

5.1 EARLY YEARS SERVICES REPORT

Author: Angela Morcos, Manager Family Youth and Children's Services

Director: Mark Saunders, Director Community Wellbeing

Trim No: 23/1243568

Attachments: 1. Childcare Discussion Paper
2. Communication Plan
3. Engagement Plan

This agenda item is confidential information for the purposes of section 3(1) of the Local Government Act 2020:

- *because it is information prescribed by the regulations to be confidential information for the purposes of this definition (section 3(1)(k)); and*
- *Confidential information is contained in this Report.*

EXECUTIVE SUMMARY

This report presents the outcomes of a strategic service review of Council's Early Learning Centres across three sites which are set out in the table below.

Caulfield Early Learning Centre	6 Lirrewa Grove, Caulfield (Glen Eira City Council Town Hall site)
Carnegie Early Learning Centre	17 Truganini Road, Carnegie
Murrumbeena Early Learning Centre	105 Murrumbeena Road, Murrumbeena

Council owns a fourth Early Learning Centre, and this is leased to a not-for-profit provider, East Bentleigh Community Childcare Inc. This service and facility did not form part of the strategic service review as the childcare services delivered from this facility are not directly provided by Council.

The review aimed to better understand how these 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.

The three Council-operated Early Learning Centres provide a total of 115 childcare places, or two percent of the total number of childcare places available across the municipality. These three centres have operated at an average loss of \$543K per annum over the last five years, and for the 2022-23 financial year the operating loss was \$580,784. Financial analysis shows these centres will operate at a loss of approximately \$3.1M over the next five years.

Council's three facilities are at the end of their useful life because they do not meet contemporary standards, including modern facilities such as kitchens to provide cooked meals for children or laundries. The facilities have small, compartmentalised spaces and are too small to provide economies of scale to remain financially viable.

The childcare sector has grown rapidly in the municipality in recent years. There are now 58 Early Learning Centres providing childcare in the municipality. The number of places available in Glen Eira has doubled since 2010 and increased by 44.51 per cent since 2019 from 3,966 places to 5,731 places.

The service review concluded there is now a strong supply of childcare places in the Glen Eira municipality and there is a high degree of confidence that this supply will meet current and future demand for childcare places across the municipality.

The service review identified three possible options for the future of Council's three owned and operated Early Learning Centres, for consideration by Council:

1. **Option 1: Status quo** – maintain service delivery across the three Early Learning Centres in its current form.
2. **Option 2: Exit service provision** – cease to operate the three Early Learning Centres by the end of 2023 and actively support existing families to transition to other early years services.
3. **Option 3: Consolidate Services** – consolidate places from the three Early Learning Centres into a refurbished child and family hub on the Murrumbeena site.

This report recommends the preliminary adoption of Option 2: *exit service provision*. This would mean that Council makes a preliminary decision to cease operating its three Early Learning Centres, undertakes consultation with impacted staff and seeks feedback from affected families and the Glen Eira community, prior to making a final decision about the future of its three owned and operated Early Learning Centres.

RECOMMENDATION

That Council:

1. Approves a preliminary decision to cease to operate its three Early Learning Centres by the end of 2023.
2. Endorses the Childcare Discussion Paper in *Attachment 1* which sets out information about the key activities of the strategic service review, its findings, and considerations for Council, to inform and assist staff, families, and the broader community to provide informed feedback during the consultation and engagement process.
3. Endorses the Communication Plan and Core Public Statements detailed in *Attachment 2* and authorises the Mayor, Chief Executive Officer, and Director Community Wellbeing to lead communications throughout the consultation and engagement process.
4. Endorses the Engagement Plan detailed in *Attachment 3* which outlines the consultation processes to be undertaken with impacted staff to ensure compliance with the Glen Eira Enterprise Agreement 2022, and engagement with affected families and the broader community.
5. Requests that Officers prepare a report for a Special Council Meeting to be held on 12 December 2023 for Council to consider recommendations for a final decision about the operation of its three Early Learning Centres.
6. Resolves to make this Resolution, this Report, and the attached documents publicly available immediately only for the purposes of, and to the extent necessary for, informing staff, families affected by this decision, and other key stakeholders.

