



16th July 2015

Ms Susan Cardell
Secretary
Joint Committee on Public Accounts and Audit
PO Box 6021
Parliament House Canberra ACT 2600
Email jcpaa@aph.gov.au

Dear Ms Cardell,

Submission to Review of the Australian National Audit Office Report No 23 (2014-15)

In response to the Committee's recent request, please find attached a submission from Goodstart Early Learning in relation to the Committee's inquiry into ANAO Report no 23 (2014-15).

The Early Years Quality Fund (EYQF) was a policy with a commendable purpose: to support quality outcomes for children by assisting early childhood services to attract and retain qualified early learning professionals through a supplemented wage increase. However it was flawed from the start in that it did not provide a long-term or equitable solution for the wages challenge facing the entire sector.

National reforms over the last decade have recognised that quality early learning is in Australia's social and economic interest. Goodstart has long supported payment of professional wages to early childhood educators in recognition of the critical role they play in delivering the early learning reforms agreed to in 2010 by Commonwealth, State and Territory governments. In supporting the move towards professional wage rates in our sector, Goodstart notes the need to ensure such wage rates are affordable for families and service providers and must be complemented by other contemporary terms and conditions of employment. It has been our long standing view that this should be funded through additional government investment given that all Australian Governments agreed to implement the National Quality Agenda reforms to improve the quality of early learning and care across Australia. Central to the success of those reforms is raising the professionalism and qualifications of educators across the sector, and a key element of achieving that goal will need to be improving wages and professional recognition.

When the previous Government announced the Early Years Quality Fund on 19th March 2013, Goodstart welcomed the initiatives as a step in the right direction, but expressed disappointment that it did not fund the entire sector or provide a permanent funding solution to ensuring educators are appropriately remunerated for the professional work they do. A copy of our media release is attached for your information (Attachment A).

We have consistently urged both the former and the current governments to develop a sustainable solution to funding professional wages for educators as we know the quality of educators directly impacts learning and development outcomes for children.

Goodstart applied for a grant on behalf of our staff because we believed it was the right thing to do for our staff. There was no direct financial benefit to Goodstart in applying for a grant as all funds were to be passed on directly to our employees.

Establishment of the EYQF:

In early May 2013, I was approached by the then Deputy Secretary of the Department to join the Advisory Panel. I was somewhat reluctant, as Goodstart was very likely to be an applicant to the fund. However, after assurances from the Government about how probity matters would be managed, I agreed to join the panel to give a provider's perspective to the Panel. In doing so, I signed a confidentiality agreement which precluded me from sharing any matters discussed by the Panel with my organisation, and complied with the requirements of this agreement in all of my dealings with the Panel and with Goodstart.

The team in Goodstart which compiled our application received the funding guidelines on 19th July 2013 at the same time as every other provider in the country who had signed up for an email notification from the Department. As the PWC audit concluded (p.vii):

"No evidence has been presented in this review that indicates the two large providers on the Board benefited in any additional way from having representation on the Board, and no adverse finding is made in this report."

THE ANAO report notes that the probity advisor engaged by the Department to assist the Advisory Panel signed off on the process, indicating that the board meetings had been conducted in accordance with the advisory board charter and the policies of the Commonwealth (p. 57).

As a member of the Advisory Board, I was interviewed by the authors of the PWC review of the implementation of the EYQF and by the ANAO, and complied with any requests for information.

The Government's decision to apply a 'first in first served approach' to funding from the EYQF has been subject of some discussion at the Committee's recent hearing. This decision was made without consultation with the sector and before the Advisory Panel was appointed.¹ Indeed, as the ANAO report notes, the Panel's advice that a two week period be allowed from the publication of the guidelines until the opening of applications was not accepted by the Government.

Concerns with the 'first in first served' approach to applications was much discussed in the sector, with the Australian Childcare Alliance raising concerns publicly about it as early as 6th May², and the issue was raised during the Senate and House Committee Inquiries into the EYQF Bill in June.

