

Draft submission:

A path to universal early childhood education and care.

Australian Government: Productivity Commission

Draft Report November 2023

Local Government NSW (LGNSW) and the Local Government Children's Services Managers Group welcomes the opportunity to provide feedback to the Australian Government's Productivity Commission Draft Report: A path to universal early childhood education and care, November 2023, with submissions due by 14 February 2024.

LGNSW is the peak body for local government in NSW, representing all 128 general purpose councils and related entities across the state. By providing advocacy, representation and support, LGNSW helps member councils deliver improved services and better outcomes to their local communities.

The Local Government Children's Services Managers Group is an industry body of peers bringing together Children's Services Managers working in councils across NSW. The group meets regularly and provides a forum for colleagues to share ideas, ask questions, exchange observations and feedback and establish best practice in local government provision of early childhood education and care (ECEC).

Together, these bodies advocate on behalf of the thousands of staff, families and children for whom the local government provision of ECEC is of paramount importance, ensuring the role of local government in providing care is recognised, supported and appropriately funded and maintained.

Please note this submission remains in draft form until endorsed by the LGNSW Board.

BACKGROUND

The Australian Government has asked the Productivity Commission to undertake an inquiry into the ECEC sector in Australia. The Commission will make recommendations that will support affordable, accessible, equitable and high-quality ECEC that reduces barriers to workforce participation and supports children's learning and development, including considering a universal 90 per cent childcare subsidy rate. In doing so, the Commission will consider options that improve or support:

- affordability of, and access to, quality ECEC services that meet the needs of families and children
- developmental and educational outcomes for Australian children, including preparation for school
- economic growth, including through enabling workforce participation, particularly for women, and contributing to productivity
- outcomes for children and families experiencing vulnerability and/or disadvantage, First Nations children and families, and children and families experiencing disability
- the efficiency and effectiveness of government investment in the sector.

The Commission commenced this Inquiry on 1 March 2023 and will provide a final report to the Government by 30 June 2024.

THE ROLE OF LOCAL GOVERNMENT IN THE PROVISION OF ECEC

With 128 councils in NSW, more than 300 Early Childhood Care and Education (ECEC) services are operated or coordinated by local government, including pre-school, long day care, family day care (FDC), mobile care, occasional care, vacation care and outside of school hours care (OSHC).

Almost half of all NSW councils operate centre-based ECEC services. Council-run ECEC services tend to be very high quality, with a greater proportion of services exceeding the National Quality Standards than for-profit services. Local government is often recognised as providing higher quality care than other providers and this is documented in rating information comparing different service types (48% state/territory and local government managed services rated 'exceeding' compared to 13% of private for profit¹).

A growing trend is the increased enrolments of children with inclusion needs at council-run ECEC centres. This trend can result in increases costs for ECEC services and can create workforce issues.

¹ ACECQA NQF Snapshot Q2, 2023 - [NQF Snapshot Q2 2023 FINAL.PDF \(acecqa.gov.au\)](#) p16

ESTABLISHED LGNSW POSITIONS

A resolution from the 2020 LGNSW Annual Conference² called for the NSW Government to:

...recognise the essential role of local government in early childhood education and care, and fund it accordingly, particularly as council-run services often cater to vulnerable, low-income families, regional and rural communities and children with disability.

The [2023 LGNSW Advocacy Priorities](#) include a section on Stronger Communities which amongst other requests, includes:

#3. Commit to council-run early childhood education and care facilities being eligible for all new funding opportunities and grant programs for the early childhood education sector.

With councils as a key provider, particularly in rural and regional areas and for more vulnerable cohorts, it is critical that council-run services be eligible for such funding.

The [LGNSW Policy Platform](#) sets out the policy positions of LGNSW and is established through motions voted on by councils at LGNSW Annual Conferences.

Position Statements

#19 Strong and Inclusive Communities: *Local government is a significant provider and supporter of essential services to all members of the community including older people, people with disability, families, children, young people, Aboriginal people and people from all cultures and backgrounds. Councils fill the gaps in the provision of essential human services when there are no other providers, particularly in rural and remote areas, and advocate for equitable access to infrastructure and services.*

This is particularly relevant in respect of the provision of early childhood education and care.