7. Endorses that this Report and the attached documents be made publicly available without restriction from 12noon Thursday 5 October 2023, after impacted staff, families and other key stakeholders have been notified of the decision.

BACKGROUND

Glen Eira City Council has a broad role in relation to access and participation in community life for children and families. Council's current roles include:

- *Planning, facilitating, and advocating* for children and families at a whole of municipal level for services and amenities such as leading the municipal Kindergarten Infrastructure and Services Plan in response to the Victorian Government's Best Start Best Life (kindergarten) reforms.
- *Building, improving, and maintaining* purpose-built infrastructure for children and early years services ranging from playgrounds to facilities such as kindergarten, maternal and child health, occasional care, playgroups, toy libraries and childcare services.
- *Partnering* with other providers to deliver quality early years services in Council buildings such as Glen Education, kindergarten committees, the East Bentleigh Childcare Committee, toy library and playgroup committees.
- *Directly delivering* early years services such as maternal and child health, childhood immunisation, occasional care, family day care, library services, sports and recreation programs and childcare including kindergarten programs in the Early Learning Centres.
- *Working to support and build the capacity* of all early years service providers to deliver quality, accessible services across the municipality through activities such providing local service directories, the Kindergarten Central Registration Scheme, and support to non-Council early years services and professionals through early years networks and training initiatives. Community development funding opportunities are provided through the Community Grants Program.

Council-operated Early Learning Centres

In one of its current roles in direct early years service delivery, Council owns and operates three Early Learning Centres (Caulfield, Murrumbeena and Carnegie) which offer education and childcare for children aged six months to school age. Kindergarten programs delivered by a qualified kindergarten teacher are also offered to families for eligible 3- and 4-year-old children attending the three centres.

Council owns a fourth Early Learning Centre, and this is leased to a not-for-profit provider, East Bentleigh Community Childcare Inc. This service and facility did not form part of the strategic service review as the childcare services delivered from this facility are not directly provided by Council.

Council-operated Early Learning Centres are listed in the table on the following page, including their location and number of licensed places offered each day.

Centre	Address	Childcare Places
Caulfield Early Learning Centre	6 Lirrewa Grove, Caulfield (Glen Eira City Council Town Hall site)	43
Carnegie Early Learning Centre	17 Truganini Road, Carnegie	31
Murrumbeena Early Learning Centre	105 Murrumbeena Road, Murrumbeena	41

Murrumbeena Early Learning Centre



105 Murrumbeena Road, Murrumbeena.

Murrumbeena Early Learning Centre was established in 1994. It is housed in a single storey building that was originally used as a house.

Carnegie Early Learning Centre



17 Truganini Road, Carnegie.

Carnegie Early Learning Centre is a single storey building constructed in 1985. It was established as a centre in 2006.

Caulfield Early Learning Centre



6 Lirrewa Grove, Caulfield (Glen Eira City Council Town Hall site).

Caulfield Early Learning Centre is a pair of interconnected dwellings constructed around the 1920s. It was established as a centre in 1994.

Council's three centres were established at a time when opportunities for families to access childcare services were limited. Consequently, Glen Eira City Council responded by establishing and running local Early Learning Centres.

As of July 2023, 162 children from 148 families were enrolled across the three Council-operated centres. Of these, 37 children were enrolled in the funded kindergarten programs delivered across the three centres. The three Council-operated centres are staffed by a total of 37 permanent staff and 14 casual educators. All three services have been rated as Exceeding National Quality Standards.

Strategic Service Review

The Childcare Strategic Service Review aimed to better understand how these services could operate sustainably into the future in the context of ageing infrastructure, the level of Council subsidy (from ratepayer funds) required to meet operational costs, the growing childcare market in the municipality, and the State and Commonwealth early years reform agendas.

The service review investigated key themes relating to:

- Policy and legislation for the childcare sector at both a state and national level.
- Local childcare services in the municipality and capacity to meet future demand, including any growth in the number of available childcare places over the past five years.
- An analysis of the financial viability of Council-operated Early Learning Centres, including current service delivery costs and the financial cost to Council now, and into the future.
- An analysis of the opportunities and challenges relating to the existing facilities and cost implications for essential upgrades or facility replacement into the future to meet contemporary standards.