¹ PWC report p. 14

² <http://www.heraldsun.com.au/news/breaking-news/play-fair-on-wages-childcare-providers/story-e6frf7kf-1226636001199>

Goodstart's application to the EYQF:

When the guidelines were released on 19th July, and mindful that applications would be considered in chronological order, Goodstart immediately assembled a large project team to develop an application. The project team of around 20 staff worked around the clock and through the weekend to complete all of the documentation required to lodge the application four days later. I should note that the requirements of the guidelines did not materially alter the funding criteria that the Government had released on 19th March 2013, which the sector had had some four months to reflect on, and in respect of which Goodstart had formed a project steering group in March 2013 to collate and prepare requisite information and documentation in anticipation of a call for applications.

As a large organisation with over 200 central office staff, we were able to draw on a depth and range of expertise and information systems across multiple functions to complete the application within a short timeframe. Goodstart already had in place much the documentation required to show that we met the funding requirements, such as Quality Improvement Plans for all of our centres, data uploaded to the MyChild website and an established Enterprise Bargaining Agreement. After four days of solid work by the project team, Goodstart was able to lodge its funding application on the day that applications formally opened on Tuesday, 23rd July.

On 2 August 2013, the Department forwarded a conditional offer of funding. With our EBA variation to facilitate the payments approved by Fair Work Australia on 13th August 2013, we accepted that offer and started working with the Department on developing a contract. The Government had moved into caretaker mode on 6th August, and, I understand, the then Minister formally advised the Shadow Minister on 30th August seeking comment before the 4th of September before finalising a contract.

A formal contract was provided to us on the 5th of September. On the same day, the Coalition released its childcare policy³ which committed that the Coalition 'will honour funds contracted from the EYQF but no further expenditure will be approved'. Having reviewed the policy, I signed the contract, which was countersigned by the Acting Deputy Secretary of the Department the following day. The Department executed 15 other contracts in the same period.

The first payment under Goodstart's EYQF Contract (\$60.066m) was due and payable on the 6th of September 2013, but was not made. On October 10, the new Minister commissioned PWC to undertake a review of the implementation of the EYQF, which was released on the 10th December 2013. The Minister then announced that all conditional offers of funding not yet contracted would be withdrawn and that she would formally invite the 16 operators with signed funding agreements under the EYQF to "do the right thing" and join the professional development programme so the entire \$300 million was available for all LDC educators. The Minister and the Department had several conversations with Goodstart during this period.

On 20th December, the Department wrote to Goodstart advising that the Government would honour only the first of the three instalments due under our funding contract, and encouraging us to reallocate the funds to professional development. The Goodstart Board, after careful consideration of the request, and of our legal and industrial responsibilities, decided that the funds allocated to payment of wages should be used for their original contracted purpose, and advised the Department accordingly. After some constructive discussion, a Deed of Variation was finalised on 13/2/2014 and our Enterprise Bargaining Agreement was again varied to reflect that.

³ "Policy for Better Child Care and Early Learning".

Goodstart received its first and only funding instalment on 21/3/2014, 196 days after it was originally due and payable. The wages component was paid to eligible employees as a lump sum on 30/4/2014.

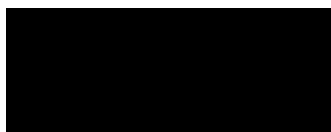
Response to the Audit Report:

Goodstart notes that the ANAO report was somewhat critical of some aspects of the administration of the EYQF, while noting that many key aspects were predetermined by policy decisions within and between Ministerial offices. We would endorse the importance that the report placed on the key lessons arising from implementing the EYQF: *"including the importance of departments providing frank, comprehensive and timely advice to Ministers in relation to implementation risks and opportunities to mitigate these risks where possible"*. We note that the report makes one recommendation which has been accepted by the Department.

As a client of the Department, we found all officers that we dealt with were at all times professional and very much aware of their public administration responsibilities in performing their duties in such difficult and complex political circumstances and within such tight timeframes.

The issue of inadequate remuneration for the professional work undertaken by early childhood educators should remain a major public policy concern. We urge all parties to work with the sector on a sustainable solution to funding professional wages for early learning educators that does not result in significant fee increases for parents and that ends the ongoing loss of good educators from our sector due to poor pay.

