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15 May, 2015

Essential Services Commission
Level 37 / 2 Lonsdale Street
Melbourne Victoria 3000

localgovernment@esc.vic.gov.au

Dear Sir/Madam,

RE: AUSTRALIAN EDUCATION UNION RESPONSE TO THE LOCAL GOVERNMENT RATES CAPPING AND VARIATION FRAMEWORK CONSULTATION PAPER

The Australian Education Union (Victorian Branch) is pleased to make this submission to the Essential Services Commission consultation process for developing its advice to Ministers on options and a recommended approach for a rates capping framework.

Our submission is attached for your consideration. Should you consider it of assistance we would be happy to meet with you to discuss our submission and the issues we have raised within it in more detail. In this event, please contact AEU Vice President (Early Childhood) Ms Shayne Quinn at the AEU offices on (03) 9417 2822.

Yours sincerely

A handwritten signature in black ink that reads 'Meredith Peace'.

**MEREDITH PEACE
BRANCH PRESIDENT**



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Local Government – Rates Capping and Variation Framework

Consultation Paper April 2015

AUSTRALIAN EDUCATION UNION (VIC) RESPONSE

The Australian Education Union (Vic) response to the Consultation Paper is focussed on its implications for the provision of early childhood education services by Victorian local councils. The AEU acknowledges the pace at which council rates have been increasing over recent years (Figure 2.1 p.5). We believe that cost shifting by Federal and State Governments has had a significant impact on the cost pressures which have led to the size of these increases. Our concern is that rates capping without increased State and/or Federal Government funding support for crucial social and community council services, such as early childhood education, has the potential to undermine these services.

There is convincing research evidence that high quality early childhood education makes a significant difference to improving outcomes for all children; with particular benefits for children from disadvantaged backgrounds. The research has shown that the positive impact begins at school and continues beyond school with social and educational benefits mounting up throughout a person's life.¹ Investing in quality early childhood education provides major social and economic returns. The State Government's support for universal access to preschool is an acknowledgement of this fact.

¹ Schweinhart et al, (2005), *The High/Scope Perry Preschool Study Through Age 40* @ http://www.highscope.org/file/Research/PerryProject/specialsummary_rev2011_02_2.pdf

Barnett W. Steven (2008), *Preschool Education and Its Lasting Effects: Research and Policy Implications*, National Institute for Early Education Research Rutgers University
<http://nieer.org/resources/research/PreschoolLastingEffects.pdf>

Isaacs J B and Roessel E (2008), *Impacts of Early Childhood Programs*, Brookings Institute

Victorian councils play a key leadership, coordination and capacity building role across their early years communities. All Victorian councils provide early years infrastructure and in the period 2009-2013 invested over \$210 million in early childhood facilities.² 70 per cent of councils undertake central registration for kindergarten places in their municipalities and 36 per cent provide direct kindergarten services.³ In April 2013 there were 40 local government employers of early childhood education staff in 295 locations with 429 teaching positions and 463 assistant positions.⁴

There is a formal partnership agreement for the period 2013-17 between the Victorian Department of Education and Training (DET) and the Municipal Association of Victoria (MAV) representing local councils. The Agreement

*recognises the collaborative relationship between the Department and councils in the planning, development and provision of education and early childhood services and the complementary roles played by the Victorian Government and councils in planning, funding and delivering a range of services.*⁵

The *Kindergarten Cluster Management Policy Framework*, (DET 2009), outlines the role of local government in the delivery of cluster management - one of the State Government's key platforms in early childhood education and care. Kindergarten cluster management is identified as:

*the platform from which the integration of services, partnerships with families and community and reform of the workforce in early childhood education and care services in Victoria can be realised.*⁶

The policy highlights the central role of local government in this process:

*the new approach to kindergarten cluster management acknowledges and promotes the lead role of local government in the planning and coordination of services for young children and their families.*⁷

The growth of cluster management, and the dominant role of local councils in it, has been key to the systematic provision of kindergarten services in Victoria:

Kindergarten cluster management has enjoyed steady growth since its introduction in 2003. As at August 2009, 51 kindergarten cluster managers throughout Victoria were in operation with 591 funded kindergarten programs participating in cluster management. This equates to 47 per cent of the 1254 community managed funded kindergarten

² MAV (2014), *Submission to Productivity Commission Inquiry into Child Care and Early Childhood Learning*, p.5

³ Ibid

⁴ Early Learning Association (2013), *Application for single interest employer declaration under s247 of the Fair Work Act 2009*, p.5

