this methodology should be applied for the proposed review and reset of the cap. If the current cap was reset to average fees + 17.5% this would increase the current cap from $13.73 to $15.04 per hour (based on available information – see Appendix A). For Goodstart families this approach would have the following positive benefits:

- 37% of Goodstart families would be $17 a week better off on average, mostly families accessing nursery and toddler places, those currently using shorter sessions due to activity test restrictions and / or families in markets where the fixed costs such as rent are higher
- Every centre in the Goodstart network has multiple low income working families enrolled[32] and, across our network, these families would be $19 a week better off (on average)
- Low income families in higher cost markets would be the greatest beneficiaries, this often includes low income families living in high SEIFA areas characterised by high property costs
    - For example we have several very low income families attending our Bondi Junction service in Sydney which has fees above the hourly rate cap reflecting the high rental costs, and above average labour costs to attract and retain educators
    - Based on their current attendance patterns, low-income families at our Bondi Junction centre would be $41 a week better off on average with the hourly rate cap methodology we propose.

There would be significant costs and risks from an efficient cost approach.

The Commission has proposed resetting the hourly rate cap based on an 'average efficient cost' to be calculated from the ACCC database of costs for ECEC services (**Draft Recommendation 6.2**). The Commission has provided limited published rationale for this change other than a general reference to the benefits of 'productive efficiency' (p. 399). Goodstart notes that the ACCC Inquiry has not raised concerns about the efficiency of the ECEC sector operations.

[32] Low income = <$80,000 combined family income, for full methodology, see Appendix A.

Goodstart does not support this proposed approach. There are substantial costs and potential risks associated with an efficient cost methodology including:

1. **The use of a cost-based methodology is extremely resource intensive and complex, it is costly and can have negative unintended consequences**

Calculating an efficient cost is a highly technical, data and resource intensive exercise that would likely require a new independent authority to develop a methodology and annual cost determination. For example, in public hospital funding and aged care funding efficient prices are determined by a highly complex process by the Independent Health and Aged Care Pricing Authority (IHACPA). Unlike ECEC, robust data collection has been a feature of health systems since the 1980s. IHACPA's net resourcing budget for 2023-24 was around $60m and it is supported by a complex and bespoke IT and reporting system. An efficient cost methodology also requires an annual price setting process based on large amounts of data inputs, placing significant administrative burdens on the sector.

Implementing a cost-based methodology is likely even more challenging in ECEC than other sectors as the sector is highly fragmented and robust cost data is simply not available. The Commission's suggestion that the ACCC cost database could be used as the basis to determine a robust efficient cost is not practical, as the ACCC itself notes the limitations with current data availability:

> *"The cost information presented in this report is not intended to be comprehensive, but rather represent typical costs incurred by providers of different service types, size and profit status. We obtained cost information in a manner that would best facilitate this analysis in the limited 12-month time period we have to report. We note that due to the significant number of providers of childcare services in Australia, and the differences in record keeping and cost allocation noted above, obtaining a comprehensive, detailed, and consistent cost dataset is an extremely significant and time-consuming exercise."* (ACCC Draft Report, p 41).

In a highly fragmented market with lots of small owner operated businesses, this would place proportionally more burdensome requirements on providers in the ECEC sector.

Notwithstanding the lack of available robust cost data, the methodological complexity of assessing 'efficient' costs for ECEC is an even more vexed issue and would include:

- **Determining what is included in a definition of efficient cost:** This would include assessing what level of investment on equity and inclusion, quality measures like staff professional development and programming time and wages for ECEC educators to attract and sustain a professional workforce is determined to be 'efficient', particularly considering the ACCC's findings that services with higher pay for educators have lower turnover
- **Treatment of property costs:** Property costs are the second biggest driver of costs and not included in hospital or aged care activity-based funding, but are significant issues in the ECEC sector, especially when additional supply is required to meet projected demand
- **Treatment of surplus / profit:** Similarly, provisions for surplus / profit are not included in hospital or aged care activity-based funding, but are significant issues in the ECEC sector, where all providers need to generate a surplus to remain financially viable
- **Dealing with variation in cost structures**: This would require the development of robust weightings / loadings for cost variations in a sector that provides a wide range of services offered by different providers and the differential cost associated with providing them (e.g. size of service, length of sessions, specialised programs, equity and inclusion, NFP vs. for-profit).

The ACCC also considers this complexity risk and states:

> *"There is a risk that the methodology and process for determining an efficient cost of service (to set the regulated price) becomes increasingly complex over time, for example variations by the characteristics of the child or nature of service delivery or location and premises. This complexity can have unintended consequences."* (ACCC Final Report, p 223)

By contrast, the Australian Government already efficiently and effectively collects real time fee data from providers, which is always up to date. The ACCC has not found evidence of excessive profits in ECEC. Providers set fees based on their best judgements of what costs will be and adjust as required. Collection of fee data is more time efficient, more resource efficient and more directly related to affordability than complex collection of historic cost data.

2. There are considerable risks for families and the system if 'the cost' is wrong, or does not address service-level cost differentials

The stakes are very high for getting the efficient cost 'right' in ECEC. Unless unavoidable cost variations at the service level (e.g. geographic location, regulatory differences, occupancy rates, labour mix) are addressed through the cost model weightings then some services will simply not be able to deliver at the efficient cost.

In public hospital funding where efficient cost methodology is most mature in Australia, services are free to consumers. This means, if a hospital cannot deliver for the efficient cost they have been funded on, there is no financial impact on patients but, rather, on the public hospital finances. Of course, public hospitals are also public entities that operate financially as part of their respective state government's budget frameworks and routinely receive annual budget supplementation outside of funding linked to the Activity Based Funding informed by the efficient cost.

This is very different to the mixed market ECEC sector, where providers must deliver a surplus to remain solvent, and cannot rely on government budget supplementation to address shortfalls. In ECEC, if a provider cannot deliver at the efficient cost due to unavoidable cost premiums in their local market, consumers (families) will have to pay the gap.

Regardless of the methodology used (cost or linked to fees), a cap linked to 'an average' would have adverse impacts on families, providers and the system.

Goodstart also does not support benchmarking the hourly rate cap to average costs (or fees), as:

3. ECEC does not have the required characteristics for an average cost or price to be effective

The justification for using an average as an efficient price is that for goods and services with <u>clearly defined qualities and characteristics,</u> an average price can be used to encourage improvements in productivity. However, in markets such as ECEC that are characterised by variable quality and cost variations, higher costs and prices are often a reflection of higher quality and more inclusive provision, and the implementation of an average cost or price punishes those providers committed to improved child outcomes and development, continuous improvement and innovation. It would particularly punish NFP providers who have higher labour costs because they pay staff moderately above award rates and more experienced staff.

4. An average fails to account for unavoidable cost variation leading to higher out-of-pocket costs for many families

The original setting for the fee cap was to expressly target the highest 15% of fees charged and deliver better affordability outcomes for the majority of Australian families. Shifting to an hourly rate cap linked to average costs (or fees), does not recognise unavoidable cost variations between communities or centres, and will leave families in above average fee markets worse off.

ECEC services operate within local markets, with significant variation in daily fees nationally from $63 per day for a long-day care service in Coffs Harbour to $219 per day at premium ECEC services in a very small number of communities.[33] However, fees within local markets are more tightly grouped – reflecting local cost drivers and local market competition. The ACCC found that fees in local markets were priced close to the ***local*** market average, with 90% of local markets (SA2 level) presenting a standard deviation in fees of less than $1.50.[34] This low price variation within local markets means families have limited options to 'shop around' to reduce their early learning costs.

Variation in fees charged is to some extent a reflection of variations in underlying costs drivers. There is a significant range of costs across services, with some being much higher and others much lower, than the average. Goodstart data, provided to the ACCC, shows the highest cost per hour per licensed place can be up to 2.9 times more than the lowest, with a spread of up to $9.10 per hour.[35] However, services are very rarely fully occupied. When average occupancy is considered, the variation is greater still – with the highest cost per charged hour 3.5 times more than the lowest cost per charged hour and a spread of $19.00 per hour. [36] This variation reflects the impact of genuinely variable cost drivers that are not controllable in the short-medium term. We also note the ACCC did not find efficiency problems in their analysis of the sector. In CBDC markets drivers of variation in costs can include:

- Location
- Ownership vs rental or lease of facility
- Lease and rental conditions where long 25-year leases are common
- Age of facility, scheduled and unavoidable repairs and maintenance
- Size of facility
- Service mix and configuration of facility as there are space and peripheral cost differences between age groups
- Licenced places versus configured places
- Labour costs, including staffing experience within minimum qualification requirements; use of agency or casual staff due to shortages.

For these reasons, an hourly rate cap set based on an average would increase out-of-pocket costs for families in above average cost markets, as providers would have very limited ability to reduce costs to meet the average.

As a national provider operating in a variety of markets, Goodstart is uniquely placed to demonstrate the variable impacts of an hourly fee cap based on an average cost. We considered the impacts of applying the average cost as the hourly rate cap (with no other changes) to Goodstart families and found that:

- 25% families would have no change because their fees would remain below the new average hourly cap. These are mainly services in regional locations with lower cost drivers and healthy local market competition
- 75% of all families would be worse off with an average increase in their out-of-pocket costs of $25 per week
    - 97% of these families will have an increase in their out-of-pocket costs because the proposed hourly rate cap is lower than their current hourly rate, increasing the proportion of their daily fee that would be unsubsidised

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[33] Source: Starting Blocks published fees as at 26 November 2023, including fees for Goodstart services but with centres with hourly rates lower than $7.50/hour removed from dataset.
[34] ACCC Interim Report September 2023 pp. 108-109
[35] Analysis excluded 16 centres that experienced significant closures that contributed to below average occupancy.

  - Around 41% of these families are middle income families where both parents are working either full-time or close to full time (combined income of $110,000 up to $200,000). Most, but not all, are attending services in major cities (68%) and are likely to be facing other cost of living pressures including mortgage stress. On average, these families would be worse off by $26 per week
- There would be families worse off across all income bands but the largest increases in dollar terms would be for lower and middle income families.

5. The use of an average cost (or fee) creates an incentive for cost minimisation at the expense of quality.

While an hourly cap linked to average costs (or fees) may seem attractive (and lead to cost savings for Government), in ECEC it is likely to lead to a race to the bottom, potentially sacrificing the very things that make an ECEC program valuable: dedicated educators, enriching learning experiences and resources, and a safe and nurturing environment. An hourly fee linked to average cost (or fees):

- **is short-term focused.** Use of an efficient price incentivises immediate cost savings at the expense of long-term benefits. Early childhood years are critical for brain development and future success. Insufficient investment in quality childcare has long-term consequences for the society and the economy
- **discourages quality improvement.** Providers are incentivised to minimise costs, which raises concern about potential compromises in quality – noting current NQS regulation seeks to set a 'minimum quality standard' while rewarding higher quality services through the ratings system. For example, this may incentivise the use of staffing waivers to reduce costs, disincentive staff improving their qualifications, increase exclusion of children or families to whom it is 'most costly' to deliver services, reduce investment in planning and programming and restrict investment in educational resources, incursions and excursions
- **disincentivises innovation and reform.** As providers are incentivised to minimise cost, a disincentive is created for them to invest in the features that have helped strengthen the ECEC system and its role within communities, for example, creating connections and referrals with other parts of the service system, improving pedagogy and practice with a focus on areas for innovation like early intervention, reconciliation or the use of technology, and embedding exceeding themes and ongoing investment in educator training
- **creates disincentives for supply** in higher cost markets and with higher cost children (such as those with additional needs or who have experienced trauma).

Review periods and indexation arrangements will depend on the methodology for resetting the cap

Goodstart considers that the review period and indexation arrangements for the hourly cap would depend on the methodology for (re)setting the cap.

<u>If a fee-based methodology were maintained</u> and the cap reset to average fee + 17.5% (Goodstart's recommended approach), then:

- a three-year review as proposed by the Commission (**Draft Recommendation 6.2**) would be adequate and appropriate; with
- annual indexation in between, by an index that best reflects ECEC input costs, which are 70% labour.

Goodstart notes that an optimal indexation method to reflect actual ECEC costs is yet to be developed. However, the ACCC Inquiry has demonstrated that CPI indexation of the hourly cap has failed to keep pace with delivery costs, largely due to labour costs running significantly higher than CPI.

Consistent with ACCC finding that labour accounts for approximately 69% of total costs, Goodstart supports a composite index of 70% award rate increases and 30% CPI.

The ECEC sector is one of the most award-reliant sectors in the country and annual award increases generally run 12% higher than the Wage Price Index (WPI). Therefore, an indexation based on a combination of CPI and WPI is unlikely to be suitable as it does not reflect real labour cost increases. The award rate increase could be calculated using the C-10 Award Rate, (i.e. Level 3-1 in the Children's Services Award), which is the reference rate for the annual award increases by the Fair Work Commission.

Goodstart notes however that our preferred option for funding of higher wages for ECEC educators would include funding of all future wage increases recommended by the FWC by a new supply-side payment (see Section 5.1). If this funding mechanism were implemented, labour cost increases following award rate increases would not need to be addressed through indexation of the hourly cap and CPI would be a simple and effective indexation measure to address residual cost increases.

Finally, Goodstart notes that, in a highly regulated sector, policy changes can also have very significant cost impacts – for example, changes to regulated ratio or other staffing requirements. As such, in any option, there should also be provision in legislation for Ministerial determination of additional factors to reflect changes in policy, such as recent increases to the superannuation guarantee, or other regulatory changes.

Although strongly rejected by Goodstart, we note that an average efficient cost model is under consideration by the Commission. In this model, where many families would already face fees above the cap, there should be a far lower tolerance for costs (and therefore fees and out-of-pocket costs) rising faster than indexation. Accordingly, in a cost-based methodology for setting the hourly rate cap, the 'cost' would need to be reviewed annually through a formal, independent price cost review process. Such a process would need to consider historical and prospective input cost changes from a very wide representation of providers, operating with different models in different markets and in considerable detail, as is currently undertaken by IHACPA for hospital and aged care pricing. The difficulty experienced in the data collection for the ACCC Inquiry also suggests it would require development of a new IT reporting system to regularly handle the significant volumes of sensitive data and processes to support data cleansing to avoid accuracy issues (as identified in the final ACCC report).

In a cost-based methodology, a standardised indexation approach with periodic reviews (as per **Draft Recommendation 6.2**) would create far too much risk of underfunding and unacceptable increases in out-of-pocket costs and negative impacts on provider viability – particularly for small NFP and community-controlled providers who have higher cost structures and very limited ability to reduce costs in the short-medium term. This additional complexity, the associated administrative infrastructure required and likely negative impacts are key reasons Goodstart does not support this approach.

Other considerations for the CCS rate cap

In response to **Draft Recommendation 7.3**, Goodstart supports a higher hourly rate cap for non-standard hours, but notes our prior experience is that there is limited demand for these hours in CBDC and the overwhelming majority of families would be supported by standard 'long day' sessions of 11 or 12 hours per day in CBDC services. We consider that, if required, flexible care to accommodate non-standard hours is likely to be better provided through home-based family day care models rather than very late or very early hours for young children at Centre Based Day Care (CBDC)*.*

If government wanted to make services more flexible, it would need to widen the span of hours in the Children's Services Award (6.00am – 6.30pm). This could be done through the MEA as a condition for access to a wage rise (e.g. 5.30am – 7.30pm).

Goodstart also notes the ACCC recommendation that consideration be given to changing the hourly rate cap to a daily rate cap for centre-based care services to improve price transparency. While not a recommendation of the Productivity Commission's draft report, Goodstart would support a more detailed exploration of the incentives and consequences of such as change (ACCC Final Recommendation 2b).

GOODSTART RECOMMENDATIONS 3.5

In response to Information Request 6.3; and in relation to Draft Recommendation 7.3; and Draft Recommendation 6.2 [the remaining parts]**:**

1. Goodstart supports resetting the hourly rate cap retaining the current methodology, i.e. benchmarked to the average fee charged + 17.5%, with a stronger regulatory approach to price monitoring and intervention
2. Goodstart does not support an average efficient cost methodology for calculating the hourly rate cap
3. Goodstart supports a model of indexation that reflects real changes in input costs in ECEC. Noting 70% of costs are labour and the ECEC is highly award reliant, a 70% award / 30% CPI composite index is likely to be most appropriate. However, Goodstart notes that an appropriate indexation model for the hourly cap will depend on a) whether any other funding mechanism for wages increases is supported and b) on what methodology is agreed for setting the hourly rate cap (i.e. a cost determination or fee benchmark)
4. Goodstart supports regular reviews of the hourly rate cap, but the frequency of these reviews would need to reflect the methodology for resetting the cap:
   - If the hourly rate cap is benchmarked to average fee + 17.5 %, a review every three years would be appropriate and adequate
   - However, in an average efficient cost model, the hourly rate cap would need to be reviewed annually as part of a formal price recommendation process considering all input costs changes (as is the case with hospital and aged care funding)
5. Goodstart supports in-principle having a higher hourly rate cap for non-standard hours but notes in our experience there is limited demand for non-standard hours in CBDC.

3.5 Enhanced price monitoring and/or controls

Draft Recommendation 6.1 - Monitor rises in fees and out-of-pocket expenses

The Australian Government should monitor changes in fees and out-of-pocket expenses on a regular basis to identify services where movements are out of step with sector norms. Increases that vary markedly should prompt closer investigation, and a regulatory response should be considered if they are not reasonable.

To inform judgements about what reasonable increases might look like, the Australian Government should commission a detailed investigation of costs and profits across the sector every three years, along the lines of the work that the Australian Competition and Consumer Commission has been undertaking. This work would also signal if the hourly rate cap needed to be reset.

RESPONSE

Goodstart supports the Commission's Draft Recommendation 6.1 and the ACCC's recommendation for a 'stronger role for governments to monitor providers' prices, costs, profits and outcomes, supported by a credible threat of regulatory intervention to place downward pressure on fees' (ACCC Final Report Recommendation 2d).

Goodstart notes that the ACCC has identified potential approaches to deliver on this recommendation including:

- a de facto formula for annual price increases issued by Government to providers
- a requirement that providers retain evidence to justify their price increases
- investigation of outliers
- the threat of further government action if the provider does not respond or the Government finds the provider is charging excessive prices – this might include public reporting of outliers and direct price regulation.

In principle, Goodstart supports most of these indicative options, noting that there would be considerable work required with the sector to develop an appropriate regulatory framework. For example, we would be concerned that a defacto formula for annual price increases could quickly become price control, noting evidence recently provided by the ACCC about legitimate cost increases in the sector. Experience from other jurisdictions suggests governments are prone to set fee increase formulas that fall well short of actual increases in costs. As we discussed in our first submission and in the ACCC report, working to strengthen local markets could help to constrain fees and should involve two key initiatives:[37]

- Improve fee transparency, so families and providers can more easily compare fees – this should involve more direct communication with families
- Monitoring excessive fees and requiring providers to justify excessive fees and fee increases as a condition of funding and/or to be an approved provider for CCS.

In our submission on the ACCC's Interim Report, we supported a stronger role for Government in price and outcomes monitoring as part of its holistic market stewardship role. We suggested that any consideration of fee regulation should be directed at 'excessive fees' and should:

- Focus on 'outliers' charging high fees or increases in fees inconsistent with local market conditions and significant cost drivers
- Have regard to the considerable variability in cost of service between child ages, needs, locations and service types
- Allow for exceptions based on the needs of children (i.e. quality, inclusion, access, thin markets)
- Allow fees to move in line with the main cost drivers of labour, property and consumables
- Be flexible enough to take account of circumstances outside of providers control (e.g. regulatory changes, economic shocks, emergencies and natural disasters[38]).

Consistent with the ACCC finding that the standard deviation of price is less than $1.00 per hour in the majority of SA2s (Sept report, pg. 108), fees should reflect local market conditions:

- Where fees are outside the 'allowance' above the median price in the local market, Government may ask a provider to 'show cause', i.e. justify higher fees or have a fee imposed by Government

[37] Goodstart initial submission to the PC Inquiry pp. 74-5

[38] We note that the current CCS provisions have been shown to be inadequate to maintain service viability and to support families access Hardship Assistance in instances of significant emergencies and natural disasters. We understand this matter is being considered through the COVID Inquiry. Specific provisions to ensure financial viability and ease of support to families must be included in Family Assistance Law.

- Defining a local market, calculating medians and setting the allowance would be key policy challenges, noting the challenges experienced by the ACCC in obtaining comprehensive price and cost information for the purpose of this inquiry. A local market could be within 5km of the centre, or whatever radius is required to capture a minimum number of centres for comparison (e.g. at least 4 other centres)
- The allowance should be high enough to identify the outliers (i.e. the highest decile of fees in local markets), e.g. 5-10% above the median.
- Consideration should be given to whether the comparison is the 'average fee' for the centre (having regard to all ages and sessions) or the 'typical fee' for each age group (e.g. the 10 hour or longest session)
- Local markets should be strengthened with real time transparency of fees and fee increases on a well-designed, parent-facing Government website.

Goodstart considers the function of price monitoring and addressing outliers could be delivered by the ECEC Commission – see section 1.3 for further detail.

GOODSTART RECOMMENDATIONS 3.6

In relation to Draft Recommendation 6.1:

1. Goodstart supports enhanced market monitoring, including fee increases and local markets, becoming a function of the proposed ECEC Commission, backed by a credible threat of intervention. This could include direct communication with families in cases of excessive fee increases.

3.6 Other recommended changes to the Child Care Subsidy to address complexity

DRAFT RECOMMENDATION 6.4 - Improve the CCS calculator on the Starting Blocks website

The Australian Government should improve the functionality of the Child Care Subsidy calculator on the Starting Blocks website so that families can estimate their Child Care Subsidy eligibility under different scenarios (such as different working hours or income levels). The Australian Government should investigate the best way to improve awareness of the availability of the CCS calculator on the Starting Blocks website.

RESPONSE

Goodstart supports improvements to the functionality of the CCS calculator on the Starting Blocks website, to assist families to access more accurate information for their family circumstances.

The CCS calculator application must consider the ability to compare 'typical' fees on Starting Blocks and allow families to enter daily fees instead of hourly fees (or information on Starting Blocks must include session lengths, so families can calculate their hourly rate). This approach must ensure 'like for like' comparison for transparency and ease for families.

Goodstart supports the ACCC Report recommendations for improvements to information gathered for and reported on StartingBlocks.gov.au so that it is better focused on meeting parents' and guardians' information needs.

Starting Blocks' limitations make it difficult for families to make comparisons and informed decisions.

From a family perspective, *Starting Blocks* is not helpful in understanding and comparing price, quality or out-of-pocket costs of the choices available to them because:

- Fees are not current, with examples of some reported fees being up to four years old, and the 'date of last fee update' is not published[102]
- Published fees are 'typical daily fees' that are not standardised, so families are not able to compare like-for-like, for example:
    - A daily fee may be for a 7.5-hour session and another for a 12-hour session
    - Fees may not be consistent across all rooms (e.g. nurseries compared with toddler rooms)
- No information is available regarding discounts offered, e.g. multi-day enrolments, multiple children from one family, etc, or other offers by providers, such as not charging on public holidays
- Session lengths are not reported alongside daily fees, so families cannot calculate their hourly fee or if a fee is above the Hourly Fee Cap (the linked Child Care Subsidy calculator requires hourly fees to be entered to estimate out-of-pocket costs)
- There is no information about whether a service is CCS-eligible, so families cannot determine their out-of-pocket costs and no information is available about state preschool or kindergarten subsidies
- Quality ratings (NQS) may be as much as six to ten years old, depending on the frequency of assessment and ratings conducted by state regulatory authorities.

Unfortunately, the *Starting Blocks* website, does not provide families, providers or governments with accurate, comparable information about fees, discounts, quality or out-of-pocket costs.