Yours sincerely,



Julia Davison
Chief Executive Officer

EARLY YEARS QUALITY FUND: SOME KEY DATES:

19/3/2013	Minister announces the \$300m Early Years Quality Fund with funding criteria.
6/5/2013	Australian Childcare Alliance publicly raises concern about a 'first come first served' approach to grants, concerns that it reported to the House and Senate Inquiries into the EYQF legislation in June.
24/5/2013	Membership of EYQF Advisory Board announced.
30/6/2013	The Early Years Quality Funds Special Account Bill passes both Houses of Parliament, following Senate and House Committee Inquiries.
19/7/2013	DEEWR releases the guidelines for the EYQF grants, with applications to open three working days later on Tuesday 23/7/2013
23/7/2013	Applications open for EYQF grants, Goodstart lodges its application
5/8/2013	Goodstart receives Conditional Offer of funding from the EYQF, dated 27/7/2013
5/8/2013	Goodstart lodges the variation to its EA to facilitate EYQF payments with the Fair Work Commission, which was approved on 13/8/2013
6/8/2013	Government goes into caretaker mode
22/8/2013	Goodstart Board agrees to accept the offer and to fund the additional costs associated with it. This decision is then communicated to staff.
5/9/2013	Goodstart receives contract from the Government. Coalition releases its child care policy confirming it will honour EYQF contracts. Goodstart signs the contract, which is countersigned by the Acting Deputy Secretary on Friday 6/9/2013
6/9/2013	First instalment (\$60m) becomes payable on the contract but is not paid
7/9/2013	Federal Election.
10/10/2013	Minister commissions PWC review the implementation process of the EYQF.
6/12/2013	Prime Minister states in Question Time that all contracts will be honoured.
11/12/2013	Minister releases PWC report and announces that remaining funds in the EYQF will be redirected to Professional Development. The 16 providers with contracts were invited to redirect funding to professional development.
20/12/2013	Department writes to Goodstart confirming it will honour the first instalment of the contract but not the second or third instalment, and requests Goodstart give consideration to allocating the funds to professional development.
22/12/2013	Goodstart's Board resolves decline the Government's proposal to reallocate all EYQF funds to professional development and resolved that the funds be used for the original purpose of supporting professional wage rates for educators as stipulated in the original contract and in the Enterprise Bargaining Agreement Variation.
8/1/2014	Government makes proposal to vary the contract to Goodstart, which is finalised in a Deed of Variation on 13/2/2014.
28/2/2014	Goodstart employees approve a variation of the Enterprise Bargaining Agreement to facilitate the varied contract.
21/3/2014	Goodstart receives the first and only instalment of funding under the EYQF contract.
30/4/2014	Goodstart employees receive the EYQF wage subsidies for 2013/14 as a lump sum.

Goodstart Media Release 19 March 2013:

WAGE RISE WELCOME BUT MORE NEEDS TO BE DONE

The Government's announcement of an additional wage subsidy for early childhood educators is good for Australia's children but more investment in early education and care is needed to ensure affordability for Australia's families, according to Goodstart Early Learning CEO Julia Davison.

"We welcome the increased investment into professional wages announced by government today", Ms Davison said.

"It is critical for our children to be taught by professional educators; with the new National Quality Standards we are seeing more highly qualified staff and higher staff-to-child ratios increasing the overall quality of early learning.

"An increase in wages will enable us to attract and retain qualified professional staff. Retention of staff is critical to building strong, supportive relationships with children and supporting families in their parenting."

However Ms Davison says while the announcement today was a step in the right direction more needs to be done to ensure the long-term sustainability of the sector.

"While this subsidy will support us in the short term, we are concerned that this has only been budgeted for two years", she said.

"What this sector needs is an ongoing solution to the challenges we face in retaining staff in a sector that has shifted from child care to the provision of quality early education and care in the critical early years."

"The solution needed is one that supports the entire sector who work with children from birth to five. This includes ongoing support for wages across the sector and financial support for improving the quality of early learning for children."

Ms Davison acknowledges the reforms will continue to have an impact on cost for providers and families may pay the price if government doesn't address affordability.

"Outside of wages, the reforms have impacted on costs beyond what can be absorbed by service providers alone and additional costs have had to be passed on to families.

"We know affordability is the number one barrier to participation. To ensure all children have equity of access we need to make quality early learning and care more affordable for families", she said.

"We would like to see this momentum continued by looking at a long term commitment to wages and a full review of the funding model and the levels of investment into early learning and care.

"It is the only way we will truly realise the significant social and economic benefits of enabling all children to access quality early learning from birth to age five."

Ends

Julia Davison
CEO