⁵ DET and MAV (2013), *Preamble, Partnership Agreement 2013-17*

⁶ DET (2009), *Kindergarten Cluster Management Policy Framework*, p.1

<http://www.education.vic.gov.au/Documents/childhood/providers/edcare/kinderclustermgtframework.pdf>

⁷ Ibid

*programs in Victoria. Local councils (16 rural and nine metropolitan) make up 49 per cent of kindergarten cluster managers, accounting for 253 kindergarten programs.*⁸

Education Department policy invites all local councils to become kindergarten cluster managers if they have not already elected to do so.⁹ Local government is seen as being in the best position to carry out this function:

*Local government kindergarten clusters, in particular, are able to facilitate cooperative planning involving other local kindergarten cluster managers and local kindergarten providers to plan a suitable range of kindergarten program options for the local community.*¹⁰

In *The Kindergarten Guide 2015* (DET March 2015) the Department also details the “key role” local government plays in improving the coordination and strategic planning of early childhood services at the local level including “a range of initiatives that improve the quality and access to kindergarten, particularly for vulnerable children”.¹¹ These initiatives cover Municipal Early Years Plans, central enrolment/registration for kindergarten services, the delivery of kindergarten, kindergarten cluster management and the provision of facilities used by community-based kindergarten programs. The core eligibility criteria for applying for kindergarten funding from the Department of Education and Training includes:

*Service providers should have strong links with local government including alignment with Municipal Early Years Plans and participation in central enrolment and registration processes.*¹²

Research indicates that local government costs typically increase by around one per cent above the consumer price index (CPI) because council services have a different emphasis to the weighted basket of household goods and services comprising the CPI.¹³ The costs of social and community services generally exceed other cost increases in the economy. The average annual increase over the last 10 years for the education and training wage index (which includes early childhood education teachers) has been 4 per cent.¹⁴ Over the same period the average annual increase for the CPI was 2.8 per cent.¹⁵ As early childhood education staff move through enterprise bargaining agreements towards full salary parity with school staff the cost of providing early childhood education will significantly increase.

Local government employers of early childhood teachers and educators are engaged in enterprise bargaining in parallel processes to the employers in the

⁸ Ibid p.4

⁹ Ibid p.6

¹⁰ Ibid p.20

¹¹ DET (2015), *The Kindergarten Guide 2015*, p.12

¹² Ibid p.16

¹³ MAV <http://www.mav.asn.au/about-local-government/local-government-finance/Pages/cost-index.aspx>

¹⁴ ABS (Cat no: 6345.0, series: A2712420V).

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6345.0Dec%202014?OpenDocument>

¹⁵ ABS, Cat. No.: 6401.0; series: A2325811C <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

community-managed services. Should councils be unable to provide salaries, terms and conditions on a par with those available to teachers and educators in the community-managed services, then they will fail to attract and retain staff necessary for the delivery of the educational programs. Without the necessary staff, the service will not meet the regulatory or funding requirements necessary to continue operating.

Loss of local government as a partner in the planning and delivery of early childhood education and care services in Victoria would place a significant pressure on the State Government to find alternate service providers willing and able to take up the space vacated by local councils.

The Victorian Auditor-General's (2015) report into results of the 2013-14 audits of local government highlighted the financial pressures on councils. The actions of the Federal Government in reducing council grant revenues by no longer forward paying financial assistance grants into the preceding financial year, and deciding to pause indexation of financial assistance grants, mean that rate revenue has increased in relative importance to offset these shortfalls. The VAGO report comments that the combination of rates capping and Federal Government cut-backs will require councils "to monitor, control and constrain expenditure growth if grant revenue is unlikely to increase in the foreseeable future."¹⁶

If rates capping leads to a gap between the cost of early childhood services and the funding available to meet those costs, the concern is that the gap will be met either by an increase in user-pays fees or cuts to the services provided, or both. The result will be in both cases a reduction in participation levels which will undermine the State Government's policy of universal access to early childhood education services. Research about the barriers to participation identifies cost as a key factor, particularly for low income families.¹⁷ The Victorian State Government provides funding to preschools on the basis of a 65/35 per cent split between government and the service provider. Unless the proportion and level of State Government funding increases, then parents will be forced to pick up any additional cost arising from the application of the rates cap.

An increase in early childhood education parental fees because of cost pressures on councils through rates capping would also potentially flow on beyond council-delivered kindergarten to community-based kindergarten programs due to the widespread use of council facilities by these groups. Councils generally charge external community-based kindergarten providers peppercorn lease fees for the use of council-owned facilities. The cost of maintenance and improvement of these facilities by cash-strapped councils may lead to an increase in lease fees which will in turn lead to parental fee increases or the loss of places.