In the current [Policy Platform](#), LGNSW specifically advocates for:

- High quality, universally accessible and affordable early childhood education and care. (#19.12)
- Adequate funding for council-run youth and children services and recognition that councils are an essential provider of services to children and young people. (#19.13)

² [Record-of-Decisions-LGNSW-2020-Annual-Conference-and-BOARD.pdf](#) page 29

Other LGNSW positions that support local government in their provision of child care services in rural and regional communities in particular are:

- Recognition of the higher costs of infrastructure and service delivery faced by rural communities due to inherent and unavoidable economies of scale (#4.3)
- Incentives and measures to increase domestic and international migration to inland rural and regional communities, including for experienced and qualified staff (#4.6); and
- Action to address difficulties meeting Continuing Professional Development requirements for professionals working in rural and remote NSW (#4.7).

At the NSW Local Government Annual Conference in November 2023, councils resolved to call on the NSW Government to:

- increase support for public early childhood education services, including extending the paid placement funding offered to ECT students to Diploma and Certificate III students,
- support councils to expand high quality early childhood education and care through long daycare, out of hours care, pre-school, and occasional care
- establish a taskforce to work collaboratively with LGNSW and the State and Federal governments on urgently needed sector reforms following this year's early childhood education and care services inquiries by the Australian Competition and Consumer Commission, the Independent Pricing and Regulatory Tribunal and Deloitte.
- set up a dedicated local government funding stream in recognition of councils' significant role and status in the early education and care sector.

FEEDBACK ON THE DRAFT RECOMMENDATIONS OF THE NOVEMBER REPORT

The Productivity Commission's November report sets out overall recommendations with draft findings that lead to specific recommendations. In addition, the Productivity Commission seeks further information on specific issues.

LGNSW has provided the comments below in response to the recommendations.

For ease of reading, the overall statement and draft findings from the Productivity Commission report are stated and precede the associated recommendations; LGNSW comments follow in each section.

ECEC is positive for many children but those who would benefit most are least likely to attend.

Draft finding: Many Australian children attend ECEC services.

Draft finding: Evidence shows children benefit from attending high-quality ECEC.

Draft finding: Children who would benefit most from ECEC are less likely to attend.

All children should have an ECEC entitlement.

Draft finding: 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.

Availability gaps will have to be tackled to achieve universal access.

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

Draft finding: ECEC availability varies markedly around the country.

Draft finding: Recent changes to the Child Care Subsidy (CCS) and ongoing demand from parents will further support increases in supply in some regions; but in other areas, more support will be needed.

Draft finding: Family Day Care can be an effective solution to addressing thin markets.

Draft recommendation: *Support universal access in persistently thin markets via supply-side funding.*

Comment

LGNSW supports this draft recommendation, recognising that a range of supply-side funding and measures will need to be tested and delivered to create a more equitable and accessible sector.

Market dynamics mean that those with the greatest ability to pay are being provided with higher quality services. This is resulting in inequitable educational and developmental outcomes and reduced workforce participation in some areas.

The Australian Competition and Consumer Commission (ACCC) final report into ECEC finds that despite recent changes to the Childcare Subsidy (CCS) parents on the lowest incomes still spend the largest proportion of their estimated disposable income on childcare.

A funding model should deliver simplicity and affordability for families. Financial barriers to accessing services should be minimised to ensure the participation of children and families from all socioeconomic backgrounds.

While the primary purpose of the CCS is to make ECEC affordable, despite the recent changes to the CCS, ECEC remains expensive and out of reach for many families.

The funding system should be at an adequate level to support the reasonable cost of high-quality provision and support service viability in thin markets, noting different services may have different cost drivers. It is notable that while the school funding system is built around a strong understanding of the cost of quality delivery (i.e., the School Resourcing Standard), there is limited understanding of the actual cost of ECEC delivery. The ACCC final report includes some findings in this regard.

The funding question needs to move beyond how much is subsidised to one of direct funding to centres rather than through fees as this recommendation implies.

Although the Productivity Commission's recommendation is broad, adopting and implementing this recommendation could go some way towards addressing the current untenable situation the ECEC public providers face. This recommendation also aligns with the 2023 Local Government Annual Conference resolution calling on LGNSW to advocate to the NSW Government:

to set up a dedicated local government funding stream in recognition of councils' significant role and status in the early education and care sector.

Council ECEC services should be directly supported to expand their services, not only to provide more options for families that are in search of lower cost and higher quality services.

Lifting the quality of the ECEC system requires a funding model that responds better to the needs of diverse and vulnerable communities, acknowledging the often inequitable outcomes for children depending on socioeconomic status, geographic location and various categories of vulnerability.

