



GLEN EIRA  
CITY COUNCIL

20 October 2023

# Your Questions Answered

## Preliminary Decision about Council's Early Learning Centres

### **Why did Council make a preliminary decision before consulting? Why weren't staff and families consulted first, so that their feedback and ideas could be included in the Childcare Discussion Paper that was presented to Council?**

In order to comply with Council's Enterprise Agreement, it was necessary to engage with affected staff and Council was required to make a 'preliminary' decision.

Under S46 of the Local Government Act, the CEO is also required to consult members of Council staff affected by any proposed organisational restructure, before implementing the organisational restructure.

In the interests of Good Governance Principles (S9) and Community Engagement Principles (S56) as set out in the Local Government Act 2020, this approach (preliminary and final decision) supports Council to meaningfully engage with affected families and the broader community by being open and honest about Council's preliminary position.

### **Why did Council hold a confidential meeting to make a preliminary decision about its Early Learning Centres, especially when there had been no community consultation before making the decision?**

#### **Will Council commit to a transparent, public vote for the final decision?**

Council considered the Early Years Services Report in a confidential meeting on 3 October 2023 in order to provide sufficient time to first inform those most impacted - families and staff – of Council's preliminary decision and consultation process before this information was distributed more widely.

Council's resolution also allowed information considered by Council in a confidential meeting to be made publicly available very soon after that Council meeting, ensuring that Council was transparent about its preliminary decision and the information that informed the preliminary decision, as envisaged by S9(2)(i) of the Act.

The agenda, minutes and Council report for the Special Council Meeting held on Tuesday 3 October 2023 were released on Thursday 5 October 2023 on Council's website: [3 October Special Meeting of Council](#).

In the interests of Good Governance Principles (S9) and Community Engagement Principles (S56) as set out in the Local Government Act 2020, the approach of making a preliminary and then final decision supports Council to meaningfully engage with affected families and the broader community by being open and honest about Council's preliminary position.

The final decision will be made at a Special Council meeting to be held on 12 December 2023. Consideration of the agenda item relating to Council's final decision will be open to the public.

**Why is it problematic from a due process perspective to urgently extend the timeline for consultation and consideration of all options, or urgently making a commitment not to close the centres before December 2024?**

Council has committed to a 4-week consultation period with staff, families and the community and will carefully consider all feedback received prior to making a final decision. Feedback received about the timing of the potential closure of the centres will form part of the considerations of the final decision-making process.

**Will Council genuinely consider the feedback from the community about the preliminary decision to close its three Early Learning Centres? How can we feel confident that consultation is genuine or authentic?**

Council is required to put the overarching governance principles set out in S9 of the Local Government Act 2020 into practice, including when it made a preliminary decision about its Early Learning Centres.

Specifically, Council's preliminary decision has allowed Council to undertake a process of consultation and engagement with staff, families and the community as envisaged by S9(2)(d) of the Act.

The preliminary decision also allowed information initially considered by Council in a confidential meeting to be made publicly available very soon after that Council meeting, ensuring that Council was transparent about its preliminary decision and the information that informed the preliminary decision, as envisaged by S9(2)(i) of the Act.

Council is satisfied that it has put the overarching governance principles into practice when making its preliminary decision on this matter.

Council has made a preliminary decision and is now consulting with staff, impacted families, and the wider community. This feedback will be considered prior to a final decision being made later in the year. All feedback received during the consultation process will be genuinely considered by Council.

The approach of announcing a preliminary decision, undertaking a 4-week consultation process prior to making a final decision supports transparent decision making and good engagement practices.

The release of the *Glen Eira City Council Childcare Discussion Paper (October 2023)* to the community enables the community to be informed about the options considered by Council and how Council made its preliminary decision.

**The current surveys open to families and community members do not ask for meaningful information and feedback directly related to the proposed closure of Council's three early learning centres. The survey questions appear to assume that the centres will close.**

The survey asks two important open-ended questions with free-text boxes for impacted families and the broader community to provide feedback.

The two questions are 'In the future, what role do you think Council should play in supporting young children and their families' and 'Do you have any other feedback for Council to consider when making a final decision'.

The text-free boxes in the survey enable respondents to share detailed and descriptive information including their opinions, expressions of their feelings and their understanding of Council's preliminary decision.