As a not-for-profit social enterprise committed to maintaining affordability for families as well as ensuring our competitiveness in local markets, we rely on publicly available information to obtain the latest competitor pricing. We do this by accessing data from the *Starting Blocks* website (and from its predecessor, *Child Care Finder*, which was decommissioned in December 2022). In comparing the data on *Starting Blocks* in (Feb-March 2023) and on *Child Care Finder* (November 2022), we found:

- Almost 100% consistency between the centres (sites, not fees), which indicates data was synced when the new website was established
- Fees matched exactly for 55% of CBC providers, which indicates the fee data has not been updated between November 2022 and February 2023 for those centres. Of these centres:
    - 40% (1,643) had not updated their fees within the last 12 months
    - 58% (2,366) had not updated their fees within the last 6 months[103]
- We were unable to match fees exactly between the two websites for 45% of CBC providers, which indicates data had been updated between November 2022 and February 2023 for those centres
    - We would expect fees on *Starting Blocks* to be higher than they were on *Child Care Finder*, as the latter is inactive and cannot be updated
    - However, 14.3% (429) of unmatched centres reported a lower fee on *Starting Blocks*, which implies the data on one of the websites is inaccurate, as it is improbable that ECEC centres reduced their fees, particularly in so many services

Based on our analysis, it appears a large proportion of centres are not updating their fees regularly or accurately, even though it is a government requirement and penalties may apply for non-compliance. Inaccurate information erodes confidence and the ability to make informed decisions about pricing in local markets.

Fee transparency through Starting Blocks could be improved by:

- Mandating real time fee disclosure, potentially linked to fees reported to the CCMS
- Specify which fee is to be disclosed (e.g. a '3-day, 10-hour' fee or the longest daily session), so families can compare like with like
- Provide information on other fee policies such as discounts, fees charged on public holidays and whether the service is CCS eligible
- Make the data publicly accessible in bulk (open source), so other aggregator websites (e.g. Kindicare and Care for Kids) and providers have broader access to market fee data
- Make it easier to for families to compare fees and services in a local area
- Ensure quality ratings are given equal prominence.

Alternatively, the Australian Government could also use real-time administration data reported through CCMS (Child Care Management System) to Services Australia to ensure fees are reported accurately. The inclusion of the date a centre's fee was last updated on Starting Blocks would also give families an indication of the currency of the fee information and an indication of whether fees are likely to increase in the near future.

Goodstart agrees with the Commission's analysis that the Australian Government should investigate, *and then implement,* the best ways to improve awareness of the calculator's availability on the Starting Blocks website. As with Draft Recommendation 6.3, this should include raising awareness through a multimedia approach and should consider families with low English and/or digital literacy.

GOODSTART RECOMMENDATIONS 3.7

In response to Draft Recommendation 6.4:

Goodstart recommends improvements to functionality of the Child Care Subsidy calculator on Starting Blocks to assist families in accessing more accurate information for their family circumstances; through:

1. mandating real-time fee disclosure and potentially linked to fees reported to the CCMS
2. better transparency of listed fees, enabling 'like for like' comparison for families
3. date of fee update included in information provided
4. information on other fee policies such as discounts, fees charged on public holidays and whether the service is CCS eligible be available
5. ensure quality ratings are given equal prominence to fees and other information provided

INFORMATION REQUEST 6.4 - Potential expansions: CCS to families with restricted residency; Assistance for Isolated Children Distance Education Allowance to preschoolers in isolated areas

The Commission is seeking views on the costs, benefits and practicalities of:

- *expanding CCS eligibility to include families who have restricted residency in Australia such as temporary protection visa holders*
- *expanding the Assistance for Isolated Children Distance Education Allowance to include children receiving a preschool education in geographically isolated areas.*

RESPONSE

There are benefits in providing access to ECEC services to families who have restricted residency and those who face access barriers such as isolation. Research shows a strong predictive relationship between developmental vulnerability when entering school and poor outcomes later in NAPLAN. At the same time, Australian data shows that children who attended ECEC are a third less likely to start school developmentally vulnerable, with the benefits most evident for children who are disadvantaged. Therefore, early intervention is far more cost effective than trying to close gaps later.

With Australia's many years of experience in engaging vulnerable children in ECEC programs, there is an understanding of what works when it comes to layering supports and removing barriers to access and participation. Cost, location, transport, parent workforce status, visa status and cultural safety should no longer be included as barriers to access. It should also be unacceptable that one in five Australian children start school developmentally behind, particularly as achievement gaps often widen in school, and children who start behind tend to stay and fall further behind.

The Parenthood's report 'Choiceless', which explores the plight of parents in accessing regional, rural and remote early learning and care,[39] demonstrates the extent and impacts of limited access to ECEC services for children, families, and communities. Market solutions and current funding models fall short in addressing the real need for accessible ECEC for many families in communities nationally.

Delivering appropriate services for disadvantaged families and communities will require additional forms of government support, such as subsidised care or direct provision. Goodstart also notes that while very remote areas with low populations that do not currently support a centre would likely never support centre-based care, services could be provided in other ways.

Goodstart strongly supports eligibility for CCS or a new universal entitlement being expanded to families who have restricted residency in Australia, to support inclusion and access for all children who would benefit from high quality ECEC. In addition to long-term development benefits for these children, many of whom are likely to be vulnerable, Goodstart considers there would be considerable reductions in schooling costs by improving school readiness including English language proficiency. This proposal would also encourage integration of potentially marginalised families into Australian communities and support eligible parents to undertake work, language study or other social participation activities.

GOODSTART RECOMMENDATIONS 3.8

With regard to Information Request 6.2:

- Goodstart recommends eligibility for a universal entitlement to early learning (Child Care Subsidy) be expanded to all children in Australia aged five years and under.

The table below provides Goodstart's responses to the Commission's recommendations to address complexity in CCS arrangements, which Goodstart agrees can create barriers to access.

DRAFT RECOMMENDATION	GOODSTART POSITION
OTHER – STAFF TRAINING AND PUBLIC HOLIDAYS	**GOODSTART RECOMMENDS:** Providers should be able to claim CCS and waive out-of-pocket costs for families for all government-declared public holidays and for up to four professional development days per year (see further information in Section 5)
DRAFT RECOMMENDATION 6.3 *The Australian Government should explore options to make information provided on government websites about CCS eligibility easy to find and easy to understand by families.*	**SUPPORT** Goodstart agrees with the Commission's analysis that families should be supported with CCS eligibility information that is easy to access, navigate and understand.

[39] Choiceless: The plight of parents in accessing regional, rural and remote early learning and care

	We note that the historic recommendation to provide a 3-day entitlement to all children would be much simpler for families and require much less explanation. In general, all reasonable efforts should be taken to attract families, this includes adapting information for families with low English and/or digital literacy.
DRAFT RECOMMENDATION 6.5 *The Australian Government should use Single Touch Payroll information from the Australian Tax Office to prompt families to update their activity and income level details with Services Australia.*	**SUPPORT** Goodstart agrees with the Commission's analysis that families should be prompted through Single Touch Payroll information from the Australian Tax Office to update their activity and income level details with Services Australia. The benefits and data use should be clearly explained, and any interactions with other payments (such as income support or family tax benefits) should be fully considered to ensure there are no unintended consequences for families. We note that the proposed 3-day entitlement and radically simplified activity test should make activity reporting much less of an issue for families.
DRAFT RECOMMENDATION 6.6 *The Australian Government should provide clear and easy-to-find information to families about the CCS withholding rate during the CCS application process and when families update their details with Services Australia.*	**SUPPORT – and recommend abolishing the 5% withholding amount, at least for low income families.** Goodstart notes the findings that the multiple components of the CCS make it challenging for families to understand their eligibility and that the 5% withholding amount has been the least well understood aspect of the CCS. Goodstart agrees with Draft Recommendation 6.6, that the Australian Government should provide clear and easy-to-find information to families about the CCS withholding rate during the application process and when they are updating details. As above, Goodstart recommends that this information is easy to access, navigate and understand as well as takes into account families with low English literacy and/or no to low digital access.
INFORMATION REQUEST 6.5 The Commission is seeking views on the costs and benefits of potential measures to reduce CCS administrative complexity. These may include: • streamlining the Higher CCS rate to be more aligned with the CCS rate over time • allowing families who are already eligible for income support payments or a Health Care Card to be automatically eligible for CCS, and aligning processes that are similar across CCS and other payments • extending the initial length of eligibility for Additional Child Care Subsidy (Child Wellbeing) from six weeks to 26 weeks and subsequent lengths of eligibility to between 26 and 52 weeks • extending the length of eligibility for Additional Child Care Subsidy (Child Wellbeing) for those children on a long-term protection order, in formal foster care or in a formal kinship arrangement, while their circumstances remain unchanged • extending Additional Child Care Subsidy (Grandparent) to recognise informal kinship carer arrangements • maintaining a child's eligibility for CCS for a period of eight weeks when there is a change of guardian.	**SUPPORT FOR PROPOSALS UNDER CONSIDERATION** a) Goodstart's comments on the HCCS are in Section 3.4 above. b) Automatic eligibility for CCS for families with an HCC and aligning processes with other payments would reduce the reporting burden on low-income families which can be a barrier to access. **We encourage the PC to make this recommendation in the final report.** **c)** Extending the length of ACCCS eligibility as proposed is a strongly welcomed by Goodstart to ensure continuity of entitlement for the most vulnerable children who benefit most from quality ECEC. **We strongly encourage the PC to make this a standalone recommendation in the final report.** **d)** Goodstart also strongly welcomes proposals for continuous entitlement to ACCS for children on long-term care arrangements and formal care arrangements with no change to circumstances. **We strongly encourage the PC to make this a standalone recommendation in the final report.** **e)** Goodstart supports the extension of ACCS Child Wellbeing to informal kinship carers. The changes to the ACCS Grandparent subsidy in 2018 have reduced access to additional CCS support for grandparent carers, including those who are providing care for children at risk of abuse or neglect. Education services and/or

	support agencies, including schools, social services, etc would be able to provide evidence. **We strongly encourage the PC to make this a standalone recommendation in the final report.** f) Goodstart recommends legislative amendments to extend ACCS Child Wellbeing eligibility to children in residential care settings (out-of-home care). Children in residential care meet the definition of being at risk of abuse or neglect but are particularly vulnerable due to their living arrangements but are not currently eligible for ACCS Child Wellbeing. **We strongly encourage the PC to make this a standalone recommendation in the final report.** g) Maintaining CCS for an 8-week period when there is a change of guardian is also supported. *[Further detail on the costs and benefits for improvements to the ACCS will be provided to the Commission separately.]*

3.7 Shorter sessions of early learning

Draft finding 7.5 - Families do not use a significant amount of the ECEC that they pay for

Information request 7.3 - Barriers and potential solutions to providing more flexible sessions of ECEC

The Commission is seeking information on barriers and potential solutions to providing shorter sessions of ECEC that more closely mirror attendance patterns and are less expensive than full-day sessions, particularly in centre-based day care. Suggestions for ways that unused hours ('air pockets' in the system) might be made available to families who want access to ECEC on an occasional basis are also sought.

RESPONSE

Goodstart disagrees with Draft Finding 7.5 which does not reflect the practicalities of how fees and sessions work in CBDC.

CBDC providers offer sessions of care, as prescribed under the Family Assistance Law and in line with expectations of busy working families with young children. Part of that offer is flexible pick up and drop off times. This flexibility is highly valued by families as many things can change on a daily basis when managing home and work responsibilities, young children and peak hour traffic to and from ECEC. Fixed drop off and pick up times are regularly cited by families as barriers and limitations to term-only preschool models.

Our data indicates families on 10 hour sessions and all day sessions (11-12 hours) use about the same number of hours, on average, but the drop off/pick up times vary significantly. Across a 4-month period, nearly half of all children use the first hour of an all-day session and nearly 60% of children use the last hour at least once. This highlights the importance of flexible pick up and drop off as part of our offer.

Offering longer sessions supports affordability for families because the current child care subsidy is based on hourly fees. The provision of CBDC carries a significant amount of fixed cost, both in terms of the facility (property costs), overheads (IT, consumables, marketing, finance and systems) and labour (the cost of required positions such as a centre director, early childhood teacher, educational leader, cook and admin support). The variable costs relate predominately to additional labour for educators – which is also relatively fixed in the short run – in terms of providing regular shifts and hours for educators. This means that costs do not vary a great deal between shorter and longer sessions.

As the ACCC has noted, the combination of the activity test and the hourly rate cap drives the design of sessions, with providers seeking to support affordability for families by keeping their hourly rate as low as possible (i.e. longer sessions) but within the families total CCS entitlement (i.e. sessions as multiples of a family activity test result). The result will be different for families depending on their hours entitlement and the fee at the centre.[40] The ACCC also found that providers, particularly not-for-profit providers, are influenced by trying to keep fees under the hourly rate cap.[41] Our data shows that shorter sessions are more likely to exceed the hourly rate cap than longer sessions, which means they often have a higher out-of-pocket cost for families.

Further, while attended hours for families might vary over a day, virtually all families want the same core hours (i.e. between 8am and 4pm). In our experience, there is no demand for sessions that fall between 6am and 8am only, or between 4pm and 6pm only.

Charging for sessions in a CBDC centre broadly reflects this pattern. Current charging practices do mean that families are only being charged for ECEC used 'on average' at the centre. There may be a limited element of cross subsidisation of families attending for longer hours by families attending for shorter hours, but this is only at the margin.

The implication that families are being charged for ECEC hours they do not use implies that a centre is running a fully staffed centre from 6am to 6pm even when only a handful of children are attending. This is simply not the case. Every CBDC rosters staff to reflect actual attendance, with the number of staff rostered on progressively increasing over the morning as attendances increase, and progressively falling in the late afternoon as attendances fall. This approach minimises labour costs and thus fees. It ensures that on average, families are not being charged for ECEC that are not being used.

If parents were charged only for the hours the child attended, their costs would probably be around the same as the centre will still need to recover the same costs across the same number of children attending for the same hours. But the flexibility for families would be reduced considerably, and the complexity of pricing and charging increased

If there was a saving to the Commonwealth, it would be because more sessions were pushed above the hourly fee cap, shifting cost from the Australian Government to families and reducing affordability overall. Families who needed longer hours because they face longer commutes to work would have substantially increased costs. These families would also be more likely to exceed their CCS entitlement (100 hours) if they attended for more than 4 days (as many do), further reducing affordability.

The idea of marketing 'air pockets' between 6am and 8am and 4pm and 6pm is not conducive to the provision of quality early learning. Educational programming is disrupted by pick-ups and drop-offs and by room grouping, e.g. all age groups in a single room before moving into own rooms, meal times and general tiredness at those times of the day. Enrolling children in these very short sessions may result in families using up their ECEC entitlement (subsidised hours) without their child getting the benefit of early learning.

Offering short before and after sessions could increase staffing costs as ratios might surge during pickup/drop off times with some families always arriving early and some leaving late. We would have to plan for this to avoid breaching regulated ratios.

Goodstart would recommend that **Draft Finding 7.**5 be modified to be more consistent with the analysis of sessions in the ACCC report (e.g. Finding 26 and 27), and to remove the assertion that families are being charged for ECEC hours that they do not use.

[40] ACCC (2023) Interim Report on ECEC September pp. 174-180
[41] Ibid p. 172

4. Equity (inclusion)

A universal ECEC system has to be inclusive of all children

THIS CHAPTER RESPONDS TO THE FOLLOWING RECOMMENDATIONS / INFO REQUESTS	
Draft Rec 2.2	Amend the Disability Standards for Education
Draft finding 2.5	Increased inclusion support funding will be needed for universal access
Draft Rec 2.3	Amend eligibility requirements for inclusion funding
Draft Rec 2.4	Review and amend additional educator subsidies
Draft Rec 2.5	Reduce administrative burden of inclusion support program applications
Draft	Improve coordination of inclusion funding between governments
Info Req 2.2	Cultural safety in ECEC services
Info Req 2.3	Functioning of the Inclusion Support Program in family day care
Draft Rec 7.1	Ensure integrated services are available where needed
Draft Rec 7.2	Support connections between ECEC and child and family services
Info Req 7.1	The CCCF as a vehicle to address practical barriers to ECEC access
Info Req 7.2	'System navigator' roles in the ECEC sector

Overview

A system that supports a universal ECEC entitlement for all children will only be achieved if approaches to equity and inclusion are developed and embedded nationally, and within each individual community.

Evidence shows that universal systems tend to be under-utilised by those experiencing vulnerability or disadvantage – even when they are free.[42] We know that addressing cost barriers is a necessary but not sufficient condition to ensure children and families experiencing vulnerability access and continue to participate in non-compulsory services like early learning.

To achieve the universal access ambition outlined by the Commission, a system-wide response, with commensurate policy objectives, investment and monitoring of performance, is needed to address non-cost barriers and deliver a truly inclusive and equitable universal system for Australia's children and families. Adopting such reforms will maximise the return on investment, for Government and tax payers, by ensuring the system is accessible for the children and families that have the most to gain. An inclusive, equitable ECEC system will deliver benefits for children, families, ECEC educators, and the community, as well providing the 'foundational support system' envisaged in the NDIS Review.

Priorities for the final report

Uplifting inclusion capability and capacity across the sector will require a multi-layered funding program and a consistent policy approach to ensure the system has the necessary pre-conditions in place to ensure all children can participate. Achieving this will require:

- **Embedding inclusive planning and practice more strongly within the NQF**, reflected in the Quality Improvement Plan (QIP) and assessed through service Assessment and Rating processes
- **Enhanced funding to support individual children with inclusion support needs**, as recommended in **Draft Recommendation 2.4** (but with minor amendments)

[42] Restacking the Odds: Early childhood education: A study of the barriers, facilitators, & strategies to improve participation; From fees to free and back again; What we learned.

- **Service-level, needs-based funding to determine and meet the needs of children**, with a focus on practice and outcomes, as proposed in the 2023 Review of the ISP (similar to Victorian School Readiness Funding or Queensland Kindy Uplift Funding)
- **Community-level funding** to meet the needs of communities experiencing entrenched disadvantage
- **Annual monitoring, analysis and reporting of ECEC participation and non-participation by cohorts likely to be vulnerable**, with recommendations on strategies to support their inclusion (ECEC Commission role)
- **A stewardship approach that considers the service system beyond ECEC** and that connects services for families, as outlined in the NDIS Review.

The Draft Report has commendable ambition for equity and inclusion but needs additional detail to deliver a truly universal system. The table below outlines the current and future ECEC system architecture suggested by Goodstart and many others in the sector.

TABLE 4.1: Current inclusion approach and suggested future focus

Current inclusion approach	Suggested reform agenda
Inconsistent inclusive practice • Services only required to develop Strategic Inclusion Plan when enrolling a child with additional support needs / applying for ISP • 69% of CBDC services have a SIP[43] • Challenges in accessing inclusive practice professional development due to staffing shortages • IAs focus on funding applications and compliance, rather than capability uplift	**Foundational inclusive practice** • Strategic Inclusion Plan (SIP) embedded in Quality Improvement Plan and assessed through A and R • 100% of CBDC services to have a SIP by end 2026 • Opens up capacity for IAs to support training and PD plus support enhanced Tier 2 support system (NDIS Review) • PD/inclusion training for Authorised Officers to assess inclusive planning and practice
Important but inadequate inclusion support for individual children under the ISP • Capped annual budget allocation • Inadequate hourly subsidy rate to cover even entry level additional educator • Limited hours of subsidy per week • Largely focused on disability support	**New Equity Support Program (child-level)** • Demand-based subsidy • Hourly subsidy rate to cover costs for at least Diploma-qualified educator (+ on-costs) or allied health assistant • Subsidised hours matched to child's attendance • Increased support for IAs to administer funding and provide advice on adjustments under Disability Standards for Education

[43] AIFS Evaluation of the ISP (2021), accessed here, pg. v.

Current inclusion approach	Suggested reform agenda
Lack of inclusion support for vulnerable cohorts • Although children with vulnerability indicators attend services across the socio-economic spectrum, there is limited additional funding to support services to meet their needs (i.e. Innovative Solutions Fund available on grant basis only, not systemic) • Some services within communities have higher proportions of these children than others	**New Equity Support Program (service-level)** • Systematic, needs-based resourcing allocated to services based on enrolled children as proposed in ISP Review • Determination and distribution of support based on the mix and vulnerability characteristics of children enrolled at a service • Resourcing model promotes specific types of inclusive practice, supports capacity building and enables local decision-making • Process for monitoring funding distribution and the impact of funding in terms of children's participation outcomes
Tightly-targeted, community-level funding (CCCF) • Targeted, limited grant funding for narrow supply objectives across highly restricted locations • Start-up/establishment funding (e.g. $100k over 2 years) for services where demand may be insufficient to maintain viability	**New Early Learning Priorities Fund (community-level)** • Mix of grant, supply-side and recurrent funding to meet needs of specific communities, i.e. underserved and unserved markets • Flexible funding to meet unique needs of communities, e.g. integrated service delivery, cultural responsiveness, playgroups, non-standard hours, etc • Annual monitoring, analysis and reporting of ECEC participation and non-participation (ECEC Commission) • Stewardship approach to identify underserved and unserved communities
Limited system stewardship of inclusion	• Annual monitoring, analysis and reporting of ECEC participation and non-participation by the ECEC Commission • Stewardship approach to identify and respond to underserved and unserved communities

4.1 Universal access will require increased inclusion investment

DRAFT FINDING 2.5 – Increased inclusion support funding will be needed for universal access

RESPONSE

Goodstart strongly supports the draft finding that increased inclusion support funding will be needed. However, while the draft report makes promising findings and recommendations in relation to tweaking the funding settings and reducing administrative burden for the ISP, it does not adequately consider the broader inclusion policy reform and investment needed. A radically transformed approach to inclusion policy and investment is needed to meet the equity objective in the draft National Vision for ECEC, with the associated outcome, 'Services respond to community, cultural and family contexts and can provide continuity of learning and care to children'.[44] Without additional investment, the architecture of the ECEC system will not provide a 'baseline mechanism' to support families to access ECEC, as stated in Draft Finding 9.2. A multi-layered approach to equity and inclusion capability and capacity is outlined below (see response to Draft Recommendation 2.6).

Goodstart **supports** increased funding being made available to Inclusion Agencies (and the IDFM) to provide support and advice to ECEC to support equity and inclusion capability and capacity.

With regard to **Draft Finding 2.5**, we make the following points:

- Embedding the development of the Strategic Inclusion Plan (SIP) in the Quality Improvement Plan (QIP) will help uplift foundational inclusive practice and free some capacity for Inclusion Agencies who are currently responsible for SIP development, compliance and approval
- We support an increased funding allocation to Inclusion Agencies to reinstate their role in professional development and training and to support inclusive practice uplift. This should include supporting ECEC services to understand their obligations under the Disability Standards for Education and enhanced Tier 2 support (NDIS Review)
- IAs should be funded to administer grant funding for non-reasonable adjustments under the Disability Standards for Education
- We recommend that increased funding to support enhanced IA capacity should be complemented by the transparent publication of service standards and performance measures. This would give families and providers more clarity and certainty around the timeliness of funding availability.

4.2 A multi-layered funding approach to uplift inclusion capability and capacity

DRAFT RECOMMENDATION 2.6 - Improve coordination of inclusion funding between governments
Australian, state and territory governments should better coordinate inclusion funding to reduce complexity for services and families. In the short-term, the Australian Government Department of Education and relevant state and territory departments of education should work together to streamline application requirements, to reduce the need for services to apply for funding multiple times. In the long-term, governments should clarify responsibilities for inclusion funding as part of a National Partnership Agreement on ECEC.

RESPONSE

Goodstart **supports in-principle** the proposal to improve coordination of inclusion support funding between levels of government but suggests this recommendation needs to be broadened in the final report.