Availability can only improve if workforce challenges are resolved.

Draft finding: Expected wage increases may relieve recruitment and retention challenges.

Draft finding: Accelerated qualifications will help lift early childhood teacher numbers.

Draft finding: Completion rates for early childhood teaching qualifications have fallen.

Draft finding: Unpaid professional experience requirements are a barrier to upskilling.

Draft recommendation: Reduce barriers to educator upskilling.

Draft finding: Innovative pathways could lift enrolments in early childhood teaching qualifications.

Draft recommendation: Support innovative delivery of teaching qualifications.

Draft finding: Inter-jurisdictional differences in teacher registration impose unnecessary workforce barriers.

Draft recommendation: Improve registration arrangements for early childhood teachers.

Draft recommendation: Lift support and mentoring for new early childhood teachers.

Draft recommendation: Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications.

Draft finding: The ECEC workforce faces barriers to professional development.

Draft recommendation: Contribute to professional development for the ECEC workforce.

Draft recommendation: Improve the ECEC Workforce Strategy.

Comment

Current funding arrangements do not efficiently or effectively support the development and retention of the ECEC workforce. These draft recommendations address issues of professional development, support in the workplace, and attainment of qualifications and upskilling. Mentoring and on-site training are some strategies that would lift support and contribute to professional development for the ECEC workforce; these need to be supported through the recommended changes to the funding model.

Workforce is the largest distinct cost in the delivery of local government ECEC services. Councils in NSW report that workforce shortages in ECEC staff are impacting on service continuity and quality. This in turn has affected consumer confidence in service provision.

Staff shortages occur at the Cert III, Diploma and Degree qualified levels, with councils reporting difficulty in recruiting senior and experienced staff, in particular.

Attracting staff to the ECEC sector is challenging due to increasing costs of living and housing shortages, particularly in regional areas where there is limited housing supply.

Additionally, pay disparity between ECEC educators and qualified schoolteachers has been suggested as influencing career choices when leaving university or upskilling from a Diploma or Certificate III. The salary and holiday periods are enticers to teachers who have commented that they would prefer to work in early childhood, but the sector cannot compete with pay and conditions offered in other educational settings.

Some educators are also choosing to work in less demanding sectors for the same pay.

As a result of workforce shortages, staff burnout is increasingly common, with retention an issue for councils. Enrolment numbers then need to be reduced, resulting in fewer available places for children.

Between 2018 – 2022 (inclusive), 275 local government employees in NSW completed a Certificate III or Diploma in Early Childhood Education and Care. Of these trainees, 94% were new entrants (new employees) and 6% were existing workers. This group represented 14.8% of all traineeship and apprenticeship completions in local government over that time. However, councils contributed only 1.9% of all completed ECEC traineeships in NSW over these 5 years, with the vast majority employed in the private sector.

Some councils report difficulties in finding suitable applicants to take up traineeships, whilst others experience problems accessing quality training providers.

The above data indicates that local government in NSW could potentially employ more ECEC trainees and qualified staff if:

- support is given to attract new employees to the sector (e.g. by offering financial incentives to trainees and marketing ECEC roles to prospective candidates);
- there are adequate numbers of quality RTOs to deliver training, particularly in regional areas;
- the Commonwealth Government provides more funding to service providers to support the delivery of quality Early Childhood Education and Care.

It has also been suggested that consideration be given to creating a 'hybrid' Certificate III qualification, giving educators and care workers the ability and flexibility to work in ECEC, community services, youth services and/or disability sectors, many of which also face staff and skills shortages. This would facilitate movement across sectors and a potentially larger pool of qualified staff.

Affordability and complexity should not be barriers to ECEC access.

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

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

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

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

Draft recommendation: Modify the Child Care Subsidy to improve affordability and access.

Draft recommendation: Monitor rises in fees and out-of-pocket expenses.

Draft finding: Complex ECEC subsidy arrangements can be a barrier to access for some families.

Draft recommendation: Make information about CCS eligibility easy to find and understand.

Draft recommendation: Improve the CCS calculator on the Starting Blocks website.

Draft recommendation: Prompt families to update their details with Services Australia.

Draft recommendation: Provide better information to families about CCS withholding rates.

Comment

There are a range of challenges with the existing funding model that impact the affordability and thus accessibility of ECEC.