**Do Council and its Councillors know how long it takes to find the right Early Learning Centre for your child and family circumstances?**

We understand each family will have their own needs and preferences, and we will do our best to support you if Council does make a final decision to close its three Early Learning Centres.

During the consultation period, families are invited to provide details on how they would prefer to receive communications, what support would they find helpful now, and what ongoing support they may find useful.

Our Family Liaison Officers are currently working with a number of families – if you would like to speak with our Family Liaison Officers, please email [earlylearning@gleneira.vic.gov.au](mailto:earlylearning@gleneira.vic.gov.au) and we will contact you.

**You have said that Council's Early Learning Centre buildings do not meet contemporary standards - will Council enforce the same high standards on private childcare centres it has issued permits to?**

Council issues planning permits for childcare centres in accordance with relevant legislation which is separate to Council's role as a childcare service provider.

The Commonwealth Government is responsible for assessing the quality of all childcare services. Each centre is rated against the National Quality Framework through a process of quality assurance and regulatory compliance. These quality standards relate to the national laws and regulations connected to the Australian Children's Education and Care Quality Authority.

Council does not play an official role in monitoring or enforcing the quality standards of childcare services.

Council's small Early Learning Centre buildings are no longer fit for purpose because they prevent Council from achieving the economies of scale required to operate financially viable childcare services. This is primarily due to the small room sizes and educator to child ratios required by the Commonwealth Government's National Quality Framework.

**The Victorian School Building Authority (VSBA) is offering grants to upgrade and build early childhood facilities. Has Glen Eira City Council applied for grant funding? The City of Port Phillip recently secured grant funding from the Victorian Government for its childcare centres – is Glen Eira City Council eligible for the same funding for its Early Learning Centres?**

The Victorian Government's Building Blocks Grants, administered through the VSBA, are aimed at increasing the supply of state-funded kindergarten places for 3-and-4-year-old children, not childcare places. A successful grant application for these funds needs to meet the criteria set by the State Government in relation to kindergarten places now and into the future.

For Glen Eira, the current Kindergarten Infrastructure and Services Plan does not identify a shortfall in kindergarten places for the Glen Eira municipality until 2028, and the shortfall in kindergarten places is expected in Bentleigh-McKinnon; not the suburbs where Council's Early Learning Centres are located.

It is therefore difficult for Council to meet all of the funding criteria for Building Blocks Grants for the Early Learning Centres. As outlined in the *Glen Eira City Council Childcare Discussion Paper*, the Building Blocks funding is inadequate to cover the full costs of constructing a new Council centre that allows Council to operate a financially viable childcare service.

The City of Port Phillip has a Building Blocks Funding Partnership with the Victorian Government. The Victorian Government has committed \$12million, and the Port Phillip City Council is allocating over \$18million of their own revenue to upgrade the Council-owned childcare centre

buildings. This funding partnership is aimed at increasing kindergarten capacity in the centres, not boosting the operational viability of the childcare services.

### **How is childcare infrastructure funded?**

Glen Eira Council's early years facilities are part of a large portfolio of buildings and facilities maintained on behalf of the Glen Eira community. The maintenance and renewal of these buildings form part of Council's capital works program outlined in its annual and long-term forecast budgets.

By contrast, infrastructure that supports private-for-profit childcare centres is built on a commercial basis and business structures range from owner/occupier to long term lease arrangements.

### **What influence has the electoral structure review, and the upcoming Council election in October 2024, have on the short notice periods between the preliminary decision, the final decision, and the potential closure?**

The electoral structure review required under the Local Government Act 2020 and the 2024 Council elections did not inform Council's preliminary decision to exit the provision of childcare services.

### **Council has an important role in providing community services – this includes childcare which is critical to support communities. Why is Council considering the closure of the centres, if providing these services is part of Council's role, and Council provides such high quality childcare which is important for children?**

Council has an important responsibility to regularly review the services it provides to the community. As part of normal Council business, we review our services to ensure they're sustainable, well managed and meet community expectations. The Childcare Strategic Service Review aimed to better understand how Council's Early Learning Centres could operate sustainably into the future.