A needs-based resourcing model to support ECEC inclusion

To achieve equity objectives, Goodstart **recommends** a radically reformed Inclusion Support Program (and renamed an Equity Support Program), which delivers both supply-side funding from a demand-driven budget allocation (additional educator subsidy) and needs-based funding to support children experiencing vulnerability and disadvantage, including in services with high proportions of children and families with identified risk factors. This approach would leverage the existing IDFM and IA model and the dedicated professionals working at these services.

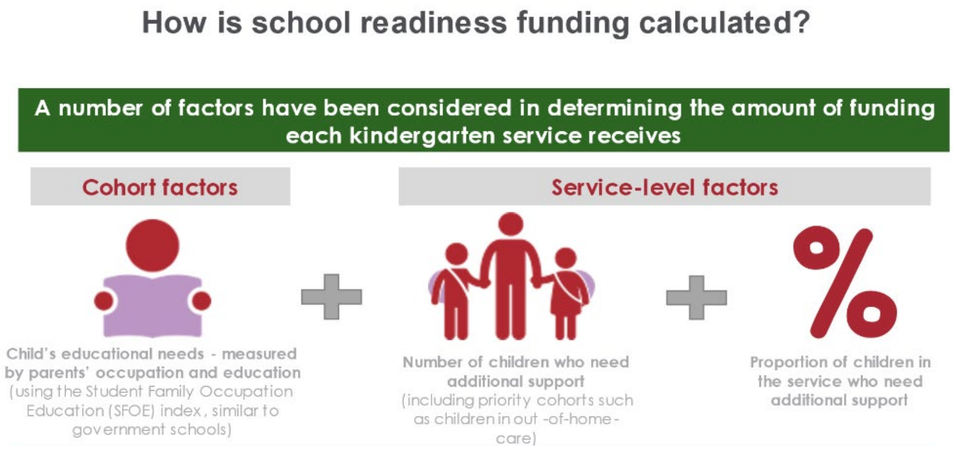
[44] Draft National Vision for ECEC (2023), accessed here.

The 2023 Review of the ISP recommended a needs-based resourcing model for inclusion (but not as the primary ECEC financing instrument), as a key reform opportunity, with reference to the draft National Vision for ECEC and as an enabler for realising the vision's objectives.[45] The ISP Review considers a needs-based resourcing model for inclusion funding should comprise a revised funding quantum to reflect the scope and size of the task of strengthening ECEC, a process for assessing and reporting the relative needs of centres, and a process to assess the impact of funding.[46] Goodstart considers this must include an increase in investment.

The key benefit of a needs-based funding stream for inclusion is to provide support to children with risk or vulnerability indicators across all services. While the Australian Early Development Census data shows low-SEIFA communities are more likely to have higher proportions of children experiencing vulnerability, we know that children with risk factors attend ECEC across the socioeconomic spectrum. At Goodstart, 14% of children with an identified vulnerability indicator are attending centres located in highly advantaged communities (i.e. SEIFA 9 or 10). This is why we also invest in inclusion in centres across all SEIFA bands.

The Victorian Government School Readiness Fund (SRF) is a helpful example of a needs-based resourcing model that provides service level funding based on the risk of educational disadvantage. Individual services receive between $1,000 and $200,000 per annum and use this funding on evidence-based programs, tools and resources to support equity, inclusion and outcomes for children attending the service. See further detail below.

FIGURE 4.1: How is school readiness funding calculated?



About School Readiness Funding:

- Services will receive between $1,000 and more than $200,000
- Kindergartens with large numbers of families experiencing educational disadvantage will receive more funding to ensure they can provide support to children who need it most
- The SFOE Index takes account of parents' highest level of education and occupation and is known to be an accurate measure of educational disadvantage
- Other factors, such as whether children are in out of home care, also influence the calculation of the funding
- However, the funding is allocated at a service-level and not to specific children.

[45] Deloitte Review of the ISP (2023), available here, Long-term opportunity no. 2.

[46] Deloitte Review of the ISP (2023), available here, pg. 123.

A subsidy to fund an additional educator for children who need one should be retained

The ISP Review considers a needs-based resourcing model as potentially replacing the additional educator ISP subsidy in the longer term because of the flexibility offered to providers in how they spend the funding. However, we do not support this approach noting these two funding streams serve different objectives. There will always be a need for additional, above-ratio educators to support inclusion of some children. While ~3.7% of children aged birth to 4 years have a disability, only 1% of children in ECEC access ISP additional educator support. In 2023, 2.7% of children in Goodstart services were supported by an additional educator, funded either by Government (ISP) or part or fully funded by Goodstart (social purpose budget), which is more than the percentage of children supported by ISP in ECEC (1%).

A targeted, child level subsidy is an efficient and effective way to deliver this high-cost support for the children who genuinely need it. We also suggest that a service level, needs-based payment could be used more flexibly to meet inclusion and equity needs of an individual service and should complement the more targeted additional educator subsidy.

A service-level payment could be implemented in the short term

The ISP Review suggested a needs-based funding model for inclusion (not as the primary ECEC financing instrument) should be a long-term ambition, to be introduced in the next 5-10 years. However, we recommend this is brought forward with a phased introduction over the next 3-5 years. A phased approach should first prioritise children and services in low-SEIFA locations or in services with a high proportion of children with vulnerability or risk indicators ahead of a roll-out across all services. The Australian Government CCS census, next due for collection in May this year, will provide granular child-level information that could inform funding allocations.

The implementation of this program could address better coordination across governments, noting that:

- State programs have very limited eligibility with CBDC only able to access state inclusion funding in two states and funding is only for children in preschool programs, i.e. in the one or two years before full-time school
- Coordinating inclusion funding may be more significant for sessional preschools or organisations with hybrid funding and service delivery models. Joined-up applications could be trialled similarly to the ACECQA trial of joined-up state and federal government service approval processes.

Supporting under and unserved communities and the CCCF

Communities facing entrenched disadvantage and unserved and underserved markets will need additional investment to deliver a universal entitlement. The CCCF needs to be radically overhauled with detailed information provided on page 71 in response to Information Request 7.1. As noted below, we recommend a supply-side payment that fully covers operational costs for high quality providers, with funding distribution informed by evidence about community need as part of the multi-layered financing and policy approach for equity and inclusion.

Recommendations over page.

GOODSTART RECOMMENDATIONS 4.1

In relation to Draft Recommendation 2.6:

1. Goodstart recommends the PC final report recommends additional investment to deliver a broader, multi-layered financing and policy approach to achieve equity and inclusion objectives that includes:
    - Enhanced child-level investment to support individual children, particularly those with additional needs and disability (see draft Rec 2.4 below)
    - New service-level investment to build service equity and inclusion capability, delivered through a supply-side, needs-based funding model, in line with that proposed in the ISP Review, with a phased introduction over the next 3-5 years:
    - Enhanced community-level investment to meet the unique needs of unserved and underserved communities and communities facing disadvantage, delivered through a supply-side payment that covers operational costs for high quality providers, with funding distribution informed by evidence about community need
    - Improved coordination of funding across Government and across systems, including the NDIS through a system stewardship approach.

4.3 Enhancing inclusion capacity for children with additional support needs

DRAFT RECOMMENDATION 2.4 - Review and amend additional educator subsidies

The Australian Government should amend the Inclusion Development Fund Subsidy for an Additional Educator and Immediate/Time-Limited support, including:

- *increasing the current hourly subsidy rate so that it subsidises 100% of an additional educator's wage, up to the median hourly wage of a certificate III qualified educator and ensuring it is indexed to the Wage Price Index*
- *removing limits on the weekly hours the subsidies can be approved for and ensuring they align with the child's enrolled hours*
- *allowing other human-services qualified staff and inclusion professionals, such as allied health or other relevant professionals to be employed as an additional educator, where the Inclusion Agency agrees this would be appropriate.*

RESPONSE

Goodstart supports the Commission's recommendations to increase the additional educator hourly subsidy rate, remove limits on the weekly hours of subsidy for which a child is eligible, and allow other inclusion and allied health assistants or professionals to be employed as an additional educator to support inclusion.

In January 2024, the Australian Government Department of Education notified providers that 'demand on the program has grown since eligibility was expanded in 2020' and that, from 11 January 2024, applications for an additional educator under the ISP would only be approved up to 30 June 2024.[47] This uncertainty is concerning for families and providers and the increased administrative burden of having to apply twice will impact families, providers and Inclusion Agencies. This experience reinforces the importance and urgency of allocating demand-based inclusion funding in ECEC.

[47] Changes for Inclusion Support Program applications - Department of Education, Australian Government

With regard to **Draft Recommendation 2.4**, we make the following points:

1) We propose an **amendment to allocate inclusion funding on a demand-driven basis (not capped)**, i.e. ISP / new Equity Support Program.
   - As a capped funding program, the Federal Budget funding allocation for the Inclusion Support Program has remained relatively static since the 2018-19 financial year, despite an increasing number of children being supported by the program each year, and expanded eligibility for the program in 2019/2020 (see Table 4.2 below)
2) We **strongly support** an increase to the additional educator hourly subsidy to subsidise 100% of an additional educator's wage (full cost recovery).
3) We propose an **amendment to set hourly subsidy rate** to at least $38.14/hour to reflect a minimum Diploma-qualified educator rate (with on-costs)
   - Additional educators often require specific skills and experience, such as using alternative communication, including AUSLAN or communication boards; implementing trauma-informed practices; and/or to make adjustments for a child's sensory needs.
   - Goodstart pays above-award wages. In 2023, the average hourly rate for additional educators in Goodstart (including on-costs) was $38.69/hour.
4) We **support indexation of the hourly subsidy rate** by an indexation rate closely linked to wages.
   Annual indexation should apply at least the Wage Price Index (WPI), although indexation by actual award wage increases would more accurately reflect actual increases in labour costs than WPI.
5) We **strongly support removal of limits on weekly hours** to align subsidised support with the child's enrolled hours.
   - Goodstart's data demonstrates that, on average, children with funding for an additional educator attend for 27 hours per week making this recommendation achievable in the context of the program with a more child and family centred approach.
6) We **support the proposal to fund other human-services qualified staff and inclusion professionals**, such as allied health assistants (or allied health professionals) in above-ratio additional educator roles only, consistent with the objects of the ISP.
   - Labour costs of employing such qualified professionals is likely to make this cost prohibitive for most providers but could be ameliorated by including allied health assistants who specialise in early childhood to fulfil these roles.

Table 4.2: Inclusion Support Program: number of children supported and total expenditure, by FY[48]

Financial Year	No. children supported by ISP	Total ISP expenditure ($m)
2018-19	11,164	$99.30
2019-20	13,037	$113.88
2020-21	16,110	$128.45
2021-22	17,651	$130.28

[48] Standing Committees on Education and Employment, Question on Notice, Budget Estimates 2022-2023, Dept of Education Question No. SQ22-000399.

In 2022-23, the ISP budget was $214.10m, as a result of movement of funding from the 2021-22 FY into the 2022-23 FY. (Actual expenditure for 2022-23 was not available when this Question on Notice was answered.) Despite this recognition that the program required additional funding, forward estimates only allocated $132.70m in 2023-24 and 2024-25 and $133.30m in 2025-26.

Government funding has not increased but costs of supporting inclusion continue to rise (see graph below). Where funding does not cover costs, this generally results in one of the following happening:

1) Providers, especially NFP providers like Goodstart, are directing social purpose investment (or surplus) to cover unsustainably high inclusion costs that should be borne by government. Reducing margins for NFP providers could make this unstainable long term
2) For many providers, the cost of including a child with additional support needs without adequate funding is a cost barrier to enrolling that child
3) Some providers may choose to pass on the additional inclusion costs through higher fees to all families
4) Providers choose not to enrol children who have additional needs, creating disproportionate representation of children with additional needs in services that welcome all children. This has impacts on staffing (burnout), costs and even safety.

GOODSTART RECOMMENDATIONS 4.2

In relation to Draft Recommendation 2.4:

1. Goodstart supports the proposal to increase additional educator wage and index annually and further recommends the additional educator wage should subsidise *at least* a Diploma-qualified educator with on-costs (not Cert III as suggested) to meet inclusion capabilities.
2. Goodstart recommends the final PC report be amended to clarify inclusion support program funding should be a demand-driven and not a capped budget allocation.

4.4 Reducing administrative barriers to inclusion

DRAFT RECOMMENDATION 2.3 - Amend eligibility requirements for inclusion funding

The Australian Government Department of Education should work with Inclusion Agencies to communicate documentary requirements for receipt of Inclusion Support Program funding more clearly to services, including the eligibility of children without a formal diagnosis.

Evidence a child has additional needs other than disability should be accepted in all circumstances for services seeking to access the Inclusion Development Fund Subsidy for an Additional Educator and the Family Day Care Top Up.

Increasing the funding allocated to the ISP (draft finding 2.5) will ensure children have adequate support, regardless of a diagnosis.

RESPONSE

Goodstart strongly supports the proposed clarification of eligibility and evidence required for children without a formal diagnosis. It is important that the documentary evidence requirements strike the right balance to ensure program integrity without creating an administrative barrier for children, families and providers.

In particular, Goodstart recommends ECEC adopt the same approach as schools in terms of ‘imputing disability’. This means educators and Inclusion Agencies would assess, evidence and validate a child’s support needs, functional requirements and inclusion barriers based on how they present, rather than seeking to assess a child's disability or developmental delay. This approach recognises the professionalism and skills of the ECEC workforce and empowers them to focus on the child's demonstrated need, rather than seeking to diagnose the child.

As children do not get 'diagnosed' with trauma, documentary evidence should include a letter from a teacher or educator detailing their observations of the child's behaviours or inclusion support needs. Consideration should also be given to applying for inclusion support for a child without a parent's consent. While a parent may not fully understand or accept their child's needs, the needs still exist – and it is important the child receives the support they need to fully participate in early learning and care. In these instances, the application would outline the inclusion barriers in the environment and the plan for addressing these and not be tied to an individual child. This is a similar approach to the Provider Eligible Arrangement that exists for accessing Additional Child Care Subsidy – Child Wellbeing.

GOODSTART RECOMMENDATIONS 4.3

In relation to Draft Recommendation 2.3:

1. Goodstart supports simpler and clarified evidence requirements, including allowing ECEC educators to impute disability (consistent with Nationally Consistent Collection of Data in schools and NDIS review), especially for children without a formal diagnosis.

DRAFT RECOMMENDATION 2.5 - Reduce administrative burden of Inclusion Support Program applications

The Australian Government should assess the application process required for the Inclusion Development Fund with a view to reducing the administrative burden on services. This should include considering whether requirements to seek reapproval when there are changes to the care environment could be relaxed and if further upgrades to the Inclusion Support Portal are required beyond those currently being implemented.

RESPONSE

Goodstart **supports** the proposed reduction in the administrative burden in the ISP, including upgrades to the Inclusion Support Portal to improve efficiency. Reducing the administrative burden of ISP applications would mean access for children with additional support needs would be simpler and therefore timelier. It may also help open up capacity for IAs and reduce red tape for educators and providers.

Goodstart **recommends** reduced administrative burden also be achieved by providing continuity of eligibility – and therefore funding continuity – for children with an evidenced diagnosed disability, rather than the current requirement for new evidence to be submitted for funding to be re-approved every 12 months or when the child's care environment (room) changes. Not only is this burdensome for families and providers, it is often complicated by the challenges in accessing health professionals with long wait lists to obtain updated evidence for an ongoing disability or diagnosis.

The National Quality Standards reflect inclusion in supporting a child to develop a sense of belonging and a feeling of acceptance (NQS 3.2) and inclusion is reflected in the indoor and outdoor environments (Elements 6.2.2 and 6.2.1). However, inclusive planning and practice are not explicitly named in the NQS. Instead, they are implied through the various elements.

Goodstart **recommends** structural reform to the National Quality Framework to require all services develop a Strategic Inclusion Plan (SIP), which is embedded in their Quality Improvement Plan (QIP). The SIP would then be assessed as part of a service's Assessment and Rating process. Such a reform would support foundational inclusive practice and encourage more services to implement inclusive planning and practice as standard, rather than commencing the SIP development process when a child with additional support needs seeks to enrol or apply for ISP funding.

Embedding inclusive planning and practice in a service's QIP should also free up some capacity for IAs, as they are currently responsible for supporting development of and approving the SIP, so they can better meet demand (although additional investment is likely to still be required). Ideally, this would mean IAs would be able to focus their specialist skills on providing advice and support on inclusive practice, rather than administrative functions of monitoring and compliance.

GOODSTART RECOMMENDATIONS 4.4

In relation to Draft Recommendation 2.5:

1. Goodstart recommends structural reform to support foundational inclusive practice by embedding the Strategic Inclusion Plan in each service's Quality Improvement Plan, for assessment through the Assessment and Rating Process.

4.5 Addressing inclusion in underserved and unserved communities

DRAFT RECOMMENDATION 7.1 – Ensure integrated services are available where needed

An ECEC Commission (draft rec 9.2) should be responsible for advising governments on the need for integrated early years services involving ECEC and the communities in which they are needed.

INFORMATION REQUEST 7.1 – The CCCF as a vehicle to address practical barriers to ECEC access

The Commission is seeking information on the appropriateness and responsiveness of the Community Child Care Fund (CCCF) to address practical barriers to ECEC access (such as transport) that families may face.

- *Do CCCF grants adequately and effectively respond to the various practical barriers (such as transport or food provision) that families face in accessing ECEC?*
  - *Is the current frequency (that is, grant rounds every 2–3 years) and funding amount available to services for community-level supports sufficient? If CCCF is not accessed for this purpose, are services receiving funding for this elsewhere?*
- *If the current CCCF does not adequately and effectively respond to these needs, what funding changes are needed? Options could include:*
  - *a more flexible approach through CCCF, with an open pool of funds that could be applied for as needed and available to all services, provided they demonstrated community need in their application*
  - *an expansion of the Inclusion Support Program, where funding could be provided through Innovative Solutions.*

The Community Child Care Fund (CCCF) needs to be replaced with a substantially larger program that is directly tied to the delivery of policy objectives identified as part of the system stewardship approach. The CCCF has always been too small – both in funding quantum and areas targeted for support – and too piecemeal to address the substantial issues on barriers to access across the ECEC sector. The fundamental principle that many services must rely on CCS revenue and family contributions is simply not feasible in communities facing entrenched disadvantage.

Goodstart has had some experience directly and indirectly with the CCCF and shares the following observations:

- CCCF grants do not adequately or effectively respond to practical barriers (such as transport, food provision) because funding is insufficient to cover costs and insufficiently flexible
- The frequency of grant rounds and funding available is not sufficient to run a viable service in underserved or unserved communities where costs are often higher and demand from the

community is not predictable. There are extremely limited options for ECEC services to access other sources of funds and these often have the same time limited challenges

- Goodstart considers that in unserved communities, or communities where a service is unlikely to ever be commercially viable (such as very small communities) funding changes are needed to move to a fully supply-side funding model where full costs of delivery are covered
- In other communities, as noted above, Goodstart recommends the development and implementation of a comprehensive, multi-layered equity and inclusion funding stream that is more responsive to the needs of children, families and communities. A new Early Learning Priorities Fund (to replace the CCCF) should also have a steam of funding for services in communities experiencing entrenched disadvantage that could be used flexibly as suggested by the Commission to meet the unique needs of those communities.

In considering the design of a new Early Learning Priorities Fund to address barriers to access, we recommend (as outlined in Recommendation 4.4 above):

- Funding allocation be prioritised toward underserved and unserved markets and communities, with a priority given to high quality not-for-profit providers or community controlled organisations
- National priorities identified through stewardship arrangements and local need identified by relevant data (published regularly by the new ECEC Commission)
- Funding to include both start-up/establishment funding as well as recurrent, supply-side funding that fully covers costs incurred to support ongoing service viability in communities with low or variable demand. This would also allow some price control for these services as suggested by the ACCC – provided all costs are met through supply-side funding.
- Flexible use of funding to meet unique needs of community, which may include:
    - Innovative, place-based and/or integrated service delivery models
    - culturally responsive service delivery
    - embedding allied health professionals in ECEC service
    - other flexible approaches, e.g. playgroups, non-standard hours of care, etc
    - Provision of **safe** transport to ensure children can access early learning settings (this is likely to include eligibility requirements with whole of community options)
- Support for service or program co-design with communities, particularly in Aboriginal and Torres Strait Islander communities.

4.6 Improving culturally safety and responsiveness in ECEC services

INFORMATION REQUEST 2.2 - Cultural safety in ECEC services

The Commission seeks information on cultural safety in ECEC services for Aboriginal and Torres Strait Islander and culturally and linguistically diverse families and children.

- *What factors most effectively promote the provision of culturally safe ECEC?*
- *Should there be changes to the National Quality Framework to promote cultural safety and capability, beyond the updated learning frameworks? Would a national cultural competency framework help improve the cultural safety of ECEC services for Aboriginal and Torres Strait Islander families and children?*
- *Does the structure of the Inclusion Support Program adequately prioritise and allow provision of culturally safe ECEC in mainstream services? If not, what are the issues and how could these be addressed?*
- *Would professional development in cultural capability (draft recommendation 3.6) be adequate to promote inclusion in ECEC services, or are there other components required?*

RESPONSE

Inclusive practice and building cultural capability requires investment and an organisational culture that values and prioritises principles of inclusion and equity. Goodstart is deeply committed to reconciliation with Aboriginal and Torres Strait Islander people and has a long-standing commitment to children and families who face exclusion in our society.

Expanded equity and inclusion investment, such as increased funding for IAs, service- and community-level investment outlined in response to **Draft Recommendation 2.3**, and cultural learning professionals, could be used to help build cultural safety as a capability.

Support for Aboriginal and Torres Strait Islander children and families

Aboriginal and Torres Strait Islander children and families often face explicit and implicit barriers to participating in ECEC, including challenges associated with costs, location, culture and communication. Services that successfully engage Aboriginal and Torres Strait Islander children and families tend to be run by First Nations people or communities themselves, employ First Nations educators and/or are delivered by culturally safe and responsive educators.

Goodstart is proud to invest in a National Cultural Liaison role and a Torres Strait Islander Cultural Liaison. These two First Nations leaders have supported Goodstart services – and our organisation as a whole – build our cultural safety and cultural responsiveness.

Over the last ten years, we have learnt that the best way we can support Aboriginal and Torres Strait Islander children and families' ECEC access and participation is by providing culturally safe learning environments and improving educators' cultural safety and responsiveness through professional development opportunities. Goodstart has seen improved Aboriginal and Torres Strait Islander engagement when educators achieve deeper levels of cultural learnings through regular, sequenced ongoing learnings and professional development.

Educators should also recognise that a child's wellbeing is often informed by, even dependent on, their family's wellbeing. This should be kept in mind when an educator is considering an Aboriginal and Torres Strait Islander child's continuity of learning and how this should extend to the home and community learning environment.

Between 2020-2022, Goodstart invested over $1 million in supporting our staff to participate in Arrilla Indigenous foundational cultural training. All centres also embarked on a reconciliation journey and registered to develop their centre-level RAPs, with 37% (246) of centres successfully publishing their RAP through the Narragunnawali platform. At the enterprise-level, Goodstart's Stretch RAP builds on our vision for reconciliation to be woven though everything we do. These investments reflect the culture of equity and inclusion in action at Goodstart.

Factors that can effectively promote the provision of cultural safety in ECEC include:

- Continual cultural learning and development of educators and other service staff, supported by the service's RAP journey
- Responding to the needs of local Aboriginal and Torres Strait Islander and culturally and linguistically diverse communities
- Engaging professional development services that deliver more than a once-off cultural awareness program (such as Arrilla Indigenous cultural competency training).

Specific examples of the types of activity required to promote cultural safety are outlined below for the Commissions consideration. These could be funded through the new Early Learning Priorities Fund (enhanced CCCF), proposed above.