Data indicates that childcare in Australia is more expensive for households than in most other OECD countries, with a family on average wages having net childcare costs of 16% of net household income. Research conducted with families by the Front Project confirms the pressure of affordability with 61% of families having to make significant financial sacrifices to afford ECEC, an increase from 47% of families in 2021.

The unique characteristics of childcare markets mean that the CCS and the hourly rate cap are having limited effectiveness on prices, and if CCS settings are increased, this will be even less effective. Further, the inherent complexity of the CCS can make it very difficult for parents to understand what they are entitled to and available choices. These recommendations are welcome as they aim to address this complexity.

The current system, with undifferentiated subsidy levels and an undifferentiated hourly rate cap, does not recognise the cost difference in providing ECEC between younger and older children. It is recommended that this difference is considered in the modification of the CCS.

The activity test significantly restricts some children's access to ECEC. It has been estimated that the activity test is contributing to at least 126,000 children missing out on ECEC. A lack of pricing transparency also makes it very difficult for families to compare quality, price and out-of-pocket costs across services.

The funding model should deliver simplicity for families so they understand and activate their entitlement in accordance with their life circumstances. It also needs to be simple and easy to understand for providers, many of whom are small and may not be able to manage a complex funding approach. For multi-services, particularly in regional NSW, the system is too complex whereby providers need financial and business advice to access the system fully.

The funding model should support flexibility and choice for parents. Families have different needs and preferences, for example for different lengths of ECEC sessions and access to different types of services. It must be flexible enough to support parents who have casual or part-time or irregular employment.

It is hoped that the above set of recommendations will address the issues raised.

A universal ECEC system has to be inclusive of all children.

Draft recommendation: Amend the Disability Standards for Education.

Draft finding: Increased inclusion support funding will be needed for universal access.

Draft finding: Eligibility requirements for inclusion funding create barriers to access.

Draft recommendation: Amend eligibility requirements for inclusion funding.

Draft finding: Subsidy design and rules for additional educators are restrictive.

Draft recommendation: Review and amend additional educator subsidies.

Draft recommendation: Reduce administrative burden of Inclusion Support Program applications.

Draft recommendation: Improve coordination of inclusion funding between governments.

Comment

These recommendations for inclusion funding improvements are welcome but do not go far enough.

The Inclusion Support Program (ISP) does not fully cover costs of inclusion and has narrowly defined eligibility criteria.

Inclusion funding needs to reflect the average hourly salary plus oncosts, casual loading etc., that is, the true hire cost, not just an Award rate. For example, one Council-run service pays higher than the award of \$31/hr or \$38/hr with casual loading. Inclusion funding is \$23-24/hr, a gap of \$10/hr at award and higher when a service pays above award salaries to attract staff.

This year, for example, at one metropolitan council, (2023-24) the inclusion funding is \$666k but the costs total \$1.3 million (leaving a gap of \$663k). This funding gap is then passed on to families who on average are paying an additional \$6 per day to support the funding gap, to ensure all children are enrolled and supported.

These figures only reflect the approved hours of funding and not a child's needs or hours of attendance. The service then supports staff by rostering an educator for the child's whole time of attendance (often a full day). This is wholly unfunded and a cost burden to the service.

Many council-run centres do not apply for inclusion funding, due to the reasons outlined in the Productivity Commission Report. This skews the figures of children with additional needs and thus funding need.

One report³ showed that in the years 2016 to 2022, on average, there was one child with funding approved per service. Our experience in NSW is that in some councils, there are regularly 5 to 9 children with funding approved per service. These underfunded enrolments place a huge funding and staffing burden on centres.

In recent months, to address this situation, one council-run service has established a temporary Inclusion Support Advisor position, whose role is to provide hands on support and advice to ECEC staff, as well as to support and upskill staff. Providing such a role is also aimed at improving the culture around ECEC services for children with inclusion funding and additional needs. This is being paid for from the Children's Services budget via fees and charges to (all) parents. This function could be undertaken by the Inclusion Support Facilitator in the future, when efficiencies in completing paperwork are realised from these recommended reforms.

Workforce shortages often also result in the inclusion support worker position being unfilled. This adds additional pressure to an already stretched workforce.

In the past twelve months, NSW council services have particularly noticed an influx of children with additional needs; many having been rejected from services where staff do not have the skills or experience to manage additional challenges that children with additional needs experience. In one council-run service, for example, there has been an increase for services of 34% more funded children compared to the same period last year.