It is becoming more difficult for Councils to run services due to increasing costs and economic uncertainty. It's important for Council to make responsible choices and provide value to the whole Glen Eira community.

All three Council Early Learning Centres are running at a loss, and the quantum of the loss increases each year. Operating at an average of 78 per cent capacity in 2022-23, enrolments at our centres are declining while costs are increasing, trends that show no sign of reversing. Our centres are expected to operate at a loss of at least \$570,000 each year.

Of the 31 metropolitan Councils, only 14 operate childcare services. There has been substantial growth in the number of childcare centres operating across the municipality and Council's centres now account for just 2 per cent of the 5,731 childcare places available in Glen Eira.

Council must also comply with the National Competition Policy which means that Council must ensure its Early Learning Centres do not have any advantage in the competitive childcare market because of the benefits Council has as a level of government with access to rate payer funds that other childcare services do not. Council is currently using ratepayer funds to subsidise the Early Learning Centres, which means there is a risk Council could become subject to investigation under Victoria's Competitive Neutrality Policy.

**Council's three Early Learning Centres provide exceptional childcare which Exceed National Quality Standards. Within a 2 km radius to Council's Murrumbeena and Carnegie centres, only two other centres are rated as Exceeding. Why isn't Council taking advantage of its leadership role in quality childcare rather than proposing to close its services? Does Council see early childhood education and care and our children as a priority, and worthy of investment?**

The service review confirmed that Council's Early Learning Centres provide high quality care and education. However, with increasing costs and economic uncertainty, it is becoming more difficult for Councils to run services, so Council must make responsible choices on behalf of the whole community.

Council must also comply with the National Competition Policy which means that Council must ensure its Early Learning Centres do not have any advantage in the competitive childcare market because of the benefits Council has as a level of government with access to rate payer funds that other childcare services do not.

Of the 58 childcare centres operating in Glen Eira, 23 are rated as 'Exceeding' National Quality Standards, 23 are rated as 'Meeting' National Quality Standards, 10 centres have 'Provisional Rating' (awaiting accreditation – new facilities or ownership has been recently transferred) and 2 centres are rated as 'Working Towards' meeting the Standards. The Commonwealth Government is responsible for assessing the quality of all childcare services.

Council is committed to advocating, planning, and supporting high quality services wherever children and families access services and participate in community life. This commitment includes partnering with Government and local providers, along with some direct service provision.

In its role of advocacy, Council seeks to secure programs, projects and funding from other levels of government to support early years services, initiatives and programs.

Council also provides a broad range of services that support children and families including early education and care, maternal and child health, parent support services, immunisation, and library services as well as working to build the capacity of all early years services and supporting the professional development of early years staff across the municipality.

**Has the service review considered the impacts of the potential closure of Council's Early Learning Centres on women? Staff in the Early Learning Centres are primarily women and access to childcare services is critical to women's participation in the workforce and the progress towards closing the gender wage gap. How was Council's Gender Action Plan (2022-2025) considered in this preliminary decision?**

Council's Gender Equality Action Plan seeks to address barriers such as gender bias and pay inequality and provide opportunities to improve gender equality in the workplace.

The Action Plan does not prescribe how Council might undertake any service review or consider the services it will deliver. Rather, the Gender Equality Action Plan provides guidance for Council in improving the gender composition of its workforce, providing a safe and inclusive workplace and reducing the gender pay gap.

Council's composition of staff outlined in the Gender Equality Action Plan is 67% female and 33% male of the 1,487 staff across Council. Should Council resolve to close our three early learning centres, the overall gender composition will be 66% female and 34% male.

Council recognises the importance of childcare for families, especially working parents and guardians. While Council has a high degree of confidence that the supply of childcare places will meet current and future demand, the best way for a family to find out if a centre meets their specific their criteria is to talk with them directly. Should families need support with this, Council can provide assistance – please email [earlylearning@gleneira.vic.gov.au](mailto:earlylearning@gleneira.vic.gov.au)

**How was the Childcare Service Review planned and conducted? What expert advice and information was included in the service review? How were staff and parents consulted and what other Government bodies and leaders were consulted?**

The strategic service review sought to better understand how the services could operate sustainably into the future in the context of ageing infrastructure, financial losses, the growing childcare market in the municipality, and the current and emerging State and Commonwealth early years reform agendas. Councillors were kept up to date as the review progressed.