A RAP for every centre

In line with an ECEC service's commitment to quality and inclusion, it should be supported to develop a Reconciliation Action Plan (RAP) – a formal statement of commitment to reconciliation with Aboriginal and Torres Strait Islander people. An early learning service can develop a RAP using the free Narragunnawali platform, to register and extend on existing initiatives, or to begin a new journey. Narragunnawali RAPs provide a simple step by step framework and process for reconciliation in education. It includes a holistic focus on strengthening relationships, respect and opportunities in the classroom; improving cultural safety within the service or school; and fostering positive and respectful relationships with the local Aboriginal and Torres Strait Islander communities.

Community of Practice

As part of an Aboriginal and Torres Strait Islander Community of Practice, First Nations leaders and subject matter experts delivered a five-module program over 18 months. The program included units on cultural awareness, community connections, and embedding culture into pedagogical practice. The program cost (online, inhouse delivery and facilitation) was approximately $3,000 per participant.

The program has delivered positive results with centres that complete the program having 50% greater First Nations children attendance than centres not participating in the COP and a 125% greater representation of First Nations employees than other centres.

Cultural Exchange – Fitzroy Crossing

A Cultural Immersion program, where Goodstart educators live on secondment in a remote community and work in an Aboriginal or Torres Strait Islander early learning service for up to 6 months. Program cost is $250,000 per annum. This provides a two-way learning experience for local educators and educators on secondment. Seconded educators support staffing in the remote services by both increasing the educator-to-child ratios and the qualification levels, which has allowed more children to participate in the centre. Upon their return, the secondee has used their learnings to embed cultural perspectives into their own practice, which in turn has positively impacted the learnings of other members of the Goodstart team.

Support for culturally and linguistically diverse communities

Funded and supported professional development is needed for services to ensure that they are achieving respectful cultural diversity while maintaining access for all children that is safe and appropriate. Increased funding should be made available IAs (see Draft Finding 2.5 above) to support cultural safety and responsiveness uplift, in response to Early Years Learning Framework changes. This could include:

- Access to internal and external supports to bridge language and literacy gaps
- Support from other centres and educators within a centre's network to leverage the lived experience and skills of educators from culturally and linguistically diverse backgrounds
- Professional development opportunities that could be linked to the professional learning role recommended for IAs under an improved ISP or new Equity Support Program (see response to Draft Finding 2.5, above).

Bicultural Support workers

Goodstart trialled a bicultural support worker program, where culturally and linguistically diverse Goodstarters could be called upon to engage with new families of the same nationality, whether the Goodstarter was employed at that centre or within the centre's network. The Goodstarter would support the family with enrolment, the first day, settling the child into the service, and bridging language and familiarity barriers that could often exist between services and culturally and linguistically diverse families. The cost involved backfilling the educator role, so not considered a large cost, although program coordination costs, staff shortages and the lack of suitable system infrastructure made scaling this program challenging.

Changes to the NQF to promote cultural safety and capability

Goodstart welcomes recent changes to the Early Years Learning Framework (EYLF) V.2, particularly those that strengthen Aboriginal and Torres Strait Islander perspectives and add the practice of cultural responsiveness. More could be done to effectively communicate these changes to the sector and support their implementation through resources and ongoing professional development.

To embed the changes to the EYLF v.2 in our practice, Goodstart has already invested $89,000 in 2023 providing professional development and information sessions to ensure our educators are aware of and have the tools required to make the necessary changes to meet the updated EYLF v.2. However, we have the benefit of efficiencies of scale and investment, where small providers may need support accessing professional development opportunities.

A cultural competency framework

Goodstart notes there may be merit in developing a cultural competency framework, however, we would suggest this is included in the NQS and QIP, rather than developed as another stand-alone framework. We also note that 'cultural competency' can be a limiting term when it is mistaken for being 'achieved' through one-off training programs or addressing a checklist. Cultural safety and cultural responsiveness are preferred terms, as these allow educators and other staff to explore, understand and practice in more culturally responsive and evolving ways which reflect the ongoing nature of cultural learning. We also would suggest that there are opportunities to leverage the Narragunnawali platform to build cultural safety and cultural responsiveness in an ongoing way in ECEC services.

Improving the Inclusion Support Program (ISP) to prioritise and support the provision of culturally safe ECEC in mainstream services

The main challenge associated with the ISP program is it is not adequately resourced to sufficiently increase, enhance and maintain the provision of culturally safety in mainstream ECEC services. This need exists across all communities.

Goodstart's annual child census shows that 86% of Goodstart centres (560 centres) have at least 20 children enrolled who have identified risk factors, including identifying as First Nations, from a culturally and linguistically diverse backgrounds, children identified as being at risk of abuse or neglect, with a disability or additional need or being from a low-income family. However, some services have higher proportions than others – with 37% of our network (237 services) supporting more than 40 children with risk factors in their centres and 10% of our network with more than 60 children with risk factors. More than 28% of Goodstart centres have more than 10 children with multiple risk factors (two or more risk factors) attending their services.

The investment level of the ISP has not been adequate to meet need across the Goodstart. In response, we have made targeted social purpose investment to build this capability. We note than many smaller providers would not have the scale to make these investments and, even for Goodstart, what we can do is limited by our financial performance. At a macro level, these investments include:

- Professional development to build the capability of our team members, so that they can effectively include children and families likely to be vulnerable
  - $19 million in 2022, 40% of targeted social purpose investment
- Developing and implementing programs that facilitate enrolment, access and participation by these children and families
  - $9.6 million in 2022, 20% of targeted social purpose investment
- Investing to meet funding 'gaps' where government programs do not fully meet the costs of inclusion
  - $5.6 million in 2022, 12% of targeted social purpose investment.

Goodstart also makes specific investments in supporting reconciliation to improve cultural safety and responsiveness, which has been the foundation for our above-average participation of First Nations children and families ($1.2 million in 2022, 2.5% of targeted social purpose investment).

The issues associated with ISP funding limitations can be addressed through the additional investment outlined above at section 4.1.

GOODSTART RECOMMENDATIONS 4.5

In relation to Information Request 2.2:

1. Goodstart recommends that enhancements to the NQF specifically recognise First Nations and Narragunnawali platforms in supporting culturally responsive service delivery.
2. Goodstart recommends increased investment in and support for professional development in cultural capability, which may be delivered through or facilitated by Inclusion Agencies (where culturally appropriate). Uplifting cultural capability should recognise that deeper level cultural learnings take place through regular and ongoing learnings, rather than one-off training sessions.

4.7 Helping families navigate the ECEC system

INFORMATION REQUEST 7.2 - 'System navigator' roles in the ECEC sector

The Commission is seeking views from inquiry participants on 'system navigator' roles in the ECEC sector.

- *Are current initiatives to support families experiencing additional barriers to navigating the ECEC system sufficient? Do they require additional information or support to perform this role?*
- *Is there a need for national investment in system navigator roles?*
  - *If so, who would be best placed to perform these roles? Examples could include Inclusion Agencies or contracted delivery by a range of ECEC services, community organisations, local councils or ACCOs.*
  - *How could this be delivered across different groups of families (for example, regional or remote, Aboriginal and Torres Strait Islander and culturally and linguistically diverse families), including ensuring delivery in a culturally sensitive manner?*

RESPONSE

Enrolling a child in early learning and accessing the associated subsidy system can be complex and overwhelming for many families. Goodstart acknowledges the extensive benefits of 'system navigator' roles in the ECEC sector, particularly to support families experiencing vulnerability or disadvantage or families, including children and families at risk of abuse or neglect, or families from non-English speaking backgrounds. Goodstart would support these navigator roles being performed by high quality inclusive providers.

System navigators play an important role in supporting families by:

- Removing administrative barriers to access, i.e. navigating a complex subsidies system
- Removing cost barriers by capitalising on existing subsidies for children at risk, including CCS and ACCS Child Wellbeing, and mitigating risk of debt
- Holding a family's proverbial 'hand' and stepping them through the enrolment and transition process
- Ensuring the centre is ready to meet the needs of the child
- Referring and connecting children and families to other support services in the local community.

In recognition of these facts – and in line with our social purpose – Goodstart has established a program to provide the navigator function through Family and Community Engagement Workers, specifically focused on helping children at risk and their parents and carers to access ECEC and access the subsidies and support available to them. The IAP Program is a supported referral pathway and placements program, which helps vulnerable families and foster carers enrol their child/ren in ECEC and successfully transition them into the centre, apply for Australian Government subsidies (CCS and ACCS – Child Wellbeing), and connect to broader social and community networks and services as required. Our small team of six works with families experiencing a wide range of vulnerabilities including, people escaping family violence, First Nations families, families from culturally and linguistically diverse backgrounds and foster and kinship carers.

The Family and Community Engagement Workers create a network of referral agencies in local communities to assist in identifying and better supporting families and children who would otherwise not access ECEC. Goodstart data for children who have commenced through this supported pathway demonstrates ongoing participation of children at an average of three days per week. Goodstart has also developed partnerships with other services such as Uniting NSW/ACT Links to Early Learning to support placement of children from refugee and humanitarian backgrounds.

The strength of our system navigator model or supported referral pathway is that our Family and Community Engagement Workers are employed in a high quality, not-for-profit organisation. This is important because:

1. Consistent with our social purpose, we are deeply committed to supporting ECEC access for all children but especially the most vulnerable
2. Our Family and Community Engagement Workers able to efficiently find ECEC places for children across large number of services and communities in each state
3. We work with the service to be 'ready' to meet the child's needs, e.g. trauma-related behaviours, developmental delays, etc
4. We are connected to local service systems for child and maternal health, family support and other NGOs that support families in crisis or who are struggling.

In our IAP Program in Victoria, South Australia and Queensland, we have seen:

- Increased enrolment rates of children at risk of abuse or neglect plus higher average days of enrolment
- Higher attendance rates of children supported through IAP than for other children receiving ACCS Child Wellbeing
- Higher rates of attrition for children supported through IAP than for other children receiving ACCS Child Wellbeing.

GOODSTART RECOMMENDATIONS 4.6

In relation to Information Request 7.2:

1. Goodstart recommends increased investment in a new Early Learning Priorities Fund (or enhanced CCCF) be made available to support the establishment of system navigators in local communities to help families overcome system and administrative barriers and support children not yet participating in ECEC to enrol
2. System navigators may be funded in early learning settings, such as high quality providers or employed by community or social services but should be ensure that children and families are enrolled in settings that are meeting or exceeding the NQS

DRAFT RECOMMENDATION 7.2 - Support connections between ECEC and child and family services

As part of its role in assessing access to ECEC, an ECEC Commission (draft recommendation 9.2) should be responsible for examining connections between ECEC and other child and family services and identifying the most suitable way to address any gaps.

RESPONSE

Goodstart supports **Draft Recommendation 7.2** and suggests this could deliver a higher return on investment than building integrated centres in some communities. Parents' access to adequate paid parental leave or income support payments is essential in supporting them and their newborns in the critical first year of life. Ideally, all parents should have access to these supports.

The central aim of early learning and care is to scaffold children's growth and development, to set them up for success in learning and in life. The first 1,000 days of a person's life is a critical period of development, providing a distinct and timely opportunity to ensure a positive lasting impact on an individual's social, emotional and physical wellbeing.

Recognising this, most OECD countries provide more generous paid parental leave arrangements than Australia. The average across the OECD is currently 50.8 total weeks, compared to only 18 in Australia. The comparison is even more stark when considering that Australia's full-rate equivalent is only 7.7 weeks, compared to an average of more than 33 weeks full-rate equivalent across the OECD.

ECEC services play a central supporting role in the first year of a child's life through to the preschool years by connecting families into the community and acting as part of the 'village' raising the child. This is particularly important for families who may be dislocated from other supports (e.g. separated from grandparents, friends and family). ECEC services act as a soft or universal entry point to a wider network of supports and enable workforce participation. When Goodstart asked families in South Australia which services or support were the most valuable in the first three years, the overwhelming majority responded that ECEC was one of the most valuable.

Increasingly, ECEC services are being recognised as a potential universal entry point or 'backbone service' for the early childhood development system, with a majority of children attending a CCS-funded ECEC service by the age of two. ECEC is used more by children and families than any other early childhood development service and the opportunities for ECEC settings to be leveraged as a backbone can be attributed to the frequency and duration of these services in the lives of children and families, more so than any other service. Furthermore, utilisation is expected to increase when the Prime Minister's commitment to a universal affordable system reduces cost barriers for children and families.

This creates an opportunity to better connect health and other child and family support services with ECEC services that children and families are already attending and where trust has already been established. While the exact mix of services should be tailored to the local context, all children attending ECEC services would benefit from onsite access to:

- Developmental screening – such as the trial service in Goodstart centres in South Australia funded by the state government and delivered by nurse practitioners
- Hearing screening – such as the services provided by Hearing Australia's Hearing Assessment Program – Early Ears (HAPEE) for children from Aboriginal and/or Torres Strait Islander descent
- Dental screening – such as the *Lift the Lip* campaign to quickly and easily screen for dental decay in children
- Allied health services – such as the services delivered using the needs-based funding allocation of School Readiness Funding in Victoria
- Nutrition and food programs (such as South Australia's highly successful *Start Right Eat Right* initiative or services provided through Nutrition Australia).

Goodstart directly delivers these services at many of our centres. We employ teams of allied health professionals, facilitate and host visiting professionals, and refer families to other local child development services and family support services. To support the inclusion of all children, not-for profit providers like Goodstart make evidence-informed investments at the child level, the service level, and the enterprise level to deliver on our social purpose, which is not funded by government. At a macro level, these investments include:

- Professional development to build the capability of our team members so that they can effectively include children and families likely to be vulnerable ($19 million in 2022)
- Developing and implementing programs that facilitate enrolment, access and participation by children and families ($9.6 million in 2022)
- Investing to meet funding gaps, where government programs do not fully meet the costs of inclusion ($5.6 million in 2022, or 12% of targeted social purpose investment).

GOODSTART RECOMMENDATIONS 4.7

1. Goodstart **recommends** that, as part of its role in a stronger stewardship approach, the newly established ECEC Commission identify communities that would benefit from an integrated approach to service delivery, based on the Commission's local market, demand, supply, quality and inclusion data and evidence
2. Goodstart **recommends** that funding of up to $200,000 per annum be made available for services with a high proportion of children with vulnerability indicators to deliver specialised inclusion programs, such as embedded allied health professionals in ECEC services

4.8 Other recommendations

DRAFT RECOMMENDATION	GOODSTART POSITION
DRAFT RECOMMENDATION 2.2 *The Australian Government should amend the Disability Standards for Education 2005 (Cth) to include all services within the early childhood education and care sector.*	**SUPPORT IN-PRINCIPLE** Goodstart supports in-principle the recommendation to amend the Disability Standards for Education (the Standards) to include ECEC services in the Standards, subject to appropriate funding being made available. The ACCC Childcare Inquiry found there are higher costs associated with delivering ECEC for children with a disability. This is likely due to inadequate funding available through the Inclusion Support Program, higher labour costs to meet the child's needs, and making adjustments in the physical environment. Including ECEC services in the Disability Standards would be consistent with schools and standalone or government-run preschool services, so available funding should be consistent with schools and preschools. This would include funding to meet the child's inclusion support needs (i.e. ISP and/or needs-based resourcing) and a capital grant fund for non-reasonable adjustments that could result in unjustifiable hardship.[49] Funding for making adjustments could be administered by Inclusion Agencies who should also have increased funding to support ECEC services to understand and meet their obligations under the Standards. Increased funding should also be allocated to the ISP Specialist Equipment Library, so ECEC services can access inclusion supports, equipment and potentially additional funding for adjustments when supporting a child with a disability.

[49] Qld Department of Education, Funding reasonable adjustments fact sheet, here.

5. ECEC Workforce

Availability can only be improved if workforce challenges are resolved

Draft Rec 3.1	Reduce barriers to educator upskilling
Draft Rec 3.2	Support innovative delivery of teaching qualifications
Draft Rec 3.3	Improve registration arrangements for early childhood teachers
Draft Rec 3.4	Lift support and mentoring for new early childhood teachers
Draft Rec 3.6	Contribute to professional development for the ECEC workforce
Draft Rec 3.7	Improve the ECEC Workforce Strategy
Draft Rec 3.5	Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC Qualifications
Info Req 3.1	ECEC-related vocational education and training
Info Req 3.2	Effectiveness of traineeship arrangements
Info Req 3.3	Falling completion rates for early childhood teaching qualifications
Draft finding 3.1	Expected wage increases may relieve recruitment and retention challenges

OVERVIEW

Goodstart agrees with the assessment of the PC Draft Inquiry Report that workforce challenges constrain the availability of ECEC and will need to be addressed to ensure enough skilled educators are available to deliver on a universal entitlement to quality, inclusive early learning for all children.

The PC makes seven recommendations on workforce, all of which Goodstart supports in principle. However, we consider that the recommendations as a whole fall well short of what is required to ensure workforce challenges are addressed across both the immediate and longer term.

In particular, Goodstart is concerned that the core issue of attraction and retention of educators has not been adequately addressed in the Draft Report and we strongly encourage the Commission to consider additional recommendations on this issue.

Goodstart's response to the PC's draft recommendations on workforce and our additional recommendations are below. We urge the Commission to reflect these additional findings and recommendations in its final report.

5.1 Attraction and retention of the ECEC workforce

Draft finding 6.1: ECEC is less affordable for lower income families

RESPONSE

Goodstart welcomes the analysis in the Draft Inquiry Report on the low wages paid in the ECEC workforce and how this is contributing to ongoing shortages in the sector. We note that **Draft Finding 3.1** explicitly acknowledges that pay and conditions of the ECEC are inextricably linked to recruitment and retention challenges.

However, we are concerned that the Commission has not made a recommendation on how to address low wages in the sector, including that increases to wages for ECEC educators should be funded by Government.

We strongly encourage the Commission to make a direct recommendation for Government to fund wage increases as a priority investment, rather than deferring to 'a decision for governments whether funding a wage increase for ECEC workers is a priority use of public funds' (**Draft Finding 3.1**). Goodstart notes the Government's terms of reference for this inquiry have expressly asked for advice on the 'ECEC workforce requirements and the capacity to meet these requirements within current Commonwealth, State and Territory initiatives'. An explicit recommendation on government funding for wage increases would be in line with this remit as workforce shortages, and the low wages in the sector that underpin them, remain the biggest challenge facing the sector today.

There is a shortage of ECEC teachers and educators that appears to be worsening

Jobs and Skills Australia (JSA) have found that there is a national shortage of both early childhood teachers (ECTs) and early childhood educators. Jobs and Skills Australia's monthly internet vacancies index showed a 140% increase in vacancies for both early childhood teachers and early childhood educators between November 2020 and November 2023. This trend is acknowledged in the Draft Inquiry Report (p. 191) however Goodstart notes that the trend accelerated over the remainder of 2023. While vacancies fell across the entire Australian workforce by 7.3% in the year to November 2023, vacancies continued to rise in the ECEC sector by a further 12.2% in the past year.[50]

While the situation is particularly acute in some regional areas, workforce shortages are endemic across the country including many metropolitan centres.

On the supply-side, Goodstart agrees with the Commission's assessment that the shortage of ECTs is particularly acute, impacting not just on the ECEC sector but on the school sector as well. Commencements in ECT courses improved slightly in 2021 and 2022, partly because of State Government initiatives to offer scholarships to educators to upskill. However, completions of ECT courses remain lower than required to meet demand.

The supply of educators is more mixed. Commencements in Certificate III courses in 2022 were the highest ever, up 9,000 on the pre-COVID 2019 peak. However, completions rose by only 2,000. Commencements in Diploma courses were the lowest in seven years, probably impacted by the changes to the training package requiring educators to have completed a Certificate III first.

Table 5.1: Enrolments & completions of VET and university courses in early childhood

	ECEC Certificate III		ECEC Diploma		ECT Bachelor	
Year	**Commence-ments**	**Completions**	**Commence-ments**	**Completions**	**Commence-ments**	**Completions**
2016	n.a.	15,700	n.a.	15,755	4,578	2,380
2017	33,595	15,605	28,490	14,055	4,226	2,220
2018	32,645	15,730	19,845	13,570	3,556	2,288
2019	38,055	15,700	26,005	12,625	3,541	2,144
2020	32,675	12,300	21,590	9,990	4,288	2,051
2021	37,280	15,735	21,935	13,865	5,540	2,145
2022	47,780	17,610	13,905	18,050	4,473	n.a.

Source: NCVER, Total VET Students and Courses, (DataBuilder); Department of Education (Cth) Higher Education Statistics Special Courses data.

The encouraging trends in commencements in Certificate III and Bachelor courses in 2022 demonstrate that many employees are willing to consider careers in ECEC. However, completion rates for VET and Bachelor qualifications are very low.

[50] Jobs and Skills Australia monthly internet vacancies index, ANZSCO occupation codes 1341, 2411 and 4211. There was a seasonal downturn in vacancies in December 2023, although number were still 9% higher than December 2022 and more than double the number in December 2020.

This is compounded by very high turnover in the first three years of service. Goodstart data shows that 58% of employee-initiated turnover occurs in the first two years of service, rising to 69% in the first three years of service. This data is broadly consistent with the 2021 National ECEC Workforce Census, which found that 39% of contracted staff had been in the ECEC sector for less than three years, and 69% had been the sector for less than six years.[51]

As we noted in our previous submission to the Inquiry, Goodstart employees report that the top three reasons they leave Goodstart are low pay, lack of professional recognition and burnout.

Workforce shortages directly impact on supply

Goodstart agrees with the Commission's assessment that the mismatch between demand and supply of ECEC staff is likely to continue, particularly in light of reforms to expand preschool access at the State level (p. 194). The Commission's reform proposals including relaxing the activity test and increasing the maximum rate of child care subsidies, will also increase workforce demand.

There is no question that staffing constraints continue to impact on the ability of ECEC providers to offer places to all families who need it. The most recent Australian Childcare Alliance survey completed by 477 centres in October found that 50% were capping enrolment numbers, with 11,123 places withheld from families.[52] While the number of Goodstart centres capping enrolment numbers was less than 10% during 2023, many other centres were managing workforce shortages by rostering staff to direct contact and removing non-contact time or inclusion support, engaging high-cost agency staff, paying overtime, or requiring the centre director to work on the floor. This high-stress mode of working takes its toll on the workforce, with burnout featuring as one of the top three reasons educators cite for leaving in exit interviews.

Goodstart has already increased wages but the gap between ECEC and school sectors remains

Consistent with the ACCCs finding that NFP providers tended to pay their educators more than for-profit providers[53], Goodstart currently funds wages for educators at 5+% above award and teachers at 15+% above (but with 4 weeks leave rather than the 12 weeks they receive in schools and preschools).

Goodstart's employees are covered by an Enterprise Agreement, which was last negotiated in 2021, and is currently being re-negotiated. The last agreement resulted in substantial increases in wages at Goodstart:

- Educators' pay would increase from around 2.7% above award (2020) to 5% above award in 2022. In addition, the full National Wage Case award increases would be passed on in full (13.3% over the last three years)
- Teachers' wages were re-set at a much higher national scale where a graduate teacher was paid similar to the wage rate paid in Government schools (although other conditions such as leave are not matched).

However, since then, substantial wage increases for school teachers in NSW and QLD have meant that Goodstart wage rates are no longer competitive in those states, particularly given the additional eight weeks non-term leave that school teachers are entitled to (equivalent to 16% of wages in a CBDC context). These wage increases have been fully funded directly by Government.

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[51] National ECEC Workforce Census 2021 tables 13 & 14

[52] ACA Enrolments Survey Report October 2023

[53].The ACCC Final Report p 112-117 calculates what it calls 'above award margins' by dividing the total remuneration for a position (including wages, superannuation, allowances and loadings) by the relevant award rate for the position (without superannuation, allowances and loadings). This results in a massive inflation of actual above award margins. This error has been drawn to the attention of the ACCC.