Addressing the needs of children accessing ECEC with additional needs requires reform to both inclusion funding and workforce issues as previously outlined. Understaffed ECEC

³ [Review of the Inclusion Support Program – Final Report – Department of Education, Australian Government](#)

centres, combined with increased demand for Inclusion places can result in workplaces that are stressful, for both the children and staff.

Disabilities are common enough in the population that almost every centre has a few children who qualify (for Inclusion funding). A universal scheme would see all centres funded adequately to adopt best practice in providing ECEC to all children with adequate general and Inclusion staffing ratios.

The administrative burden of the current system should also not be underestimated. The inclusion funding administrative process can prohibit services from applying. This also means that the inclusion support agency spends time on administration rather than hands on support for services in their work with children with additional needs.

Children with inclusion needs enrolled in a Department of Education or Special school often do not have access to Outside School Hours Care programs during the school holiday period. This limits choices for families and anecdotally there are many providers who will not enrol these children. With such specialised support required, these schools should all be operating special purpose OSHC programs for their enrolled children to enable easy and equitable access to Vacation Care.

In reference to the recommendation for better coordination between governments, it is recommended that consideration be given to how the NDIS could be expanded to include direct support for ECEC, both in relation to funding and facilitating allied health service NDIS providers to provide their services in the ECEC setting. This would have far-reaching benefits for children with additional needs, would give confidence and assurance to parents that their child is receiving adequate support and would result in greater efficiency and accountability of disability support.

ECEC is critical to the wellbeing of many families.

Draft finding: Low-income families are less likely to use ECEC.

Draft finding: Mothers' participation in the labour force has increased markedly.

Draft finding: ECEC is not the main barrier for most women who want a job or more hours.

Draft finding: Removing ECEC-related barriers could see an increase in labour supply equivalent to up to 118,000 full-time workers.

Draft finding: High effective marginal tax rates are largely due to the tax and transfer system.

ECEC services should be flexible and responsive to the needs of families.

Draft finding: ECEC services cater to many children and families, but some families need additional support.

Draft recommendation: Ensure integrated services are available where needed.

Draft recommendation: Support connections between ECEC and child and family services.

Draft finding: Playgroups are a valuable part of the early years system.

Draft finding: Additional costs of providing ECEC during non-standard hours are not reflected in the hourly rate cap.

Draft recommendation: Introduce a higher hourly rate cap for non-standard hours.

Draft recommendation: Examine planning restrictions related to operating hours.

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

Draft recommendation: Ensure occasional care is available where needed.

Draft finding: Dedicated preschools have difficulty providing additional subsidised hours of ECEC.

Draft recommendation: Support out of preschool hours ECEC.

Comment

The funding system should recognise that children's needs vary depending on disability, socioeconomic disadvantage, cultural or language diversity, Indigeneity, and geography.

Further, it is more expensive to run a service for 0- to 2-year-olds, given the child to teacher ratios set for age groups; however this is not reflected in the funding. It is recommended that consideration be given to factoring in age and the relevant costs for the CCS.

There is a great opportunity while reforming the ECEC sector to extend and create wrap-around allied health services in this setting, rather than the current ad hoc level of allied health service provision (speech pathology, health screening, occupational therapy, and family support services). The advantages for parents as well as cost savings to government should be measured and recognised.

A funding model must support appropriate and easy access to early education and care, including for children likely to be experiencing vulnerability. There is strong evidence in the public health arena that proves the value of early intervention in a child's development and consequent socio-economic and health outcomes. Many government maternal and child health programs have been based on this. This is increasingly important, given the rise in statistics of family and domestic violence, homelessness, financial stress and the

cost-of-living pressures. Quality ECEC can contribute to providing a safe, culturally sound educational environment in these early years of children's lives.

It is recommended that there be an agreed national message for new parents regarding the importance of brain development in the first five years and the role that they as first teachers, and ECEC can play in this phase of a child's life. This would also enhance targeted messaging about the medium to long-term return on this investment nationally.

ECEC must be available to everyone, but where children have higher needs, they should receive more support. This 'progressive universalism', whereby services are available to everyone, but delivered with an intensity and scale proportionate to the level of need, combines the benefits of a universal system with the benefits of targeted systems.

Many Aboriginal and Torres Strait Islander families prefer Aboriginal Community Controlled Organisations.

Draft finding: It is unclear if the National Quality Framework adequately promotes cultural safety and capability.