The *Glen Eira City Council Childcare Discussion Paper (October 2023)* provides information about the strategic service review of Council's Early Learning Centres' viability into the future. The discussion paper was prepared by Council staff.

A range of consultants with expertise in early childhood service operations, early childhood policy and funding, and early childhood building design and costings were involved in the strategic service review.

The review examined local childcare services in the municipality, an analysis of the financial viability of Council-operated Early Learning Centres, an analysis of the opportunities and challenges relating to existing facilities and Council's role as a provider in the competitive marketplace.

Current and future demand data was informed through an examination of population data trends which are outlined in the discussion paper.

Council is currently consulting with all staff, educators, parents, State Government partners, local Members and the Glen Eira community to inform the Council decision-making process.

**Why were only three possible options presented for Council's consideration when making the preliminary decision to close its three Early Learning Centres? For example, why didn't Council collaborate with other Councils such as the City of Yarra or Port Phillip to see how they successfully run childcare centres?**

The service review of Council's Early Learning Centres investigated three options in detail for Council's consideration. The review reflects the operations of the three centres, the local childcare sector, circumstances of the Glen Eira community and considerations such as the impact of the early years reform agenda on the Glen Eira municipality. The considerations for each option are set out in detail in the discussion paper.

Port Philip City Council is not a relevant comparison because unlike Glen Eira City Council, Port Phillip City Council do not operate the childcare services that are provided from Council-owned facilities. These services are provided by community-based providers.

Yarra City Council manages a number of children's centres including a child and family hub which is similar to the option that was considered in the strategic services review to consolidate all of Council's childcare places onto one site.

The City of Port Phillip has committed \$18million as part of the Building Blocks funding partnership with the Victorian Government, and the Victorian Government has committed \$12million.

Council's adopted Long Term Financial Plan has no budget provision for major building investments relating to the three Early Learning Centres.

**Reports such as Gonski 2.0 highlights how paramount high-quality early childhood education is to a child's transition to, and success at school. Further, the ACCC's 2023 Childcare Inquiry found that labour costs account for the greatest share of childcare operational costs, with the cost of land as the second highest cost. Council doesn't have any land costs so why can't it invest at a higher level to keep its high-quality centres open?**

As a level of government, Glen Eira Council is required to abide by the National Competition Policy. Therefore, Council must ensure its Early Learning Centres do not have any advantage in the competitive childcare market because of the benefits Council has as a level of government with access to rate payer funds that other childcare services do not.

Application of the competition policy requires Council to adopt full costing methodology which includes both direct costs such as salaries and materials and indirect costs including rent, utilities and administrative expenses.

**Is there a notional rent payment made by the ELCs towards general revenue, even though the land and buildings are owned outright by the people of Glen Eira? To what extent is the notional rent payment driving the (nominal) loss of the ELCs?**

Yes, Council budgets for notional rental amounts for the three Early Learning Centres. These amounts are calculated by an independent property valuer and represent the revenue that Council could receive if rented commercially. The notional rent in the 2023-24 budget equates to approximately 5.8% or \$246,000 of the total operating costs (\$4.3 million) of the Early Learning Centres.

Application of the National Competition Policy requires Council to adopt full costing methodology which includes both direct costs such as salaries and materials and indirect costs including rent, utilities and administrative expenses.

**Is there a detailed cost analysis of the financial viability of the centres that demonstrates why these centres can't compete with commercial operators as claimed by Council? Have Councillors also been shown the full model and breakdown of the financial viability analysis?**

Yes.

Annual service budgets are developed based on known expenditure such as staffing to meet set child-to-staff ratios, centre-based leadership and management, fixed program equipment replacement and upgrades (e.g. equipment and indoor furniture), expendable equipment (e.g. art and craft supplies), mandatory staff training, and administration and maintenance costs. The annual operating loss to Council for the 2023-24 budget is \$570k.

As part of the service review, Councillors were provided with the financial performance of each centre including income, expenditure, utilisation rates, deficits, and expected future deficits.