Table 5.2: Graduate teacher commencement wage rates ($p.a.)#

	NSW	VIC*	QLD	Goodstart
July 2021	$72,263	$72,058	$73,630	$72,274
Jan 2024	$85,000	$76,483	$81,630	$80,000
% Increase	+17.6%	+6.1%	+10.9%	+10.7%

*The Victorian 2022 schools EA prioritized reducing contact time by 90 minutes a week and employing an additional 2000 teachers; #School teachers also receive 8 weeks of additional leave and substantially more non-contact time for programming and professional development than teachers in CBDC).

Wage rates for educators (either in Government preschools or teacher aides in schools) are also substantially higher in Government schools than in the ECEC sector, and the gap grows for more experienced educators and teachers:

Table 5.3: Educator & teacher wages in centre-based day care centres and public schools, Jan 2024

Classification	Award rate (p.a.)	NSW Educ. Dept rate[3]	VIC Educ. Dept rate[4]	QLD Educ. Dept rate[5]
Educator Cert III min. ratet[1]	$49,095	$65,406	$55,239	$54,761
Educator Cert III max. rate[1]	$52,384	$76,689	$70,742	$71,172
Teacher graduate[2]	$70,157	$85,000	$78,058	$81,630
Teacher maximum rate[2]	$90,283	$122,100	$115,737	$113,330

[1] Children's Services Award 1/7/2023, NSW Education Paraprofessional (Cert III qualified), Victorian Education Support Officer Level 1 Range 2; [2] Educational Services (Teachers) Award; [3] School Learning Support Officer as at 15/7/2022; [4] 1/1/2023 Victorian Government Schools Agreement 2022; [5] Teacher rates 1/7/2022, teacher aide rates 1/9/2023.

There are also wage disparities between preschool and centre based day care

Goodstart notes that employees in preschools are generally paid more than they are in CBDC services, particularly teachers. This is facilitated by the funding provided by State Governments (which also includes the provision of buildings at below market rents). For example, funding for community preschools in Victoria includes an additional payment of $402 per child per year to support higher wages and conditions for teachers and educators, contained in the Victorian Early Childhood Educators and Teachers Agreement (or equivalent).[54]

This highlights the significant impact that funding policy settings have on the ability of ECEC providers to increase wages. Direct government funding of wages supplementation means that schools and preschools offer wages and conditions much higher than CBDC services, without having to pass costs onto families.

Under current ECEC funding mechanisms, wage increases directly link to increased fees

Goodstart notes that the Commission's analysis of the factors contributing to the sector's relatively low pay cites the high reliance on awards, and the low incidence of enterprise bargaining (p. 204-205), and the Draft Inquiry Report also notes that 'another reason that is often put forward for low wages is the market based nature of ECEC' (p. 205).

While Goodstart supports maintaining the current mixed funding model, with demand-side subsidies linked to fees (see Chapter 3), we note that this model does not provide funding incentives for providers to increase wages and in fact, acts as a constraint on wages growth.

[54] https://www.vic.gov.au/kindergarten-funding-rates

For example, as noted above, Goodstart already pays above award rates but for Goodstart to *match* wages and conditions in schools:

- A wage increase of 15-30% above current rates would be required
- As centre wages make up around 70% of costs, this would drive fees up by 11%-21%
- This would push virtually all Goodstart fees above the hourly fee cap, placing a disproportionate burden of funding a wage increase on parents
- Goodstart fees would also then be well above average market fees in virtually all markets, making Goodstart services less attractive to families; impacting on our competitive position and financial viability[55].

This demonstrates that the funding system for ECEC, tied as it is to fees up to a cap, makes it very difficult for providers to fund significant wage increases.

Funding availability also dictates bargaining outcomes. Whereas only around 16-20% of employees in the CBDC sector are covered by enterprise agreement, we estimate that over 67% of preschool employees would be. That includes the government and non-government schools' agreements, the state-wide agreements in Victoria, the agreements covering the largest community preschool providers in NSW and QLD, and hundreds of agreements for sessional or community preschools.

Full Government funding of wages increases should be a priority investment

Goodstart strongly urges the Commission to recommend that Government prioritises investment to fund wage increases for CBDC, even if the quantum is a matter for Government.

Funding wage increases directly delivers on multiple objectives of a universal ECEC system:

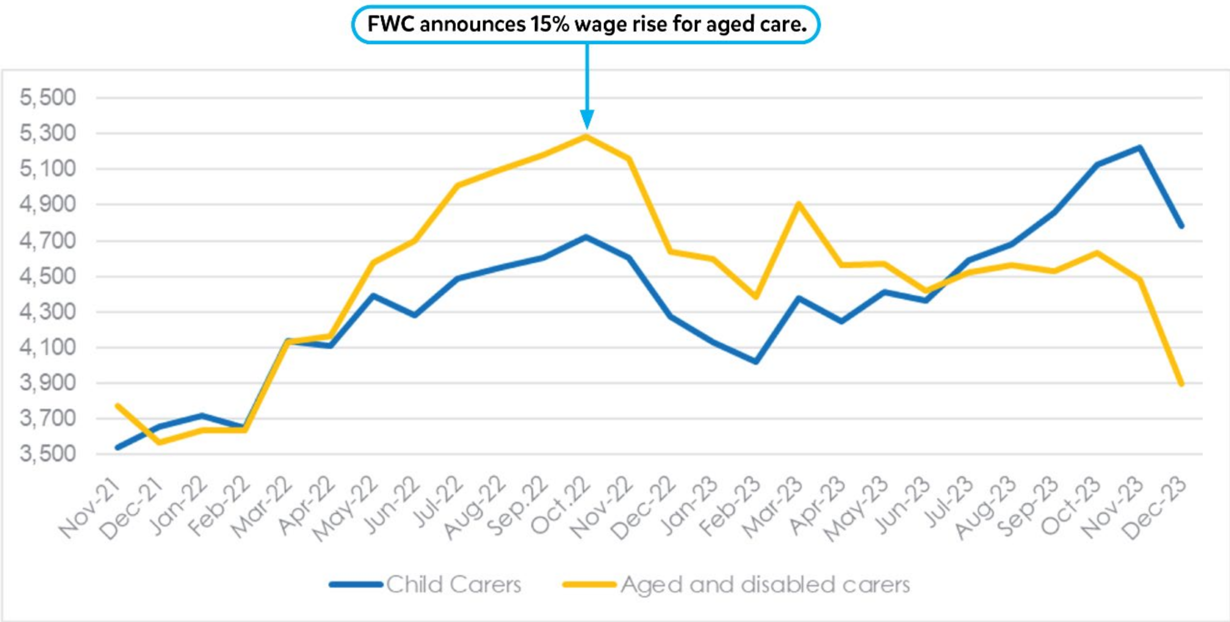
- **Accessibility:** A better paid workforce will be a more stable workforce, supporting providers to deliver more places for families
- **Affordability:** Full funding for wage increases will mean that, as in schools and preschools, parents are not left with higher out-of-pocket costs to fund higher wages. Cost as a barrier to access to learning will not be an issue, and workforce participation objectives would be supported
- **Quality:** A better paid workforce is a more stable workforce and there is a clear link to quality. The ACCC analysis found that services with higher quality ratings tended to pay their staff more and had lower staff turnover[56]
- **Inclusion:** A more stable and experienced workforce would allow more educators to become more skilled in inclusion support. Also, less staff turnover would mean that Inclusion Support funded educators would be less likely to be re-rostered into ratio to cover absences.

Funding wage increases for the ECEC workforce – 97% of whom are women – also directly supports broader Government objectives of supporting pay equity and addressing the gender pay gap.

It is the logical next step in reform following the Government's commitment to fund a 15% interim wage rise for aged care workers. It is worth noting that in the year after the Fair Work Commission announced a 15% wage increase in November 2022, vacancies for aged and disability carers fell 13.3%, while vacancies for child carers rose 13.6%. Clearly wages make a huge difference:

[55] The ACCC found that childcare markets are highly localised, and that families *"…appear to look for a service that is priced around the prevailing market price in their local area (not too high or too low) and which delivers value for money, taking into account quality."* ACCC Final Report p. 22
[56] ACCC Interim report September 2023 p. 94, 151; Final report p. 122

GRAPH 5.1: Monthly vacancies – aged and disability carers vs child carers [57]



A new funding mechanism to support wage increases will be required

As noted above, in the absence of a government funding commitment for wage increases the way the primary ECEC funding mechanism (the CCS) operates acts as a constraint on significant improvements in wages across the ECEC Sector. While Goodstart agrees with the Commission that the demand-based subsidy generally works well as a mainstream funding mechanism, one of its weaknesses is that it has not delivered fair wages for the ECEC workforce.

As such, Goodstart strongly argues that the Commission's proposals to reform the ECEC funding model must include an explicit recommendation about how wage increases should be funded.

Goodstart has identified three key pathways to addressing this:

- The first is to change the award wages and conditions as these would equally apply to all providers, removing competition issues. This would require a long and complex award review by the Fair Work Commission, utilising some of the new equal remuneration powers it was granted in 2022. However, without a government commitment to fund the outcome (as occurred in the Aged Care case), such a process could drag on for years
- The second is for Government to mandate minimum wages and conditions as a requirement for funding, as the New Zealand Government has done (PC report p. 215). However, this would require an auditing arrangement to ensure that providers passed the funding on to educators
- The third is a variant on the second, with Government mandating minimum wages and conditions, but requiring this to be stipulated in an enterprise agreement (either a supported bargaining agreement, a single employer agreement or a single-interest multi-employer agreement like the Professional Community Standard Agreement).

[57] Jobs and Skills Australia Monthly Internet Vacancies Index

In all three cases, Government would need to fund the wage increase or face a reduction in affordability as parents face higher fees. Goodstart considers there are three ways that a wage increase could be funded by Government:

1. **Increasing the CCS rate and hourly rate cap:** This approach might be appropriate if the wage increase was imposed on all providers through an award change. However, increasing the CCS rate is a very inefficient way of funding a wage rise, as the proportion of fee income that providers allocate to wages varies widely, from 50% for some small private providers to over 90% for some community based NFP providers. An increase in the CCS rate and cap would over-compensate providers with low wages shares and under-compensate providers with high wages shares
2. **Provide grant funding to fund a wage rise**: This approach would see Government providing grant funding to eligible employers who agree to fund a wage rise. Given the constraints of current grant administration, this might need to be based on a degree of averaging, although that could have regard at least to the differential wages shares of for-profit and NFP providers – 77% for NFP large providers vs 62% for large for-profit providers.[58] Payments could be based on attendance as occurs with the Victorian Government's wage subsidy to kindergartens. Grant funding might be an interim measure, which leverages the funding model developed during COVID and approaches used for traineeships
3. **Develop a new funding stream to fund wage increases:** This approach would see Government provide funding to eligible employers based on actual payroll data reported to government through the provider's third-party payroll software provider. In principle, this is not dissimilar to the payment and reporting through the CCMS, although this would be an entirely new stream with a completely different set of reporting and payments. This would, longer term, be the most efficient way to fund a wage increase, although it could take Government a year or two to build the supporting IT system.

Option 2 could fund a wage increase in the short term and Option 3 in the medium to longer term. As a supply-side funding approach, it is funding a core cost input. But tying the funding stream to actual reported costs provides a degree of flexibility not usually found in fixed supply-side funding systems and would have many of the benefits associated with a demand-side instrument.

Once the new funding stream for wage increases is established, this could be used to drive increased affordability and efficiency reform across the sector. For example, if Government committed not just to fund the negotiated wage increase to achieve pay equity but went further and committed to also fund the annual increase in award rates as well, this would dramatically reduce future fee increases for the sector. Fee increases would then only cover essentially non-wage costs – centre running costs, finance and administration, property costs and profits. Over time, increased price transparency would put considerable pressure on the willingness of families to fund increases for these items.

Government funding of wage increases should cover all types of enterprise agreements

The draft report expresses some optimism that the current supported-employer bargaining exercise may prove 'very consequential' for the sector, noting that 12,000 employees covered by the agreement 'is significant' (p. 209). Goodstart agrees with that assessment, noting that a Goodstart subsidiary, Big Fat Smile, is one of the parties to the bargaining.

[58] ACCC Interim report September 2023 p. 54

We also note that the Goodstart Enterprise Agreement, which covers 15,000 employees and is the largest in the sector, is also being re-negotiated at the same time. We would want to ensure that any funding settlement reached to progress the supported-bargaining agreement is also made available to progress single enterprise agreements such as ours. Any other result would be to penalize employers such as Goodstart and our employees for having done the right thing for the last decade by negotiating single enterprise agreements. It would also be contrary to the objectives of the Fair Work Act (s. 3(f) and s. 171 (a)):

"…to provide a simple, flexible and fair framework that enables collective bargaining in good faith, particularly at the enterprise level, for enterprise agreements that deliver productivity benefits."

GOODSTART RECOMMENDATIONS 5.1

In relation to Draft Finding 3.1:

1. Goodstart recommends Draft Finding 3.1 be expanded to reflect:

The pay and conditions offered to the ECEC workforce has long been at the heart of recruitment and retention challenges for the ECEC sector. Processes arising out of recent changes to the Fair Work Act 2009 (Cth), including approval from the Fair Work Commission for a significant number of employers in the sector to commence supported multi-employer bargaining and an expanded jurisdiction for equal pay cases, may help address this.

Central to the issue of low pay and conditions is funding as any increase in wages will need to be funded by families or governments, or a combination of both. While it is a decision for governments whether funding a wage increase for ECEC workers is a priority use of public funds, recruitment and retention challenges impact on the availability of places and the quality of learning provided and will need to be addressed to deliver a universal ECEC system.

2. Goodstart recommends that Government funding of wages increases in the ECEC sector be identified as a priority investment to support universal access to quality, inclusive ECEC.
3. Goodstart recommends the Final Report include an additional specific recommendation relating to Government funding of a wage increase via a wages subsidy for the ECEC sector and a new supply-side funding mechanism to deliver it. Suggested wording is provided for the PC's consideration:

E.g. Recommendation 3.8 : Funding stream to support a wage increase for the ECEC workforce

To address low wages and conditions offered to the ECEC workforce, and noting that a wage increase funded by a fee increase would make ECEC less affordable for many families, the Australian Government should:

- *Agree to fund a wage increase for the ECEC workforce that properly values the work of early childhood educators and starts to close the gap with wages in the rest of the education sector*
- *Utilise the expanded range of processes available under the Fair Work Act to ensure any wage increase flows through to educators*
- *Develop a funding mechanism to deliver the wages subsidy directly without providers needing to increase fees to cover the additional cost. In the short term, this may need to be grant based. But, in the longer term, it could be paid electronically based on payroll data reported by providers' third-party payroll software providers (similar to CCS payment arrangements).*

5.2 Early Childhood Teacher workforce

RECOMMENDATION 3.1 – Reduce barriers to educator upskilling

To improve pathways for educators seeking to upskill to become early childhood teachers (ECTs), the Australian and state and territory governments should:

- work with universities and the ECEC sector to develop and promote accelerated degree programs for upskilling diploma-qualified educators to ECTs
- expand wrap-around supports for educators who are undertaking university-level qualifications to become ECTs. Supports could include assistance to navigate enrolment processes, assistance to build academic skills, and regular mentoring. These initiatives should be underpinned by robust monitoring and evaluation
- provide financial support to ECEC services so they can provide a reasonable amount of paid leave to educators for them to complete supervised professional experience requirements associated with completing early childhood teaching qualifications. In addition:
- when providing information on teaching courses to potential students, universities should publish an indication of how prior ECEC qualifications will be recognised. This could take the form of a median or average amount of credit that students with ECEC qualifications have received in the past
- the Australian Children's Education and Care Quality Authority (ACECQA) should examine the supervised professional experience that is required for an early childhood teaching qualification to be approved for the purposes of the National Quality Framework, with a view of extending the ability of students to fulfil such requirements in their existing workplaces.

RECOMMENDATION 3.2 – Support innovative delivery of teaching qualifications

Governments should provide modest financial incentives to universities to facilitate trials of innovative approaches for providing Initial Teacher Education to early childhood teachers. The Australian Children's Education and Care Quality Authority (ACECQA) should work with governments and universities to develop pathways for early childhood teaching qualifications that are awarded through innovative teaching approaches to be recognised under the National Quality Framework.

RECOMMENDATION 3.3 – Improve registration arrangements for early childhood teachers

State and territory governments should amend their teacher registration arrangements so that:

- *early childhood teachers (ECTs) working in National Quality Framework-approved ECEC settings can be registered with the teacher registration body in their jurisdiction*
- *any ECT-level qualification that has been approved by the Australian Children's Education and Care Quality Authority (ACECQA) for recognition under the National Quality Framework should be automatically recognised as meeting qualification requirements associated with teacher registration. In undertaking these actions, state and territory governments should also:*
- *review their teacher registration arrangements to ensure that there are accessible pathways for ECTs with an ACECQA-approved qualification to teach in primary school (including after they undertake additional study focussing on teaching in primary school settings)*
- *review their arrangements concerning highly accomplished and lead teachers (HALT) certification (in relevant jurisdictions) and act on opportunities to make it more accessible for ECTs. As part of reviewing these arrangements, governments should issue guidance on the eligibility of ECTs for HALT certification, the process through which ECTs can seek HALT certification (including in non-government operated ECEC settings), and the implications for ECTs if certification is achieved.*

RECOMMENDATION 3.4 – Lift support and mentoring for new early childhood teachers

State and territory governments should develop structured mentoring and support programs for new early childhood teachers if they do not already have these in place. In developing these programs, state and territory governments should reflect the findings of the research underway by the Australian Education Research Organisation (AERO) on the effectiveness of existing support programs. Jurisdictions that already operate programs to support and mentor new ECTs should review their programs to incorporate the findings from AERO's research once this is finalised.

RESPONSE

Goodstart welcomes the strong findings and recommendations that the Draft Report has made about early childhood teachers. We note however that closing the wage gap between what qualified teachers are paid in early childhood and school settings is a crucial pre-condition to addressing the attraction and retention issues the sector faces with early childhood teachers.

Educator upskilling

Goodstart supports the Commission's recommendation to reduce barriers to educator upskilling to become ECTs (**Draft Recommendation 3.1**). Large NFP providers like Goodstart invest in mentoring and wrap around support for educators upskilling as part of our THRIVE program but are limited in what can be delivered without passing on costs to families. This support should be funded by Government. We welcome recent initiatives by the Australian, Victorian, NSW, Queensland and ACT Governments to provide additional financial support for educators to upskill.

Innovative delivery of teaching qualifications

Goodstart supports the Commission's recommendation for financial incentives to facilitate trials of innovative approaches to initial teacher training for ECTs (**Draft Recommendation 3.2**).

Goodstart has had positive experiences with these programs including:

- The NSW Government provided financial incentives to the University of Wollongong to develop an innovative intensive Early Years (Accelerated Pathways) Bachelor degree program, specifically for educator upskilling.[59] The first cohort of this program included 19 Goodstart employees who should graduate later this year
- The Victorian Government has partnered with three universities to develop innovative intensive programs, with the university and the employer working together to support the educators to successfully complete the degree.[60] In partnership with Australian Catholic University, 29 Goodstart employees commenced this program in 2022 with the first 19 graduates completing at the end of 2023. Goodstart was recently successful in obtaining funding from the Queensland Government to expand this partnership to Queensland.

ECT registration arrangements

Goodstart supports the Commission's recommendation to improve registration arrangements for ECTs (**Draft Recommendation 3.3**). We particularly welcome the Commission's proposal to base registration on ECT-level qualifications that have been approved by ACECQA. This will deliver a nationally consistent registration system that will support teachers wanting to move between states.

[59] https://www.uow.edu.au/the-arts-social-sciences-humanities/schools-entities/education/accelerated-early-years-degree/
[60] https://www.acu.edu.au/study-at-acu/find-a-course/new-courses/bachelor-of-early-childhood-education-birth-to-five-years-accelerated

We note that the urgency of this recommendation was emphasized by the Education Ministers commissioning of the Review of Child Safety by ACECQA.[61] The report called for accelerating the mandatory registration of all early childhood teachers to ensure the safeguards provided by teacher registration/accreditation schemes apply to all teachers regardless of workplace setting or personal accountability. To assist teachers in non-school settings to be registered and to successfully progress through their career stages, the report called for consideration to be given to how the Australian Professional Standards for Teachers may be adapted or equivalent standards developed in the longer term.[62]

Goodstart supports **Draft recommendation 3.3** combined with the additional recommendations from ACECQA provide a pathway forward for registration arrangements that truly work for early childhood teachers.

Support and mentoring for new ECTs

Goodstart supports the recommendations for all states and territories to develop structured mentoring and support programs for new ECTs (**Draft Recommendation 3.4**). As discussed in the previous section, employee turnover is extremely high in the first two years of service, especially for graduate teachers. Some employers like Goodstart and some states (notably Victoria) fund mentoring programs for new teachers, but ECTs nationally would benefit from more support.

Consideration should also be given to lowering the teaching load for graduate teachers in their first year as schools often do, to give them more time for programming and preparation.

Falling completion rates for early childhood teaching qualifications

In response to **Information Request 3.3,** Goodstart agrees with observations in **Draft Findings 3.3** and **3.4** that the key factors in falling completion rates are likely: the high proportion of Diploma qualified educators studying part time and the lack of support/flexibility provided by universities (and possibly by their employers) to support their study; and the high personal cost of the practicum requirement. Diploma holders often struggle with university level study and academic support needs to be provided by universities to help them to transition.

Goodstart considers that **Draft Recommendations 3.1** and **3.2** will make a considerable difference in that regard. We would suggest that Governments and universities need to be more thoughtful in the design of programs to support educators to complete qualifications to recognise the needs of students who are working as educators, and who may never have studied at a tertiary level. Some program funding needs to be directed to mentoring and support for these students.

A particular feature of the high completion rate Goodstart has been able to achieve with our first cohort of students from the accelerated degree with Australian Catholic University has been the strong partnership developed between the university and Goodstart. This has allowed us to tailor our support to meet students' needs when they require it and inform the university about the support required. We would encourage more universities to engage in proactive partnerships like this, particularly where the university (and/or the student) is receiving additional funding for the course. These partnerships should include realistic discussion about practicum requirements, and how much practicum can be reasonably undertaken in work time.

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[61] Ministers Clare & Aly media release 21/12/2023 https://ministers.education.gov.au/clare/report-safety-early-childhood-education-and-care-settings
[62] ACECQA Child Safety Review December 2023 https://www.acecqa.gov.au/child-safety-review

Finally, in Goodstart's experience literacy and numeracy (LANTITE) tests and timing can be a problem – they should be offered as early as possible, with support to educators who do not pass, so that they can retake the test prior to completing their qualification.

GOODSTART RECOMMENDATION 5.2

In relation to Draft Recommendations 3.1, 3.2, 3.3 and 3.4:

1) Goodstart supports recommendations to improve training and registration requirements for early childhood teachers, but notes that attraction and retention issues for teachers will not be fixed until the Government funds wages and conditions comparable to schools.

5.3 Educator workforce

Goodstart notes that while the Draft Inquiry Report provides some discussion about attraction, retention and qualifications of educators, it makes limited recommendations. Goodstart considers there are several matters that the Final Report need to address to meet the challenges facing the ECEC sector in attracting, retaining and training educators (Cert III and Diploma) specifically, namely:

- The need for better wages to attract and retain educators (section 5.1 above)
- Ongoing expansion and support for traineeships (**Information Request 3.2**)
- Including the development of an ECEC Industry Migration Plan, which encompasses educators and teachers, as a key action of the National ECEC Workforce Strategy (**Draft Recommendation 3.7**).