Draft finding: ACCOs are well placed to provide early years and family services – but face funding challenges.

Comment

It is unclear why there are no recommendations to address the findings above.

Ideally, Aboriginal and Torres Strait Islander communities should have the option of attending ECEC services run by Aboriginal Community Controlled Organisations. Where the numbers do not support such a service, the ECEC provider should provide a culturally safe environment. One way forward could be that State and Commonwealth governments facilitate connection, liaison and exchange of information between ACCOs and non-ACCO run ECEC services through a holistic program, rather than one-off funded community grants to embed culture in centres.

Further, we would like to see consideration of provision of an Aboriginal Liaison teacher, modelled on the system in schools, in non-ACCO run services.

Quality is paramount to achieving the benefits of ECEC.

Draft finding: The timeframe between service assessments is too long.

Draft recommendation: Ensure regulatory authorities are adequately resourced.

Draft recommendation: Incentivise quality provision in new ECEC services.

Draft finding: Families tend not to use information about service rating.

Draft recommendation: A new review of the National Quality Framework.

Draft recommendation: Ensure appropriate quality regulation for services outside the scope of the National Quality Framework.

Draft finding: It is unclear whether the National Quality Framework is fit-for-purpose for outside school hours care.

Comment

To date there are minimal conditions placed by government on services in order to receive the CCS, with services receiving funding even if they fail to meet the National Quality Standards.

We commend these recommendations that will go some way to improve quality and governance of ECEC services.

Monitoring, reporting and following through on improvement plans should be stepped up by government, to improve quality of ECEC across the system. A Commission as recommended could play an important role and improve standards and governance in this respect.

We support and encourage piloting the reviewed National Quality Framework in selected council-run centres in NSW where services are currently out of scope.

New coordination mechanisms will support universal access.

Draft finding: A one-size-fits-all funding model would not be efficient or effective.

Draft finding: Improving components of the funding model would support universal access.

Draft finding: System stewardship is a missing part of the policy puzzle.

Draft finding: States and territories are better placed to oversee and ensure availability of OSHC.

Draft recommendation: Improve policy coordination and implementation.

Draft recommendation: Establish an ECEC Commission.

Draft finding: There is more to learn about how ECEC programs can best improve children's outcomes.

Comment

The complex interaction between long daycare funding and preschool funding, with shared responsibility between the Commonwealth, States and Territories and differences in the Commonwealth's contribution to different states and territories for 15 hours of universal access makes improved coordination critical. Further, the current system is complicated by each State and Territory having its own system of preschool funding and some states now delivering, implementing or considering provision of three-year-old preschool, currently without any contribution from the Commonwealth. This interplay creates complexity and confusion for families as well as service providers.

We welcome the recommendation to establish an ECEC Commission, that would have the capacity, ability and legislative imperative to ensure better coordination, greater monitoring and accountability, a fairer and more adequate funding model and improved quality of services.

CONCLUSION

The provision of quality early learning services requires quality teachers, quality facilities and overall quality funding. High quality early learning services facilitate better outcomes for children and families and therefore better outcomes for our communities and society.

Local government has an essential role in early childhood education and care, and must be funded accordingly, particularly as council-run services more often cater to vulnerable children, low-income families, regional and rural communities and children with disability.

The ECEC sector is facing significant issues attracting and retaining a skilled workforce and there needs to be a coordinated approach across all levels of government to ensure funding aligns with common economic and educational goals for the ECEC sector.

Local government ECEC services are as diverse as the communities they serve – there should not be one-size-fits-all approaches when it comes to policies and regulation. Different barriers and opportunities in metropolitan, regional, rural and remote areas require flexibility in the funding and regulatory system to support varying models of ECEC services.

A future funding system should be grounded in equity and address disadvantage for children and families. A well-designed and well-functioning universal system should provide services to all children, delivered with an intensity and a scale that is proportionate to their level of need and using a delivery model that works for their circumstances.

Importantly, funding models cannot achieve their objectives in isolation but must work with all components of the broader system architecture (including policy, regulation,

sharing of evidence, monitoring and evaluation, and governance structures) to produce an environment which enables, and ideally drives the desired outcomes. It is hoped that the government accepts the findings in the final Productivity Commission Report and adopts its recommendations.

We thank the Productivity Commission for the opportunity to provide feedback and commentary ahead of its final report on the Childcare Inquiry 2023.

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