¹⁶ VAGO (2015), Local Government: Results of the 2013-14 Audits, p.17

¹⁷Baxter J and Hand K (2013), Access to early childhood education in Australia, Research Report no 24, Australian Institute of Family Studies, p 18, pp 31-2.

<http://www.aifs.gov.au/institute/pubs/resreport24/rr24.pdf>

Children and Families Research Centre, Institute of Early Childhood Macquarie University(2010), Barriers to Participation; The Experience of Disadvantaged Young Children, their Families and Professionals in Engaging with Early Childhood Services, p 85 www.iec.mq.edu.au/public/download/?id=15758

Councils face a number of barriers should they attempt to cut early childhood education services due to cost pressures. Kindergarten service providers must work within regulations set out in the *National Quality Framework: Education and Care Services National Law Act 2010* and *Education and Care Services National Regulations 2011*. Service providers must achieve a minimum rating for all quality areas within the National Quality Standard - including: educational program and practice; staffing arrangements; relationships with children; and leadership and service management - to be eligible for Departmental funding.¹⁸ The main costs involved in the operation of kindergartens are the staff employed to deliver the learning programs. National regulations stipulate both minimum qualifications for staff and the ratio of staff to children so that employers do not have the option of cutting a teacher and continuing to operate with the same number of children.

The *Education and Care Services National Regulations 2011* also specify the obligations of approved providers in relation to the physical environment; in particular that premises, furniture and equipment must be safe and in good repair.¹⁹ Deferral of capital expenditure on maintenance and repair of infrastructure could result in breaches of regulations.

It is not simply a question of a review of the level and quality of the service to be provided but whether or not the service would be provided at all. Withdrawal by councils from the direct service provider role, and/or as principal provider of the necessary infrastructure, would place greater pressure on the capacity of the State Government to deliver early childhood education and care services and provide community access to these crucial programs.

Dr Ron Ben-David, chairperson of the Essential Services Commission, in his Message in the *Local Government – Rates Capping and Variations Framework Consultation Paper* states that

*Councils are responsible for the services they provide and therefore the rates they levy and the legacies they leave. The framework will clearly place the onus on councils to demonstrate that their rates are being set in line with the services they provide to their communities and in line with the long-term interests of their ratepayers.*²⁰

It is the AEU's view that such a statement fails to acknowledge that councils act in partnership with other levels of government and by their participation in such partnerships facilitate the delivery of those services to the Victorian community. This is evident in the policies and agreements that exist in relation to early childhood education and care services which we have referred to earlier in this submission.

¹⁸ DET (2015), *The Kindergarten Guide 2015*, p.16

¹⁹ Commonwealth of Australia (2011), *Education and Care National Regulations 2011*, Part 4, Division 1, Section 103

²⁰ Consultation Paper, p. iii

The capacity of councils to plan and project expenditure is impacted by the actions or inactions of other levels of government. The actions of the Commonwealth Government in determining whether or not to continue their partnership with state and territory governments for the delivery of universal access to preschool education beyond the end of the 2014 preschool year, demonstrates the potential complexities for councils in setting their rates within a rates capping context.

It wasn't until September 2014 that the Commonwealth Government determined, and then advised, the early childhood education and care sector that they would continue to contribute to the provision of 15 hours per week of early childhood education for each child in the 2015 preschool year. Until this time, councils (along with community sector service providers) were only able to guess whether they were able to deliver services providing 10 hours per week, 15 hours per week or somewhere in between. Whilst the notification of extension of the funding for a further 2 years was made in May this year, it remains the fact that without information from either the State or Commonwealth Governments on their financial contributions to the operation of preschool programs, council financial planning in this area becomes very difficult.

The Chairperson's Message fails to appreciate the role of partnerships councils presently have with other levels of government:

"The framework will clearly place the onus on councils to demonstrate that their rates are being set in line with the services they provide to their communities and in line with the long-term interests of their ratepayers."²¹

The AEU believes that the framework must recognise the broader role that local government plays in the delivery of services to the community, both as a level of government in its own right and in partnership with other levels of government.

Notwithstanding our broader view that Councils as a tier of government, democratically elected, should be able to make decisions on behalf of their communities; any rates capping framework must be based upon a close examination of the true nature of expenditure of councils, rather than on an inappropriate basket of goods utilised for determining CPI. This would better reflect the expenditure of councils on wages, infrastructure and asset renewal. Further, any framework and criteria must acknowledge local government's role as a partner with State and Commonwealth Governments in service provision to the Victorian community and the expectations and obligations that entails.

²¹ Ibid