INFORMATION REQUEST 3.1 – ECEC-related vocational education and training

The Commission is seeking information on the quality of ECEC-related vocational education and training (VET). In particular, the Commission would welcome views on:

- *the impact of recent and ongoing reform – both to VET ECEC qualifications and the VET sector more broadly – on the quality of qualifications and the job readiness of ECEC graduates*
- *whether there are widespread problems with the quality of VET ECEC courses, and if so, what these problems are, why they exist and what should be done to address them.*

INFORMATION REQUEST 3.2 – Effectiveness of traineeship arrangements

The Commission is seeking information on the effectiveness of traineeships as a career pathway in ECEC, for trainees as well as ECEC providers. The Commission would also welcome views on opportunities to improve traineeship arrangements.

RESPONSE

The quality of ECEC-related VET courses

In response to Information Request 3.1, since the overhaul of ECEC training packages (which took effect in 2021), Goodstart has generally been satisfied with the improved quality of VET training packages. The increased observation and practical hours component, implemented with the new training packages, has addressed some of the quality concerns. We would encourage the VET regulator ASQA to be vigilant to ensure that RTOs operating in the ECEC sector work to the highest standards.

We commend Federal, State and Territory Governments on including ECEC qualifications in the list of 'priority' courses attracting 'free TAFE' subsidies. Free TAFE has almost certainly contributed to the recent uptick in commencements in Certificate III courses.

The Commission has sought views on whether 'independent assessments' should be mandated for ECEC VET courses. Under the new training package, all qualifications are delivered and assessed by a trainer and assessor who holds a minimum of a Cert IV in training and assessment. The increased focus on quality is robust. The additional requirement of independent assessment could have both positive impacts in terms of quality assurance, but also negative impacts in terms of lengthening the course or increasing its costs. This could in turn have negative impacts on commencement and completion rates and might not be an urgent priority at a time of workforce shortages.

A higher priority might be to review the requirement for Training Providers to undertake a Language, Literacy, Numeracy (LLN) assessment of candidates prior to enrolling a participant in a qualification, which adds to the length and cost of training. Reviewing and perhaps strengthening the LLN requirements at commencement of the course may provide participants and graduates that are better equipped to undertake the qualifications.

Traineeships as a career pathway in ECEC

In response to **Information request 3.2,** up until 2022 Goodstart offered only a small number of traineeships. However, commencing in September 2022, our traineeship program has rapidly expanded, with most centres now hosting at least one trainee, and over 1,000 trainees currently employed.

The expansion of Goodstart's traineeship program was a direct response to the challenge of finding sufficient numbers of quality candidates for a growing number of vacancies. In the short term, it has been challenging for some centres, already short-staffed, to provide the support and mentoring that trainees need. But, in the longer term, we are confident that our expanded traineeship program will make a significant contribution to our workforce renewal and growth.

Goodstart's traineeship program is managed by a small central team, working with a VET partner in each State. It is crucial that providers work with their VET partners to ensure that trainees have a positive experience and every opportunity to complete their courses including:

- A funded paid out of ratio induction period for new trainees to support a quality start to their traineeship and set them up for success without the pressures of being in ratio
- Adequate paid time off the floor for coursework and study, e.g. one or two days a week
- Adequate support and mentoring for trainees, including release time provision for mentors to work with their trainee which paves the way for better engagement and completion of traineeship requirements
- Streamlined traineeship sign up processes to ensure eligibility and commencement of the traineeship is smooth and engagement of qualification is commenced.

GOODSTART RECOMMENDATIONS 5.3

In response to Information Request 3.1:

1. Goodstart proposes the final report include a new recommendation to improve the experience of traineeships in ECEC, Australian, State and Territory Governments by ensuring that trainees:
    - Have a reasonable paid induction period out of ratio
    - Are given adequate paid time off the floor for coursework and study
    - Receive adequate mentoring and supervision.
2. Goodstart also recommends that funding for traineeships should cover the costs of these measures to ensure it is adequate to provide a positive experience for trainees.

RECOMMENDATION 3.7 – Improve the ECEC Workforce Strategy

To maximise the value of the National Children's Education and Care Workforce Strategy (Shaping our Future), the Australian, state and territory governments should:

- *articulate a clear objective for the strategy against which its effectiveness can be measured*
- *include projections of the number of educators and teachers the sector is expected to require (over different timeframes) in the strategy*
- *clarify how each action in the strategy will be resourced*
- *commit to individually producing annual updates about how the actions, initiatives and reforms they are undertaking are contributing to the strategy's implementation. These updates should be published alongside the broader assessment of progress in implementing the Strategy published by the Australian Children's Education and Care Quality Authority (ACECQA).*

RESPONSE

The ECEC Workforce Strategy

Goodstart strongly supports the Commission's recommendation to strengthen the ECEC Workforce Strategy as a timely call to action to Governments (**Draft Recommendation 3.7**).

Goodstart notes that the Strategy was outdated even when it was published, with a list of actions that are significantly inadequate to the scale of the challenge the sector faces. The Workforce Strategy largely consists of a long list of reviews with no resourcing for major action.

Longer term, ECEC workforce should fall within the remit of the National ECEC Commission as part of stewardship arrangements, with a clear set of objectives against which all Governments are held to account for delivery – see Section 1.3.

While there are many sections of the Workforce Strategy that need updating, Goodstart particularly identifies migration issues as one area requiring an urgent new set of more effective actions.

Changes to National Migration Policy announced in 2023 have rendered obsolete Action FA2-2 under the Strategy to 'review and streamline existing application and approval processes for overseas trained educators and teachers. In particular, the change to the Temporary Skilled Migration Income Thresholds (TSMIT) to $70,000 means that the only occupations that exceed the TSMIT in ECEC are centre directors and early childhood teachers. This means educators currently on employer sponsored visas (visa classes 186, 187, 457, 482, 494, 249 and 120) will not be able to renew their visas and will have to return to their home countries.

That will impact on hundreds of current valued Goodstart educators and potentially thousands across the sector over coming years. The only pathway we can see to address this issue is through an Industry Migration Plan, a pathway that the Draft Report also noted (p. 254) but did not recommend. As such, Goodstart proposes that **Draft Recommendation 3.7** on the National ECEC Workforce Strategy be strengthened by specifically including this change.

GOODSTART RECOMMENDATIONS 5.4

In relation to Goodstart Draft Recommendation 3.7:

1. Goodstart proposes Draft Recommendation 3.7 is amended in the final report to clarify that the strategy should urgently update actions rendered out of date or irrelevant by subsequent events or policies.
2. Goodstart recommends that, in the final report, Draft Recommendation 3.7 should identify that action FA2-2 on migration processes should include a clear commitment to start working toward an Industry Migration Plan for ECEC like that in aged care.

DRAFT RECOMMENDATION 3.5 - Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC Qualifications

In collaboration with Aboriginal and Torres Strait Islander people, communities and organisations, governments should trial and evaluate new pathways for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications so they can participate in the ECEC workforce in greater numbers.

A central aim of these new pathways should be to better recognise the cultural knowledge and experience many Aboriginal and Torres Strait Islander people have when it comes to educating and caring for children. In designing these pathways, governments should consider:

- *using different approaches – such as culturally appropriate interviews – to better understand the prior knowledge, learning and experience of Aboriginal and Torres Strait Islander people, and to inform decisions about the extent that this can be recognised in the form of course credit (or other ways of recognising prior learning)*
- *using teaching assessment models that – while still ensuring rigour – might be more accessible or culturally appropriate for Aboriginal and Torres Strait Islander students, such as teaching in local languages or making greater use of observational assessments*
- *providing tailored, small group or one-on-one supports to Aboriginal and Torres Strait Islander students.*

RESPONSE

Goodstart supports **Draft Recommendation 3.5,** particularly in creating cultural flexibility to improve recognition of Aboriginal and Torres Strait Islander people's cultural knowledge and experiences and enhance educational settings for Aboriginal and Torres Strait Islander (and all) children. In supporting centres to promote cultural safety, First Nations educators, children and families are also supported. This is an important priority for us as First Nations children attend Goodstart centres at a higher rate than the proportion of First Nations children in the broader community.

In our experience, a lack of foundational cultural safety and cultural competence is a significant barrier to successfully attracting and retaining First Nations employees. Goodstart has made significant investments, including in cultural competency training delivered through Arrilla for all staff, leveraged resources through Reconciliation Australia and Narragunnawali to develop service level Reconciliation Action Plans, and providing "Voices Groups" and "Yarning Circles" for our First Nations employees to come together and connect. These supports are funded by Goodstart's targeted social purpose investment with the aim that all Goodstart services and teams are a culturally safe place for First Nations people.

For some years, as part of our Reconciliation Action Plan, we have run an Aboriginal and Torres Strait Islander Traineeship Program and a Community of Practice, aimed at building centre capability to support First Nations trainees to become educators in our centres. From this experience at Goodstart centres, pathways for First Nations educators in ECEC settings can be improved by providing:

- tools and equipment that support training such as access to laptops
- First Nations mentoring support (First Nations mentors for First Nations educators)
- funding for course requirements, including funding towards placements and built-in supports for leave-of-absence periods including cultural leave.

We would also encourage the Commission to reflect on feedback from First Nations peak bodies, SNAICC and the Early Years Support program who will have greater insights into the enablers and barriers to First Nations people's participation in the ECEC workforce.

5.4 Professional Development

RECOMMENDATION 3.6 – Contribute to professional development for the ECEC workforce

The Australian and state and territory governments should provide support for the ECEC workforce to undertake professional development activities. This should take the form of a contribution towards the cost of professional development. Government contributions to professional development should be targeted toward activities that will improve the quality and inclusivity of ECEC practices, including activities that build staff capability to:

- *remain up to date with the latest pedagogical research and how to apply this in their teaching*
- *understand and apply the National Quality Standard and the national approved learning frameworks*
- *deliver more inclusive ECEC, including for children with disability, developmental delay or additional needs, children who have experienced trauma and Aboriginal and Torres Strait Islander children, particularly those attending in mainstream settings*
- *work with families – including families in complex or challenging situations – to engage with and participate in ECEC.*

RESPONSE

Goodstart supports the Commission's recommendation that professional development for quality improvement (including time off floor) should be adequately funded by governments (**Draft Recommendation 3.6**), with employers remaining responsible for funding professional development for job-specific needs such as safety.

Goodstart also notes that coaching and mentoring 'in room' is an important form of professional development that is welcomed by educators and avoids the need and cost of backfill. Any professional development program should include this option, with clear guidelines to ensure compliance with the desired professional outcomes.

We consider that funding for professional development could be delivered via service level grants to contribute to the cost of professional development with higher funding rates for services with higher proportions of children with inclusion needs and services operating in more complex communities. (See Inclusion Recommendations in section 4.5)

Further, Goodstart notes that neither the award nor the primary ECEC funding mechanism (the Child Care Subsidy) provide as much support for professional development as educators at schools and preschools are afforded.

For example, funding of schools and preschools supports 4-6 ‘child free’ staff training days for professional development and/or course preparation. By contrast, a CCS-eligible ECEC service is only funded when it is open for booked child attendances. A change to CCS rules to allow CCS to be collected (provided gap fees are waived) when a service (or room) is closed for professional development would help overcome the biggest barrier to team-based training in ECEC which is the cost of backfill to keep the service open.

Goodstart recommends that CCS rules be modified to allow approved ECEC services to close for up to four pupil-free days per year for the delivery of whole of team professional development, ideally aligned with school and preschool pupil free days to minimise impacts on families.

GOODSTART RECOMMENDATIONS 5.5

In relation to Draft Recommendation 3.6:

1. Goodstart supports this recommendation, noting additional investment in PD to deliver on inclusion objectives should be delivered through enhanced supply-side equity and inclusion programs.
2. Goodstart also suggests the final report include a recommendation that Government facilitate professional development by providing a limited number of ‘pupil-free’ days as occur in the school and preschool system by allowing CCS to be claimed on days where all or part of the service is closed to provide whole of team professional development and learning. To minimise the inconvenience to families, services would not be entitled to charge out-of-pocket costs for such days.

6. Availability (access and supply)

ECEC supply gaps must be tackled to achieve universal access

THIS CHAPTER RESPONDS TO THE FOLLOWING RECOMMENDATIONS	
Draft Rec 5.1	Support universal access in persistently thin markets via supply-side funding
Draft Rec 7.4	Examine planning restrictions related to operating hours
Info Request 5.1	Low rates of expansion among not-for profit providers
Info Request 5.2	Planning processes and availability of ECEC
Draft finding 5.1	All children have access to three days
Draft finding 5.4	Recent changes to the CCS and ongoing demand from parents will further support increases in supply in some regions, but in other areas, more support will be needed

6.1 ECEC entitlements and the supply of ECEC places

Draft finding 5.1 - All children aged 0–5 years should be able to attend up to 30 hours or three days of quality ECEC a week for 48 weeks per year

RESPONSE

Goodstart strongly agrees with the Draft Report's recommendation that all families should be able to access up to 30 hours or three days of subsidised care without an activity test (recommendation 6.2). This is a crucial element of delivering 'universal access' to ECEC as. However, we encourage the Commission to reconsider with the approach that the Draft Report has taken to treat this 'entitlement' as a 'benchmark' to model availability against in section 5.3 of the report. This approach, we believe, will vastly overestimate the demand for ECEC in Australia, at least in the short to medium term because utilisation is unlikely to reach this benchmark in the short-medium term. If it was adopted, it could result in a policy approach that promotes oversupply in many markets, which could exacerbate labour shortages, increase average costs and impact on the viability of many services.

Evidence shows families tend not to use their full ECEC entitlement. The 2019 evaluation of the CCS showed only around 24% of families in centre-based day care entitled to CCS 100 and CCS 24 used even 90% of their entitlement. 40% of CCS 100 families and 35% of CCS 72 families used less than 60% of their CCS entitlement.[63] These numbers have shifted since 2019, with the ACCC noting that children attending for 4 or 5 days has increased from around 46% to 53%.[64] In September 2023, CCS 100 families used around 79% of their entitlement, and CCS 72 families used around 78% of their entitlement.[65] If CCS 100 families attended for their full entitlement, then this proportion should be well above 65%.

As such, the 'heat maps' and graphs published in the Draft report of 'potential demand' are potentially misleading. A community with, say 0.5 places per child aged birth-5 would, in our experience would be likely to be oversupplied because:

- Very few children aged under 12 months (only around 7%) attend ECEC
- Between 30-80% of children aged 3-5 attend sessional preschools, reducing the need for ECEC. The ACCC analysis shows that demand is weakest for 3-5 places[66]

[63] Bray et al (2019) CCS Final Evaluation Report p. 211
[64] ACCC (2023) Interim Report on ECEC September p. 176.
[65] ACCC (2024) Final report on ECDC January p. 72
[66] ACCC (2024) ibid p. 147

- Around 30-40% of children aged 1-3 do not attend ECEC, with that proportion changing depending on the preferences of families in the community; with improvements in access to Government Funded and Employer funded Paid Parental Leave creating opportunities and incentives for parents of babies to delay attendance in ECEC
- Around 10% of children attend family day care.

We also note that many of the children not attending now, are children facing equity and inclusion barries to participation. This means the uptake of places by these children is likely to require improvement in service equity and inclusion capability – simply proving a 3 day entitlement will not be enough to increase their access and participation in ECEC. To this end we also encourage the Productivity Commission to publish analysis of cohorts and distribution of children that are not accessing any ECEC – for example by comparing CCS approved children with all children aged under 5 years; and also to publish analysis of the characteristics of children who attend an ECEC service but drop out and do not return – for example by considering CCS approved children who have a claim at an approved provider but who cease attendance within a 12 week period and who do not enrol in another service; or considering children who attend multiple (e.g. more than three services in the same community (e.g. SA2 or SA3 level).

In considering these matters, Goodstart would argue that a much more sophisticated model of demand and supply is needed to underpin implementation of the universal entitlement than the model presented in the draft report. This model would need to consider the characteristics of children not attending, the labour market and parental preferences of families in each local market and respond to changes over time. Preferences, for example in many rural and regional markets for ECEC, are very different from preferences in metropolitan markets, and while all children should have the opportunity to attend ECEC for three days we agree that this should not be compulsory.

We also note that policy can change parental preferences over time in ways that are likely to be favourable to improving children's outcomes and parents' participation in work, study or training through easy and affordable access to ECEC:

- Average usage of ECEC hours has been rising over the last 5 years, responding to increased maternal labour market participation
- Making ECEC more affordable and removing the activity test should remove barriers to access and increase participation by children experiencing vulnerability
- Stronger promotion of the benefits of early learning could increase participation
- Expansion of access to paid parental leave could delay the time at which children aged under 12 months need to attend ECEC
- More availability may encourage more participation.

One of the key roles of the ECEC Commission would be to build a database of demand and supply that reflects local markets as well as national trends, to publish regular reports on where supply is needed (and not needed) and to adjust that as required to reflect changing circumstances. In doing so, we would encourage the Commission to avoid artificial benchmarks, but rather build a dynamic model that reflects real and changing conditions. Such a model would provide a valuable insight to developers and providers on where to focus investment, and to regulators on where to grant (and not grant) approvals and direct incentives. The NSW Government has commissioned IPART to develop a methodology to deliver an ongoing Independent Market Monitoring Review of ECEC which has canvassed some of these issues.[67]

[67] https://www.ipart.nsw.gov.au/review/other-industries/early-childhood-education-and-care-independent-market-monitoring-review

The risk of oversupply in the ECEC sector should not be underestimated, and includes:

- Stretching an already thin workforce inefficiently and adding to ongoing shortages. As the Draft Report acknowledges, it will be many years before workforce challenges in ECEC are fully met
- Increasing costs as centres with lower occupancy tend to have higher average costs - as fixed costs need to be divided among fewer attendances to maintain viability
- Reduced quality as a stretched workforce and thin margins is not conducive to improving a quality learning environment. Services assessed as Working Towards typically have much lower occupancy rates than those assessed as Meeting or Exceeding,[68] and higher staff turnover.[69] Lower rates of occupancy, by putting pressure on the centre's finances, can lead to higher rates of staff turnover[70]
- Impacts on broader sector viability as all providers in an oversupplied market may be impacted.[71]

Goodstart notes there is substantial capacity in many services across Australia to support more children, but the demand is not there. As the ACCC noted in 2022, of services operated by large providers had occupancy rates of less than 80%, and 20% had occupancy rates of less than 60%.[72]

For these reasons, Goodstart would argue while **Draft Finding 3.1** reflects **Draft Recommendation 6.2**, it also needs to link to **Draft Recommendation 9.2** on the powers of a national ECEC commission and the role of stewardship more generally.

GOODSTART RECOMMENDATIONS 6.1

Goodstart recommends that Draft Finding 5.1 be modified as follows:

- Up to 30 hours or three days a week of quality ECEC should be available to all children aged 0–5 years whose families choose to use ECEC. Ensuing sufficient places are available to meet demand, along with improved affordability, inclusion and flexibility, would enable universal access to ECEC. Policy makers, providers and developers would benefit from the development of a national database of supply and demand for ECEC in local markets that is regularly updated to have regard to the characteristics of children aged under give years not attending, local market conditions, policy developments and parental preferences.

Goodstart notes Draft Findings 5.2 and 5.3 and makes no comment on these findings.

6.2 Supporting universal access in thin markets

DRAFT RECOMMENDATION 5.1 - Support universal access in persistently thin markets via supply-side funding

To ensure that up to 30 hours or three days a week of quality ECEC is available for all children aged 0–5 years whose families wish for them to participate, the Australian Government should provide additional support in markets where it is clear that ECEC providers are unlikely to invest, even with the changes recommended in this inquiry.

This support could take the form of:

- *grant funding to establish a service in communities that are able to cover the operating costs of a service (such as wages, rent and other overheads) via child care subsidies and families' out-of-*

[68] ACCC (2023) Interim Report September p. 145
[69] Ibid p 151
[70] Ibid p. 94
[71] Ibid p. 155
[72] Ibid p. 141-2

pocket gap fees, but expected earnings would not cover the capital costs of building or expanding physical facilities

- *block grants to cover capital and operating costs in communities where the level of demand is too low to support all of the costs of operating a service or there are substantial barriers to accessing child care subsidies. Funding in these markets should generally be ongoing, with periodic review to determine if a service can be self-sustaining with child care subsidies*
- *specific arrangements for Aboriginal Community Controlled Organisations to be co-designed with Aboriginal and Torres Strait Islander communities.*

The Australian Government could use a process of competitive tendering to provide services in markets where community representatives do not apply for grants.

Centre-based day care, family day care and mobile care should all be considered for funding to help address the varying needs of thin markets.

An advisory program should be established that works with community representatives and enables them to get the support they need.

RESPONSE

Goodstart supports **Draft Recommendation 5.1,** noting that any reform should establish service- and community-level funding. This will prioritise universal ECEC access for the children most likely to benefit but currently least likely to attend (children experiencing disadvantage and/or vulnerability). Funding that is built on community-based need will significantly improve ECEC access for these children.

The Community Child Care Fund (CCCF) provides a range of grants for childcare services. These grants are intended to help services address barriers to participation in early learning and are targeted towards disadvantaged, regional and remote communities, and Indigenous communities. Services in disadvantaged or regional and remote locations generally face higher delivery costs due to the cost of maintaining remote learning environments and workforce challenges. While workforce challenges are being experienced across the ECEC sector, there are unique challenges and costs associated with remote delivery, including recruiting local qualified educators, upskilling local residents, bearing the cost of fly-in-fly-out educators, or funding short- to medium-term community secondments.

As such, the CCCF grants have generally been considered inadequate, particularly where funding supports service establishment but there is insufficient community demand to rely on a demand-driven subsidies (like the CCS) for long-term service viability or to support ongoing investment in quality.

Targeted investments should support both the establishment and ongoing viability of these services, with a particular focus on expanding the number of Aboriginal community-controlled organisations, including integrated early years services.

CCCF grants are targeted into services and need in ‘thin markets’, or areas where there is no commercial incentive to enter, because the costs of providing services exceed consumer willingness or capacity to pay. Delivering appropriate services in such markets generally requires additional forms of government support, such as subsidised care or direct provision.

The population in a thin market is also important for determining the appropriate solution in addressing poor availability. Very remote areas with low populations that do not currently support a centre would likely never support centre-based care but services could be provided in other ways.

Community-level inclusion investment should meet the needs of communities facing disadvantage, to support place-based initiatives reflecting the particular needs of a community, conduct outreach and engage with the community to connect with families not currently accessing ECEC. Community level investment should:

- be grant-based, aligned to nationally identified priorities and on a scale much larger than the CCCF, to significantly increase participation of children most likely to benefit from access to ECEC
- support service provision in 'thin markets' where demand is insufficient to support a commercially viable service, with ongoing capital and recurrent funding to ensure that children in these areas are not missing out on access to ECEC.

Financial investment alone does not break down the barriers faced in delivering services in these communities. There are a range of non-financial barriers faced by community members who have the drive to provide services to children in their communities.

GOODSTART RECOMMENDATIONS 6.2

In relation to Draft Recommendation 5.1:

1. Goodstart supports reform and expansion of supply-side funding mechanisms to assure supply in thin, underserved and unserved markets and for Aboriginal Community Controlled Organisations.
2. Goodstart recommends that a reformed ECEC system includes community-level inclusion investments, to meet the needs of communities facing disadvantage; support place-based initiatives reflecting the particular needs of a community; and conduct outreach and engage with the community to connect with families who are not currently accessing ECEC. Community-level investments should:
    a. be grant-based and aligned to nationally identified priorities, on a scale much larger than the CCCF, to significantly increase participation of children most likely to benefit from access to ECEC
    b. support service provision in 'thin markets' where demand is insufficient, to support a commercially viable service, with ongoing capital and recurrent funding to ensure that children in these areas are not missing out on access to ECEC.
3. Goodstart recommends the Australian Government consider maintaining and expanding supply-side support options for Aboriginal community-controlled organisations that provide childcare and additional support services for First Nations children, parents and guardian.