**When will a full cost breakdown be available to the community to help us understand the financial model and drivers? All essential human services operate at a loss, so why is this problematic for Council's Early Learning Centres?**

Council's adopted 2023-24 budget discloses the cost to Council of \$570k. This amount includes:

- Revenue \$3.7 million
- Expenses \$4.3 million (79% is attributable to staff salaries)
- Net Cost to Council \$570k.

Expenses breakdown:

- Staff salaries 79%
- Materials 2%
- Energy and water 1%
- Other expenses 1%
- Internal overheads 18%

Internal overheads consist of rent, information technology, payroll, human resources and finance services, insurance, and cleaning costs. The Competitive Neutrality Policy (September 2012) requires Council to adopt fully distributed costing methodology. This method ensures that the direct, indirect, and competitively neutral costs are factored into the full cost base. Council must comply with this policy.

While our Early Learning Centres operate in a commercial environment, the same cannot be said for other council services such as libraries etc. where local government is the primary provider.

Council has not made a final decision regarding its three Early Learning Centres and remains operating in a competitive marketplace. It is anticipated the service review report will be publicly available by the end of the week, however information that is considered commercial in confidence will be redacted from this report.

#### **How are childcare operations funded?**

Funding to operate Council's three Early Learning Centres comes primarily from parent fees and Council rates. A small proportion of income is also received from the Victorian Government for the funded kindergarten places offered at the centres.

#### **What other council services, apart from Early Learning, have been subject to the same commercial hurdles to be cost neutral or make a profit?**

The National Competition Policy does not apply to all Council services, only those that operate in a competitive environment.

Council provides a broad range of services for the community and some of these are jointly funded through grants from other levels of government and rate payer funds.

The National Competition Policy requires government businesses that compete in a competitive marketplace (like childcare services) to compete on an even footing with non-government businesses.

This means Council is responsible for ensuring none of its business activities operate under any advantage in competitive markets such as the local childcare market because of the benefits Council enjoys as a level of government unless this would comprise clearly stated public policy objectives and not be in the public interest.

#### **Have Councillors been briefed on the value of having a diversified early learning market and the role that Council provided services have in ensuring security of supply and a high-quality service benchmark?**

The service review examined the growth in local childcare services in the municipality and capacity to meet current and future demand. The review also included information about the different types of providers in Glen Eira and quality ratings of all childcare centres in the municipality.

Additionally, the service review included:

- An analysis of the financial viability of Council-operated Early Learning Centres.
- An analysis of the opportunities and challenges relating to the existing childcare infrastructure.



- Council's role and responsibility as a local government and a service provider in a competitive market; and
- An assessment of possible options for future service delivery.

**What about other Council services for children and families such as Maternal and Child Health? Council subsidises Maternal and Child Health - will the Maternal and Child Health service be returned to the State Government's public health system?**

The Victorian Maternal and Child Health program is funded through a partnership between State and Local Government – this is a different funding arrangement to childcare and there is no comparison to the preliminary decision Council has made about its three Early Learning Centres. Council's preliminary decision does not impact Council's Maternal and Child Health Services.

**How has the City of Glen Eira been working with State and Federal politicians and bodies about Council's preliminary decision? What work are you doing with the Department of Education?**

As part of its consultation process, Council is engaging with a wide range of stakeholders.

State Ministers and Members of State and Federal Parliaments were notified of the preliminary decision along with relevant State and Federal government departments (including the Department of Education), agencies and regulators.

Feedback from these stakeholders will be taken into account before making the final decision.

**Could the centres be run by a community-based organisation such as a not-for-profit or parent committee?**

In order for Council to consider options about the future of the Early Learning Centres, including the buildings where the services are delivered, it must first decide what its future role will be as a childcare service provider.

Three options were considered by Council and are outlined in the *Glen Eira City Council Childcare Discussion Paper (October 2023)*. Council has made a preliminary decision to close its three Early Learning Centres and has entered into a consultation process with staff, families and the broader community about this preliminary decision.

After genuine consultation, if Council makes a final decision to close its three services, Council could consider the future use of the facilities in accordance with the Council's Property Strategy. This would include options such as leasing, re-purposing or disposal of the sites. The option of leasing Council assets to a not-for-profit or parent committee would form part of the consideration for the future use of the assets.

The co-location of Maternal and Child Health services at the Caulfield and Murrumbeena sites would also form part of this consideration.