6.3 Expansion of the Not-for-Profit Sector

Draft finding 5.2 - Expansion of for-profit providers has been the main contributor to increased supply of ECEC

Information request 5.1 - Low rates of expansion among not-for-profit providers

The Commission is seeking information about possible reasons why not-for-profit providers have not expanded to meet the growing demand for ECEC. What, if any, barriers and limitations do they face?

Goodstart agrees with **Draft Finding 5.2** that much of the growth in ECEC provision has been by for-profit CBDC providers. In our first submission, we noted that in the decade to March 2023 of the 2,363 new CBDC centres opened, 2,197 (93%) were by for-profit providers, 83 (3.5%) were by NFP providers and 116 (4.9%) were by non-government schools.[73] We welcome the opportunity offered by the Commission to

[73] Goodstart Initial Submission p. 82

comment on the reasons why the NFP sector is not expanding (Information Request 5.1). Goodstart argues the growth of the NFP sector should be an express public policy priority because NFP providers are more closely aligned to the delivery of the overarching objectives of a universal ECEC system of affordability, accessibility, inclusivity and quality. We have proposed that the Final Report include a recommendation that the growth of the NFP sector is a desirable policy outcome and an explicit objective of system stewardship, and a deliverable for the new ECEC Commission, with specific targets, investment and support. Families should have the choice of a high quality, not for profit service in their communities.

This section deals expressly with the Information Request 5.1 on the reasons why NFP providers have not grown. It will particularly focus on:

- Limited access to capital and debt as an impediment to growth
- Limited skills and capability to support growth
- Challenges of provision of financially viable services in communities that would benefit most from high quality NFP provision.

NFP providers have limited access to capital and debt

NFP providers face challenges in accessing equity capital and debt that many for-profit providers do not face. This is largely due to financial criteria related to the ability to borrow a multiplier of an organisation's earnings before interest, taxes, depreciation, and amortisation.[74] Debt financing is the primary avenue for growth for private providers, typically from banks. Borrowing limits are usually calculated by reference to EBITDA (typically based on a times EBITDA covenant). As EBITDA is calculated before interest costs, large for-profit providers do not factor high levels of interest costs on development, allowing them to leverage EBITDA for lending optimisation. Some private ECEC providers are owned by private equity, which can provide large injections of equity funding as well. While some of this may also be debt financed, private equity funds are able to access capital beyond the commercial banks. ECEC providers owned by private equity may run on very high debt ratios, with the finance cost of that becoming part of (higher) fees paid by families. The equity return on the higher level of debt investment is realised when the entity is on-sold.

TABLE 6.1: Key finance ratios as % of revenue average for largest for-profit and NFP providers

Item	For profit	Not for profit
Operating surplus (excluding Finance costs[75])	12.3%	2.3%
Operating surplus (including leases)	5.8%	-1.1%
Borrowing costs	7.8%	0.1%
Borrowings total	85.9%	1.6%
Total revenue $m	*$2158m*	*$1673m*
Total borrowings $m	*$1513m*	*$49m*

(Source: Most recent annual reports for 4 largest NFP and 4 largest FP ECEC providers)

By contrast, NFP providers run on much lower levels of EBITDA as more of their 'surplus' is invested in costs directly associated with their founding purpose or mission - quality (higher wages, professional development for educators), equity and inclusion programs to support children and delivering community facing services. The ACCC found that surpluses for NFP providers are lower than private providers, as they are "more likely to prioritise social purpose goals and investments, such as returning any surplus to the local community or investing in service improvements".[76]

[74] Borrowing is usually calculated as a multiple of an organisation's EBITDA
[75] Earnings before Interest and Taxation (EBIT)
[76] ACCC (2023) Interim Report September p. 139-140

The difficulty for community-based NFP providers in accessing capital was noted by the SA Royal Commission.[77] The IPART ECEC Review Interim Report also reported that availability of capital funding was a major impediment to NFP expansion.[78]

Each year, our annual report outlines our social purpose investments. Over the past four difficult years, Goodstart invested $184m on social purpose initiatives, while recording cumulative operating losses of $128 million. Without the investments, Goodstart would have recorded cumulative net surpluses of $56 million over the last four years:

TABLE 6.2: Goodstart social purpose investments and surplus 2020-2023 ($m)

Item	2023 ($m)	2022 ($m)	2021 ($m)	2020 ($m)
Operating Surplus	-85	-66	36	-13
Social purpose investments total	54	47	42	41
- Quality improvement - professional development	23.1	19	15.6	15.4
- Quality improvement - Programs	7.7	7.6	6.4	5.2
- Inclusion - Programs	11.8	9.6	8.4	10.7
- Inclusion - access	4.2	4.3	4.3	3.1
- Inclusion - support	4.2	3	3.6	2.6
- Reconciliation	1.1	1.2	1.1	0.6
- Advocacy, evidence & research	2.2	2.7	2.6	3.4

(Source: Goodstart annual reports)

In the last four years, Goodstart was able to finance the development of just 16 out of 1,350 new centres opened in Australia, having also closed a similar number. By contrast, the five fastest growing private providers accounted for 162 services.[79]

NFP providers may also be limited by covenants that limit capital spending by stipulating they can only spend capital explicitly stated in their budget. Any capital spending over agreed budget requires financier (e.g. bank) approval, which limits the flexibility to buy and sell properties. This approach by banks reflects the associated risks of lending to organisations with tight margins, whether they be private or NFP.

For-profit providers have more options to access capital as they are not limited to accessing normal debt as they are more likely to be able to borrow from investors, including through public or private equity. Investors are generally willing to accept higher risks based on likelihood of higher returns. NFP providers do not have this option to raise money through equity sales because NFP providers cannot sell a part of their organisation, which is effectively a charity.

Examples of this were evident following the significant impacts of COVID-19 on ECEC provider and sector viability. In early 2020, following mass withdrawals for children and families from the ECEC sector – and before Government financial support was announced – large publicly-listed, for-profit providers were able to sell new shares to access funding, whereas Goodstart had to convince our banking institution to provide access to a line of credit, using our assets as security.

The current financial environment and Australia's reliance on 'big' banks does not suit or match what NFP providers need to continue to grow. As a result, the NFP sector is not growing in real terms. To attract capital investment from non-bank institutions, such as superannuation funds, scale becomes important, with minimum thresholds for investments typically in the order of $100m - $150m.

[77] SA Royal Commission (2023) Interim Report p. 104
[78] IPART (2023) ibid p. 134, 137
[79] Nest Early Education Services, Guardian Childcare, Green Leaves Early Learning, Eden Academy, Affinity Education, ACECQA National Register 9/2/2024

The capital generated by NFP providers tends to go to other priorities – which are often aligned with Government's priorities

Underlying the threshold issue of access to capital outlined above, the question of growth is fundamentally about the investment choices different organisations make. Putting aside challenges in accessing additional capital, Goodstart and other not for profit providers set their strategy and make investment decisions consistent with their purpose and the charitable objects reported to the ACNC (Australian Charities and Not-for-profits Commission). For Goodstart, this is ensuring children have the outcomes they need for school and life, so we prioritise investment in supporting children with additional needs, evidence-based tools and professional development for teachers, and ensuring the services we already have are of a high quality and delivering inclusive practice in their communities. We could have ceased the $51m we invested in our social purpose last year and instead directed that to acquiring new centres but that would not have been consistent with our purpose or charitable objects. In many cases, this investment is also being directed to plug gaps in government funding from programs and support for children and families experiencing vulnerability – who are not necessarily served by other providers. NFP providers tend to prioritise investing in ensuring their current footprint is serving children and families well before considering opportunities for growth.

On the other hand, many for-profit providers set their strategy and make investment decisions with growth as a key performance objective, then make commensurate strategic planning and investment decisions to deliver that growth. In practice, this means that, when a developer develops a new service and seeks tenders from providers to run the service, NFP providers are often outbid for the lease by private providers because they are willing to pay more, charge higher fees, or, if the provider is private equity owned, may have an incentive to scale up quickly before a sale. The PC recommendation to limit new service approvals to proven quality providers would reduce the number of private providers tendering for new leases, which would help level the playing field for remaining quality providers, including NFP providers.

Essentially, NFPs and FPs have different motivations that inform their investment decisions and growth strategies. Challenges for NFPs to access capital amplify the disincentives to prioritise growth. However, this is an area where strong market stewardship can make a difference. Using regulatory and financing levers Government can create stronger incentives for NFPs and potentially consider ways to take some of the 'heat' out of the pursuit of growth by for profit providers.

The SA Royal Commission commented that the dated facilities of many community-managed NFP services may make it hard for them to compete in oversupplied markets.[80]

Growth requires specialist skills and capability

The different investment decisions made by ECEC organisations also means NFPs are often not as well placed as their for-profit counterparts to capitalise on growth opportunities when they arise. Growth is often pursued aggressively by for-profit providers with organisations making significant investments to build specialist capability and capacity for merger and acquisition activity, as well as opening new centres in lucrative markets. The acquisition of land for new builds and negotiating the acquisition of centres that are for sale are specialist skills that are not core capabilities of most NFP providers. Consequently, in a competitive market, NFP providers are unlikely to be successful when competing against better resourced and more experienced for-profit counterparts.

[80] SA Royal Commission (2023) Final Report August p. 75

This is also true of government funding programs based on competitive grants. It can be very costly for providers to develop applications for capital funding programs, which sometimes require land to be acquired and extensive development application work done first. The cost and time required to access such programs can be prohibitive to some providers. Assistance to NFP organisations to develop a project plan for assessment by Government would greatly assist in this regard and could be a role for the provider representative or panel on the ECEC Commission. The Victorian Government, for example, provides some assistance for service planning. Access to 'planning development assistance' might be based on a preliminary proposal to explore opportunities for new services in areas of identified need. As these areas would be public under the system stewardship model, this may involve easy-to-assess, preliminary access to funding. Further, if the funder was then informed during the planning process, it may be appropriate for Government to waive the requirement for a competitive grant application but approve the plan that has been developed.

These skills and capability can be built – for example, Goodstart has some of these skills and experience but the challenges accessing capital and our other social purpose priorities has meant our activity in acquiring centres and achieving growth has been modest.

Community managed ECEC services, which typically run only one or two services, are a large part of the NFP footprint in ECEC. These organisations may need support for system level governance and in managing risks, as well as accessing additional expertise to project manage growth and development. The SA Royal Commission also noted that community NFP providers lacked skills to expand, and "may need support to access support for capital".[81] In Ontario, an incubator to support ECEC NFP sector growth has been established with philanthropic support.[82] Something similar in Australia might assist smaller NFP providers to grow.

Many NFP providers, particularly in the preschool sector, are parties to Enterprise Agreements such as the Victorian Early Childhood Teachers and Educators Agreement. These can create cost and operating challenges in moving to greenfield sites. In the preschool sector, there has been little growth without Government funding. The Victorian Government is currently funding the development of 100-plus new preschools and 50 Government CBDC services, while the New South Wales Government has pledged to fund 150 new preschools.

Current funding system means it's not financially viable to grow in markets where NFPs would like to be

As identified by the ACCC and PC, current subsidy settings delivered by the CCCF and CCS setting are not adequate to cover costs of high quality, inclusive provision in many communities characterised as underserved or unserved. While we would like to grow in communities in need, especially in low socio-economic communities, it is not financially viable for us to do so – even if capital funding was provided – because the service would always be loss-making under the current policy settings.

While Goodstart has a number of loss-making centres that serve communities facing disadvantage, we cannot afford to continue to acquire more loss-making services while the policy settings make it impossible for the service to charge a fee that families can afford *and* still cover costs, especially in communities where most families fail the current activity test. For-profit providers do not have an interest in growth in markets that are not likely to deliver positive financial returns. A new funding mechanism, supported by targeted capital investment, would allow NFP providers to grow and would deliver confidence for governments that these services would deliver on Government objectives in relation to quality, equity and affordability.

[81] SA Royal Commission (2023) Interim Report p. 104
[82] Building Blocks for Childcare website https://b2c2.ca/

There are effective models to support NFP growth that could be scaled

One of the biggest costs in developing a new centre is acquiring land. Some funding bodies (e.g. Victorian Government) will fund building costs but not land. While such support is welcome, it is too often location-limited or budget-constrained. State and Local Governments could play a proactive role in facilitating the provision of places for development, for example, through low or 'peppercorn' leases.

High quality NFP ECEC could become an important part of planning for infill development, facilitated by State and Local Government, with some successful examples to date such as:

- Stockland partnership to develop two ECEC services at its Elara development in Marsden Park now leased to Goodstart[83]
- Building ECEC services in Victoria on new school sites[84] and also on existing school sites.[85]

Stewarding growth in NFP services

There is no one-size-fits-all approach to supporting growth in high quality, NFP services but the evidence from the last two decades makes it clear that a more deliberate and comprehensive approach is needed to maintain and grow the NFP sector.

Part of this approach is recognising the appropriate roles for Government and the roles for the NFP and for-profit parts of the sector and amplifying our unique strengths. We recognise there are some markets where it makes economic and social sense for Government to be the provider – for example, very small communities with single or dual room schools. Otherwise, Government has an appropriate role to act as funder and regulator. In unserved communities with adequate population for a LDC service, the most efficient approach is to leverage the skills and capabilities in the sector with NFP providers as a preferred delivery partner with adequate financial support through capital and recurrent funding (demand-side subsidies and supply-side top-up payments as described in Section 6.3 and Figure 1.1) to run a strong community-connected service. In adequately served communities, the mixed market should continue to deliver, alongside the stronger stewardship approach to deliver greater accountability and transparency to ensure all providers are delivering on Government objectives.

Solutions for a strong NFP sector

To ensure the long-term viability of the NFP sector, a range of options should be made available to meet the unique needs of communities and local markets. We propose the following recommendations for inclusion in the final PC report:

1. Making a specific recommendation that the growth of the NFP sector is a desirable policy outcome and should be an explicit objective of system stewardship and a deliverable for the new ECEC Commission. This should include specific targets, an investment strategy and planning provisions across all levels of Government
2. Ensuring an appropriate mix of demand-side funding with supply-side top-ups, as outlined in Affordability - Chapter 3, to cover the costs of supporting equity outcomes. This will strengthen the balance sheets and financial viability of NFP providers that currently direct investment to support children and communities facing vulnerability, including meeting gaps in government investment

[83] Stockland media release 9/2/2020 https://www.stockland.com.au/residential/nsw/elara/news-and-events/elara-village-neighbourhood-centre-annoucement;

[84] Such as Footscray Integrated Early Learning Centre https://www.schoolbuildings.vic.gov.au/billy-button-childrens-centre

[85] Goodstart Morwell Central https://thesector.com.au/2018/10/17/vic-government-partners-with-goodstart-and-the-colman-foundation/

3. Provide a suite of targeted options to support NFP providers to access capital to fund growth, including to increase supply to meet increased demand generated by the universal entitlement; specifically:
    a. Access to low-interest government loans, like publicly owned schools and universities
    b. Provision of government loan guarantees for debt for growth, which would change the risk profile of NFP providers by making the EBITDA covenant irrelevant with a guarantor
4. Expressly partner with NFP providers to meet equity objectives in underserved and unserved markets through capital grants and operational subsidies, e.g. supporting access through supply in identified, under-served markets or equity groups
5. Investment to help build capacity and capability in NFP providers to deliver on growth objectives through grants or public partnerships. This could involve establishing a new social enterprise to provide this support to NFP providers and community-controlled organisations
6. Support governance for community-controlled organisations and NFP providers, including to address barriers with local governments and planning restrictions
7. Other options that could be explored include:
    a. Access to off-budget loan facilities designed to leverage more investment in social purposes such as housing and education, similar to the Housing Affordability Fund, which could scale up investment opportunities to be more attractive to super funds for example
    b. Access to social bonds, e.g. social housing bonds in United Kingdom that grant access to social investment money
    c. Working with philanthropy, the NFP sector and super funds to establish a large enough NFP REIT to attract superannuation fund and large investor interest, particularly from funds interested in expanding 'social purpose' investment.

GOODSTART RECOMMENDATIONS 6.3

In relation to Information Request 5.1:

1. Goodstart recommends that, in recognition of the positive outcomes achieved by the NFP ECEC sector, the final report should reflect that growth of the NFP sector is a desirable policy outcome and is an explicit objective of system stewardship.
2. Goodstart suggests the final report recommends:
    a. Growth in NFP services should be a deliverable for the new ECEC Commission, with specific targets, investment and support
    b. A range of strategies to support growth in the provision of high quality, not-for-profit services
    c. Families should have the choice of a high quality, not for profit service in their communities

6.4 Planning process and availability of ECEC

INFORMATION REQUEST 5.2 - Planning processes and availability of ECEC

The Commission is seeking views on the effects of planning processes on the availability of ECEC.

Are delays, inconsistency or complexity in the development assessment process, or unwarranted rejections of applications for development approval for ECEC centres, posing a barrier to availability?

Where are planning systems working well to support the availability of ECEC services, and how could these efforts be built on or expanded?

RESPONSE

Goodstart would argue that *more* planning around the establishment of new ECEC centres is needed, rather than *less*. On the one hand, there are not enough services in some areas, usually rural, remote and lower socio-economic areas. But, on the other hand, there are many areas that are oversupplied, as the dynamics of where developers build new centres too often has little to do with whether there is a need for more places rather than a decent return on a (long term) lease and a good capital gain.[86] In some cases, services have been permitted to open very close to each other, leading to cannibalisation in the market and an overall reduction in the quality of each service as they compete to reduce costs.

As discussed earlier, oversupply can have significant impact on the local ECEC sector, accentuating workforce shortages, increasing average costs and impacting on both quality and financial viability. Planning considerations for ECEC premises should be more like the considerations given to the locations of new state schools and much less like the considerations given to retail, with demand and local demography being a key consideration.

A good practice approach exists in the Brisbane City Council – Australia's largest local government with 1.24 million people. Its planning policies require that an application for a material change of use in a low-density residential zone for an ECEC centre demonstrate that it 'serves a local community facility need'. The Queensland Land and Environment Court has relied on this provision to reject inappropriate applications for new ECEC centres, recognising that the reduction in amenity from a ECEC centre in a residential zone cannot be justified if it does not meet a community need. The City Plan provides for code-assessable ECEC centres in appropriate zones.

An unhelpful example is the New South Wales State Planning Policy, which expressly prohibits development control plans from regulating approval for child care facilities on the basis of 'demonstrated need or demand' or 'proximity…to other ECEC facilities."[87] The policy still allows consideration of amenity, and the New South Wales Land and Environment Court also has a history of rejecting inappropriate applications for ECEC centres where they are inconsistent with amenity of the surrounding residential zone. A positive element of the NSW State Planning Policy is the integration of standards from the National Quality Standard into planning requirements.

Recent changes to planning in New Zealand now place the onus on the applicant to show, using ECEC planning and demographics data, that there is demand for the specific type of service proposed. Both of these approaches should be reviewed by the Commission, so that planning authorities can make consistent and transparent considerations about demand when considering applications. [88] Consistent with a market stewardship model, this includes an assessment of demand and supply for additional places

[86] ACCC (2023) Interim Report September p 153-154
[87] NSW Govt State Planning Policy (Educational Establishments and Child Care Facilities) 2017 section 26
[88] https://www.education.govt.nz/early-childhood/running-a-service/starting-a-service/network-management/

for a mainstream service, but also whether the service meets national priorities for inclusive, integrated services such as supporting Māori or Pasifika communities, or children with additional needs.

The development of a national database on demand and supply of ECEC could greatly assist local governments to make better planning decisions on the need for new services.

Some Local Government planning requirements such as the number of parking spots required also need to be carefully considered as they often act as an impediment to the feasibility of new ECEC services.

Goodstart would argue that an integrated planning process would include approvals at a local government level and an ECEC regulator level under the National ECEC Law. This could include:

1. A threshold approval that the service needed by the ECEC regulator, based on the assessment of local demand and supply and national ECEC priorities. This approval might also include consideration of the plans for a preliminary view on compliance with the National Law. Where a nominated provider is known, the provider might be approved at this point for the service if they have a satisfactory quality record (i.e. at least 95% of their current services Meet the NQS)
2. Then, a planning approval should be sought, including the various matters that the local planning authority needs to have regard to, and that also has regard to the threshold approval.
    - We recommend a process to seek pre-approval of development and building plans, which is already operating in ACT and Victoria, so providers have more certainty when opening new services and government stewards have certainty in the quality being deliver
    - Planning approvals are intrinsically linked to quality objectives as new services are being developed without approval and often without being sighted. Over time, this has resulted in centres being developed for maximum places (and revenue), rather than child-centred design
    - A quality indicator or measure to assess the effectiveness of pre-approvals would be a decrease in waivers relating to centre environment (structural quality).
3. Upon completion, the ECEC regulator's final service approval should be against the conditions of the first approval i.e. if the conditions are met, it should be approved. If there has been a material change, then may need to be reassessed. If the service was developed by a developer without a provider, the provider would need to be nominated for approval at this point.
4. The conditions for the hierarchy of approvals would be set out in the NPA and/or the revised National Law. This would include a clear statement of national priorities for ECEC network expansion to deliver the objectives of universal ECEC (similar to the NZ system).

GOODSTART RECOMMENDATION 6.4

Goodstart proposes a new recommendation:

That planning and ECEC service approval processes be better integrated with:

1. An initial approval required from the ECEC regulator that there is a community need for the service, which could include a preliminary approval on whether the plan for the services meets the requirements of the National ECEC Law
2. Then a planning approval by the local planning body
3. Then a final service approval by the ECEC regulator that the service complies with the conditions of the preliminary approval, and that the service provider is suitable with a high benchmark, e.g. at least 95% of their existing services assessed as Meeting the National Quality Standard, or other measures demonstrating a very strong track record of quality.

Recommendation 7.4 (Examine planning restrictions related to operating hours)

Goodstart supports this recommendation in principle although the issue generally has not come up in our operations. Where services are located close to residential premises, residents do sometimes make complaints about noise amenity. However, as ECEC services operate during daylight hours on weekdays, these are more a matter for local negotiation. With infill in inner city areas, it is not uncommon for ECEC facilities to be in the same complex, or directly adjacent, to apartments, and some sensitivity to these issues needs to be part of maintaining good community relations.

7. Preschool

THIS CHAPTER RESPONDS TO THE FOLLOWING DRAFT FINDINGS AND RECOMMENDATIONS	
Rec 9.1	Improving policy coordination and implementation
Rec 7.6	Support out of preschool hours ECEC

OVERVIEW

A national preschool policy reset is required to deliver all children access to a comparable preschool program, regardless of where they live and their family circumstances.

National policy should provide all children with an entitlement to two years of preschool that meets the needs of families. To achieve this, a major reset of preschool policy and funding is required to achieve parity in quality, pay and conditions and a pathway to parity in out-of-pocket fees across all setting types. As noted earlier 'sessional' preschool refers to services that operate under the traditional 40 week per year, 7.5 hour day operating model. School based preschool programs also typically operate on the 40 weeks per year model.

Goodstart argued in our first submission that the national commitment to provide a baseline and universal entitlement to 600 hours of preschool in the year before school is a remarkable success story, with six out of eight states and territories now extending this offer to cover the two years before school, and some states (Victoria, New South Wales and South Australia) also committing to increasing the dose to 30 hours a week on either a universal or targeted basis.

But we also highlighted the reality that the current preschool dose of only two days a week is contributing to fragmentation of ECEC as families' piece together arrangements to balance their work and cost of living obligations and juggle increasingly complex state funding arrangements.[89] The latest Report on Government Services also confirms that children attending multiple settings – usually a CBDC and either a sessional preschool or a school based preschool program continues to increase with 13.3% of children nationally attending more than one early childhood setting – a situation that would be absurd to contemplate for children's educational outcomes when they reach formal schooling.[90]

We also drew attention to the growing inconsistencies in entitlements across states and territories (see **Figure 7.1** below) and the need to ensure all children can benefit from access to high-quality preschool programs, especially those experiencing vulnerability and particularly those in low-income working families for whom sessional preschool arrangements are not practical. We know state funding for CBDC preschool programs makes an enormous difference to quality, workforce and therefore child outcomes, but we need to achieve greater consistency across the country for children and families. For example, an average Goodstart centre in Victoria received $125,000 in preschool funding to support 3 and 4-year-old preschool programs in 2023, compared to only $12,000 in South Australia. In October 2023, 23.3% of South Australia CBDC centres required a staffing waiver, compared with just 2.7% of Victorian centres.

We also have an emerging and related issue of residualisation of low-income families in CBDC preschool, as a result of free sessional or school based preschool programs in some locations. For example, in Victoria we have seen a more significant drift of middle and high income families to free sessional preschool in our centres, while low income families have been more likely to stay in our CBDC preschool programs. Similarly, Goodstart data in Western Australia, where free preschool via the state school system is well-established, shows there is a significant over-representation of vulnerable families and First

[89] Goodstart PC Submission, 2023, p73 https://www.goodstart.org.au/getmedia/5c3ce4d6-e431-430e-9640-81f30f51895c/PC-Inquiry-into-ECEC_Goodstart-Submission_FINAL_video-link.pdf
[90] https://www.pc.gov.au/ongoing/report-on-government-services/2024/child-care-education-and-training/early-childhood-education-and-care

Nations families in our four and five day enrolments patterns in the year before school.[91] While we are yet to fully explore the reasons for this, as higher-income families have higher out-of-pocket fees in CBDC compared to lower income families, the savings achieved by moving their children to two days of free sessional preschool elsewhere are the greatest. These families are also generally more likely to have the capacity (e.g. though more flexible work arrangements) needed to deal with the shorter hours offered by sessional providers and navigate government approval processes to secure free sessional places earlier. Lower income families who need to keep working and who have no capacity to work from home (such as those working in retail and hospitality) are also likely to find maintaining workforce participation more difficult with shorter preschool days and holiday breaks.

At a macro level, the introduction of totally free kindy in sessional preschools in Victoria resulted in a reduction in the number of 4-5-year-olds enrolled in a CBDC preschool programs in 2022 of 3,608 enrolments, while enrolments in sessional preschools increased by 5,963 children.[92] By contrast, the decline in enrolments in preschool programs is larger in sessional programs than in CBDC programs in QLD, SA and WA (reflecting a long term trend), although this may change with the introduction of free kindy in QLD in 2024.[93]

While state government preschool programs in NSW, VIC and SA support free or near free kindy for low income families, middle and upper income families face substantial out-of-pocket costs in CBDC preschool programs, but essentially no out-of-pocket cost attending Government or sessional preschools:

TABLE 7.1 - How 'free' is free kindy – out-of-pocket costs in CBDC preschool programs after State and Federal Government fee subsidies 2023-24*

Income	NSW	VIC	QLD	SA	WA	TAS	ACT	NT
Low - $70k	$0	$0	$504	$0	$1315	$1189	$1436	$1174
Mid - $140k	$762	$883	$1109	$1772	$2894	$2617	$3160	$2584
High - $250k	$3634	$3766	$2217	$5544	$5788	$4234	$6320	$5784
State subsidy	*$2110*	*$2000*	*600 hrs#*	*$1890*	*$0*	*$0*	*$0*	*##*

*Based 2x10.5 hour sessions over 48 weeks at the average hourly fee for the relevant State/Territory (Sep 2023); #Out-of-pocket cost refunded for 600 hours from 2024; ##NT provides a subsidy for CBDC based on licenced places that is factored into the overall fee.

These trends and the unintended impacts of current policy and funding arrangements across setting types warrant further examination, noting most working families need the flexibility provided by preschool programs offered in CBDC.

A preschool reset must also build on current patterns of attendance across different setting types in each state and territory. A majority of children in working families now access more than two days of preschool programs via CBDC settings, thanks to investments under successive national partnership agreements into CBDC quality and the presence of a teacher leading programs for most 3 and 4-year-olds and average days of attendance at Goodstart for ages 3-5 are already more than three days.[94] This means two things –

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[91] Children enrolled in CBDC for 4 and 5 days cannot be attending enough preschool elsewhere to achieve their 600hrs of preschool and are therefore relying on CBDC to achieve their 'dose'. In WA in 2022, 46.8% of our total preschool enrolments in WA were identified with one or more risk factors. This number increased to 58.3% for children on 4 and 5 day enrolments. First Nations children represented 5.5% of our overall preschool enrolments compared to 11.9% of our 4 and 5 day bookings.

[92] ABS Preschool Australia 2021 and 2022 Table 2.

[93] ABS Preschool Education Australia 2022 and 2021 Table 2. 2023 data is due out at the end of March 2024.

[94] The accepted definition of a preschool program in Australia and under the International Standard Classification of Education Systems (ISCED) (pre-primary education, ISCED level 0) is a) a program with a curriculum, b) delivered by a pedagogically trained person (a teacher), c) in an institutional setting like a school or centre based early education centre, and d) delivered to children aged 3-5. https://uis.unesco.org/sites/default/files/documents/international-standard-classification-of-education-isced-2011-en.pdf

firstly, for vulnerable children to have access to the *at least* the dose that other children are getting – there needs to be an explicit entitlement to at least three days a week of preschool in the two years before school for all children. And if the Productivity Commission's recommendation for a minimum of three days for all children is taken up, this will mean that a majority of children would be able to access a majority of their preschool via CBDCs, even where states may continue to fund two or more days for 3 and 4-year-olds in other settings.

Second, it means that even in states where two days per week of state-funded preschool might be delivered in a community or school setting – children are *already* receiving up to three additional preschool days via a CBDC to support their parents' workforce participation. With funding provided under the Preschool Reform Agreement for CBDC a crucial but relatively small and inconsistently applied top up investment to improve pay and conditions and quality program elements of the preschool program – such as incursions, excursions and transition to school statements and activities.

It is time to acknowledge all teacher-led CBDC for 3 and 4-year-olds is preschool. While some of this preschool currently attracts additional funding from state governments, and preschool reform agreement entitlement of $1,340, some does not. All preschool settings should have the necessary investment to deliver the very highest possible quality for all children, regardless of where they live or parents' work arrangements. Future, permanent policy and funding arrangements for preschool must be grounded in this reality.

7.1 Role of national stewardship in preschool arrangements

DRAFT RECOMMENDATION 9.1 – Improving policy coordination and implementation

The Australian, state and territory governments should form a new National Partnership Agreement (NPA) for Early Childhood Education and Care (ECEC) by 2026. The NPA should articulate the national vision for ECEC and clarify roles and responsibilities between all governments.

- *The Australian Government should remain responsible for early childhood policies in the years before preschool and for associated funding responsibilities and for the funding of outside school hours care through the CCS.*
- *State and territory governments should remain responsible for preschool, school readiness and take on the responsibility of ensuring the delivery of outside school hours care in government schools.*
- *Governments should build upon the Preschool Reform Agreement to ensure funding supports the desired outcomes, regardless of the preschool delivery model adopted in each jurisdiction.*

The NPA can also help to establish a more formal stewardship approach, underpinned by an ECEC Commission.

The Draft Report does not make substantial recommendations about the future of preschool funding or policy in Australia and instead suggests the Final Report will give more consideration to addressing equity concerns and ensuring funding arrangements take into account the range of service models across the country (p496). **Draft recommendation 9.1** points to the desirability of better coordinated co-investment and nationally consistent entitlements and recommends that these are considered as part of a future National Agreement (or NPA) covering birth to five years. It further suggests that preschool policy continues to be the purview of states while the Australian Government remains responsible for "early childhood policies" in the "years before preschool", which currently vary between one and two year programs across Australia. As noted above, Goodstart is of the view that in a stewardship role, the Australian Government should have responsibility for ECEC policies, including preschool in the years before school to ensure a nationally consistent commitment to two years of preschool programs.

System stewardship must consider the full before-school continuum of ECEC and seek to build equitable universal provision, including preschool support for families, regardless of setting. A national system must steward funding and delivery arrangements that work for all families across the age spectrum and across the states and territories.

The most tangible preschool recommendation, Rec 7.6, would see sessional preschools able to access the Child Care Subsidy for the 'wrap around' or outside preschool hours care they can provide. Goodstart does not support this recommendation in principle as it would add further complexity to the system and could undermine the viability of CBDCs over time. Instead, we would support sessional preschools (the majority of which are high-quality not for profit organisations) converting to CBDCs where this is in the best interest of the local community and note that in recent years many larger sessional preschool providers are actively pursuing this option as operating models converge on what is in the best interest of children and working families.

The Draft Report does not make findings or recommendations about existing issues regarding the increasing complexity in policy and funding arrangements across jurisdictions, which in many cases contribute to families attending multiple services, and the emerging and related issue of residualisation of low-income families in CBDC in some locations.[95]

Ideally, the Productivity Commission's Final Report will go further in examining and recommending a path forward on these key issues in preschool reform in Australia. Solving each of these issues will require commitment by all Governments to achieve consistency in child experience and outcomes and in time, would ultimately mean the provision of free preschool for all 3-5-year-olds in CBDC preschool programs (and not only the families in the bottom 30% of household incomes).[96] While we don't think this should be a priority for Australian Government investment in the short term (three years), the proposed ECEC Commission could be tasked with charting a course to 'parity' across all settings, prioritising costs for families, wages and inclusion support in the first instance.

7.2 Priorities for a fairer and more consistent preschool system

DRAFT RECOMMENDATION 7.6 – Support out of preschool hours ECEC

To support greater access to outside preschool hours ECEC, the Australian Government should amend Family Assistance Law to:

• allow dedicated preschools to claim the Child Care Subsidy (CCS) for additional 'non-preschool' hours by creating a separate 'wrap-around preschool' care type that would:

- *not be subject to minimum operating periods or restrictions that it must not predominantly provide a preschool program in the year before full-time school*
- *attract the CCS for hours of ECEC delivered beyond jurisdiction-specific standard preschool hours, with services required to report on the length of the preschool session delivered*

• make it easier for providers to establish a CCS-eligible 'outside preschool hours' service, by creating a separate 'outside preschool hours' care type that would cater primarily to preschool aged children and would not be subject to the minimum 48-week operating period.

[95] Goodstart PC Submission – page 61, https://www.goodstart.org.au/getmedia/5c3ce4d6-e431-430e-9640-81f30f51895c/PC-Inquiry-into-ECEC_Goodstart-Submission_FINAL_video-link.pdf

[96] This could operate similar to the model in France, where places for birth – 2s are means tested and then places for 3-5s are not means tested.

FIGURE 7.1 – A pathway to a fairer and more consistent preschool system by 2030

Where we are now

Jurisdiction	3 year old preschool entitlements	4 year old preschool entitlements
Victoria	• 15 hours all settings • Free in sessional • $2050 fee relief in CBDCs	• Moving to 30hrs by 2029 • Free in sessional & schools • $2050 relief in CBDCs & per capita operational funding*
New South Wales	• 15hrs all settings • Free in sessional • $500 fee relief in CBDCs	• 15 hrs all settings • Free in sessional & schools • $2110 relief in CBDCs & per capita operational funding
Queensland	• Nil	• 15 hrs all settings • Free in sessional • Free 600hrs (variable fee relief in CBDCs & per capita operational funding
South Australia	• 15hrs all settings from 2026 • 30hrs for vulnerable children • Free in schools	• 15 hrs all settings • 30hrs for vulnerable children from 2026 • $1890 fee relief for vulnerable children only & per capita operational funding
Western Australia	• Nil – under consideration in 2023-24	• 15hrs via school settings • Funding to follow child via competitive sector-level grants • No fee relief or operational funding for CBDCs
Australian Capital Territory	• Free (variable fee relief) 300hrs for all 3 year olds from 2024 in CBDCs • 15hrs for highly vulnerable children in CBDCs • N.B. No focus on teacher led programs	• 15 hrs all settings • Free in school • No fee relief or operational funding for CBDCs • Funding to follow child** acquitted at sector level via investment in PD programs
Northern Territory	• 15 hrs trial in school settings • Review commenced in 2022-23 continuing	• 15hrs all settings • Free in schools • Approx $1340 in operational funding for eligible children in CBDCs
Tasmania	• Universal 3yo programs announced • 15hrs for highly vulnerable children in CBDCs • N.B. No focus on teacher led programs	• 15 hours via school delivery only • Funding to follow child acquitted at sector level

CBDC = Centre Based Day Care

National Preschool Reform Pathway

Productivity Commission draft recommendations 2024

- **3 days national entitlement in CBDCs with up to 5 days for children that need more for all 3-5 year olds**
- **Free for 30% lowest income families**
- **New NPA to consider consistent national entitlements**

By 2025

- 3 days national ECEC entitlement with up to 5 for children that need more for all 3-5 year olds
- Commitment to parity in wages and conditions across all preschool settings
- Free for 30% lowest income families – meaning state fee relief is no longer required for these families
- Commitment to a new National Agreement / permanent national funding arrangement
- Sessionals supported to convert to long day model where this is in the interest of their community
- Commence implementation of child progress measures

By 2030

- 3 days national preschool entitlement with up to 5 for children that need more for all 3-5 year olds
- Parity in wages and conditions across preschool settings
- Parity in quality across settings
- Accountability for achieving outcomes under the new National Agreement / National funding arrangement
- New ECEC Commission charting a course to free 3 days for all 3-5 year olds in CBDCs (not just the 30% lowest income families)
- National preschool data collection and evidence base, including child progress and robust process quality measures

*Note that in all states and territories with fee relief and operational funding, this is only provided to children who are not attending preschool elsewhere. This means that generally between 30% and 60% of any preschool group in a CBDC preschool program may be funded for two days of attendance, and that unlike sessional preschools, the number of children eligible for state funding to support the delivery of quality preschool programs can fluctuate every year.

**Funding to follow the child' refers to the related Preschool Reform Agreement requirement for the Commonwealth's $1340 per capita funding to flow the child to the sector in which they are receiving their 600hrs of funded preschool.

The Final Report should make explicit recommendation(s) about preschool policy and funding and chart a course towards a consistent, national preschool entitlement to at least three days a week in the two years before school with parity in quality and wages and conditions prioritised in the short term (i.e. by 2025 years), and parity in parents' fees across settings being a longer term goal.

Taking a staged and incremental approach, the Final Report should recommend:

- **A baseline and legislated preschool entitlement to at least three days a week in the two years before school (short term)**

  Noting that the draft report is silent on the ideal number of hours and years (dose) for preschool programs, and consistent with **Draft Recommendation 5.1**, the Productivity Commission should make a clear recommendation to increase the national minimum preschool entitlement to cover at least three days a week in the two years before school, and this entitlement should be enshrined in legislation. This entitlement would build on present child attendance patterns, and ensure families are able to make decisions based on the best interests of the child and meet their work commitments - without cost barriers.

  The draft report acknowledges that working families need more than two days a week of ECEC in the years before compulsory school. Average days of attendance at ages 3-5 are already more than three days, and children experiencing vulnerability must have access to the at least three days.

  The current preschool model of only two days a week, in many instances, is an impediment to workforce participation and encourages families to choose multiple service care arrangements across free sessional or state school settings and CBDC preschool programs – particularly for middle and high income families where the cost savings are greatest.

  It should also reflect that six of eight states and territories are implementing two-year preschool programs, and as the South Australian Royal Commission found, many 3-year-olds are already participating in "unfunded" CBDC preschool programs.[97] Ultimately, state and national financial and regulatory settings need to ensure all Australian 3-year-old children have the same opportunity to access teacher led programs in CBDC settings. This can be achieved through supply-side operational grants, building on successful models in the eastern states, and noting each state is at a different starting point.

- **Developing new approaches to fully cover teacher costs and program delivery costs in 'preschool rooms' within CBDC services (short term)**

  The biggest impediment to delivering two years of quality preschool is the national shortage of ECTs, and the gap between what ECTs are paid in schools and sessional preschools and in CBDC services. Funding a wage rise for ECTs will go some way, but further change to ensure funding arrangements across all settings support comparable wages and conditions work may be needed.

  Goodstart supports the introduction of supply-side operating grants to provide parity in wages and conditions (and therefore parity in key structural determinants of quality) across setting types. This funding should be at the room or service level rather than at the child level funding, as years of experience with per capita or child level funding for CBDC preschool in the states where it exists has shown that this funding can fluctuate dramatically based on the number of children 'eligible' (i.e. not participating in school or sessional preschool) and can lead to some perverse outcomes, such as low levels of funding for CBDC preschool rooms in areas of high need. The fact that not all children attract funding for all of the days they attend CBDC preschool programs is also a major contributor to

[97] 66.7% of 3 year olds are currently in LDC programs, however not all of these programs will be teacher led and this data is not currently collected at a national level, ROGS, 2022

ongoing workforce challenges. Supply-side operating grants at the class or service-level to support parity in wages and conditions will address this issue and form part of the holistic funding approach to ECEC as described in detail in Chapter 3. It will also help increase supply of these programs.

Supply side operating grants should have a base amount that covers the cost of the teacher within a preschool 'room' regardless of the number of children, as occurs in schools and sessional preschools. States should commit to ensuring that wages and conditions in LDC preschool programs are always comparable to wages and conditions in State funded schools and preschools and set supply-side funding / operating grants to LDC preschools to ensure that these are met. While a new Australian Government funded wage subsidy, as suggested above, should help close the gap, State Governments can provide top-ups to retain parity with schools in their jurisdiction, particularly when there are large increases in school teacher remuneration as there was last year in New South Wales.

- **Future preschool funding arrangements must be permanent (short term)**

  The draft report recommends that a new National Partnership Agreement should be negotiated at the end of the current Agreement (end 2025). The first non-negotiable principle for preschool funding should be a move to a permanent funding arrangement from 2025, i.e. a National Agreement (as agreed under the current Preschool Reform Agreement). All governments and providers need certainty to plan and deliver the highest possible quality programs and implement strategies to engage the children who are still missing out. And the work on this needs to start happening now, concurrently with the work towards national data collections and outcomes measurement under the current agreement.

- **Immediate realignment of CCS and state government preschool micro-policy settings which create funding inefficiencies and perverse outcomes for children, families and providers (short term)**

  While the future National Partnership arrangements are being considered, there are a myriad of micro-policy and funding reforms that can be made now to improve outcomes for families and more efficiently leverage the CCS and state funding for CBDC preschool programs. These include:

  - The calculation of state subsidies should cover the full year families are enrolled. Methods that are based on a 40-week year and, in some cases, must only be applied to 40 weeks (e.g. Queensland), lead to an uneven billing and cost experience for families
  - Gaps between state programs in border regions that see some children miss out altogether – i.e. Goodstart currently has 16 children enrolled across the ACT who are not eligible for the ACT nor the NSW 3-year-old preschool initiatives because eligibility in NSW is based on the location of the service while eligibility in the ACT is based on the address of the child
  - The nature of state funding to sessional preschools, which covers the full cost of delivering quality preschool programs and incentivises high income families to attend, potentially leading to an overrepresentation of children from low-income families in CBDC preschool programs in some locations
  - Subject to Government's acceptance and timing on the recommended three-day minimum entitlement, and noting findings in relation to the adequacy of the hourly fee cap:
    - The current CCS preschool exemption only provides for 9-hour sessions, which are much more likely to go over the hourly cap and lead to vulnerable families experiencing higher out-of-pocket costs
    - The current CCS preschool exemption applies only to 4-year-old preschool and not 3-year-old preschool, which is now being rolled out in six out of eight states.

- **The Final Report should also <u>amend recommendation 7.6</u> to allow preschools a more direct pathway to convert to CBDC services, if that is what their community needs, rather than creating access to CCS for 'wraparound' hours and building further divergence and complication into the system.**

  If funding for the ECT and OOPs are equalized between the two sectors, the incentive for a family to enrol with a particular preschool would then be based on what is best for them and their child, rather than cost. This would reflect a natural convergence of ECEC and preschool models over time to suit modern families.

  By contrast**, Draft Recommendation 7.6** would encourage further divergence, as it would incentivise separate OSHC services delivered by a separate team of educators that would sit around a sessional preschool program, as has happened in Western Australian schools and is being trialled in ACT schools. An integrated all-day early learning program by a single team, that also encompasses the 12 weeks of non-term time, would be a better outcome for children and families in communities requiring extended hours ECEC than a mix of preschool and OSHC services.

  Allowing free preschools to run OSHC services could also amplify the distortions caused by the current state funding patterns for preschool. For example, in NSW or Victoria a child attending a state preschool with an associated OSHC service could enjoy free ECEC for 6 or 7.5 hours a day, with OSHC fees of $30-40 for a full 10-hour day. If they attended a local CBDC, their daily fee would be around $135 a day (on average). This could accelerate the movement of children in high income families aged 3-5 from CBDC services to preschools, and potentially push up fees for CBDC which would be left servicing a much higher proportion of higher cost 0-2 children.[98]

  Whether a provider chooses to convert their service from sessional to CBDC may have significant consequences for funding and also for the wages and conditions of preschool teachers and educators (who typically enjoy higher wages and more leave than CBDC employees). However, if funding arrangements for the two sectors converge more, hopefully this transition would be easier to navigate if it met an identified community need.

GOODSTART RECOMMENDATIONS 7.1

1. Goodstart **recommends** the Final Report make an explicit recommendation(s) about preschool policy and funding to chart a course towards a permanent, consistent, national preschool entitlement to at least 3 days a week in the two years before school with parity in quality and wages and conditions prioritised in the short term (i.e. by 2025 years), and parity in parents fees across settings and across states being the longer term goal.
2. Goodstart **recommends** the Final Report amends recommendation 7.6 to instead prioritise structural adjustment and state and federal support for sessional preschools to become CCS funded services, where this is in the interest of their communities to do so and noting that the existing wages and conditions for ECTs which contribute to quality programming in sessional preschools should be protected, and complemented by investment at the same time to improve wages and conditions for teachers delivering preschool programs in CBDC.

[98] High-income families would be more incentivised if the Commonwealth delivers free CBDC to families in the 30% lowest income families.

APPENDIX A: Assumptions in modelling impacts

We acknowledge Goodstart does not have the modelling capability of the Productivity Commission. To consider the impacts of possible policy changes on families attending Goodstart services, we have based our analysis on the following:

- Included only Goodstart services open and with normal operating conditions in the reference week (644 centres)
- Included all enrolled families and actual attendances based on a normalized attendance week (Week 34, Begin date 21-Aug-2023)
- 2023 policy settings (real or adjusted where required – see below)
- Excluded the following children: those in receipt of Additional Child Care Subsidy in the reference week (all categories); children with an anomalous or unreconciled CCS %
- Children whose family income is estimated to be greater than $530,000 and with a CCS% of zero were treated as having a family income of $530,000 – noting the numbers of families in this category was very small.

We also note:

- In order to consider impacts, some analysis only includes the impacts for families with one child, in order to ensure result are not skewed by children in receipt of Higher Child Care Subsidy (HCC.
- Analysis is based on publicly available data sourced from the ACCC final report.
- Estimating an average efficient cost: As an average efficient cost is not available, we used the large provider costs published by the ACCC for 2022 and applied a 6% rate of indexation.
- To consider the price based methodology for the recalculating the hourly fee cap we used publicly available data from the Starting Blocks website and remove outliers and cleans the data. Of 7,960 centres with fees, 441 Centres were excluded from the analysis because: Fees were NULL or 0; Centre open hours were NULL or less than 7hours; Hourly rates lower than $7.5/hr. Then:
    - Median fees per centres (by age group) were calculated;
    - Centre open hours were used to calculate hourly rate;
    - Included centres with only one price point (only one fee per centre), with this fee applied across all age groups; and
    - Goodstart fees considered are the <u>all day</u>, 3-day fees by age group.