- Council's role and responsibility as a local government and a service provider in a competitive market.
- An assessment of possible options for future service delivery, including:
 - i. a high-level cost benefit analysis for different possible options
 - ii. identification of any organisational risks
 - iii. resource and asset considerations for different possible options.

A discussion paper about the strategic service review and its findings can be found in **Attachment 1: Childcare Discussion Paper.**

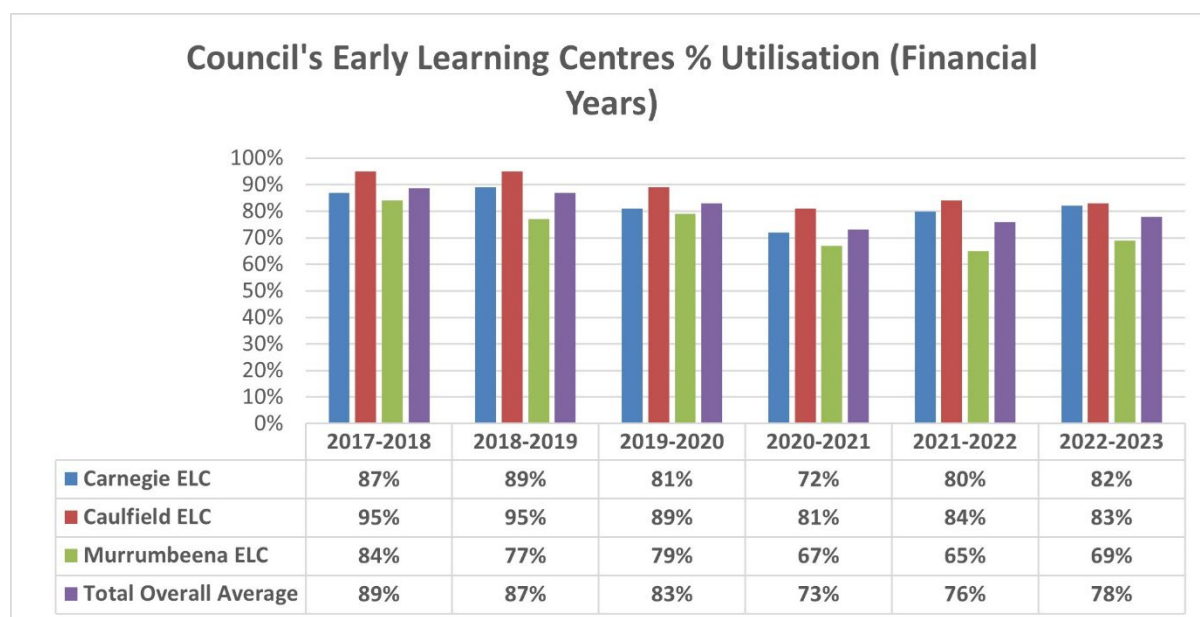
ISSUES AND DISCUSSION

Council Early Learning Centres

Council's three operated Early Learning Centres are at the end of their useful life. The buildings are older in style with smaller, compartmentalised spaces lacking flexibility. Assessment of the buildings also indicates that they do not meet current design standards.

In contrast, newer centres built over the past decade are larger overall, with spaces that can be used flexibly, contain commercial-level cooking facilities and adequate laundry facilities. These centres typically cater for over 100 children, indicating that larger facilities are more economically viable.

The average utilisation of places across the three centres was around 81 per cent over the last six years and has significantly contributed to the financial losses for the services over that same period.



Financial challenges

In 2022-23 the three Early Learning Centres operated at a loss of \$580,784. These financial losses do not include the maintenance and upkeep costs required to support the continued use of older buildings to deliver the legislative requirements for licensed children's services.

Looking back, the three Council owned and operated childcare services have operated at a loss over the past five years.

Budget Year	2022-23	2021-22	2020-21	2019-20	2018-19
Actual Operating Loss (deficit)	(580,784)	(523,020)	(482,343)	(635,480)	(497,169)

Modelling for the following five years demonstrated that the current budget loss would continue and in fact increase even in a ‘best case’ scenario of 90 per cent utilisation.

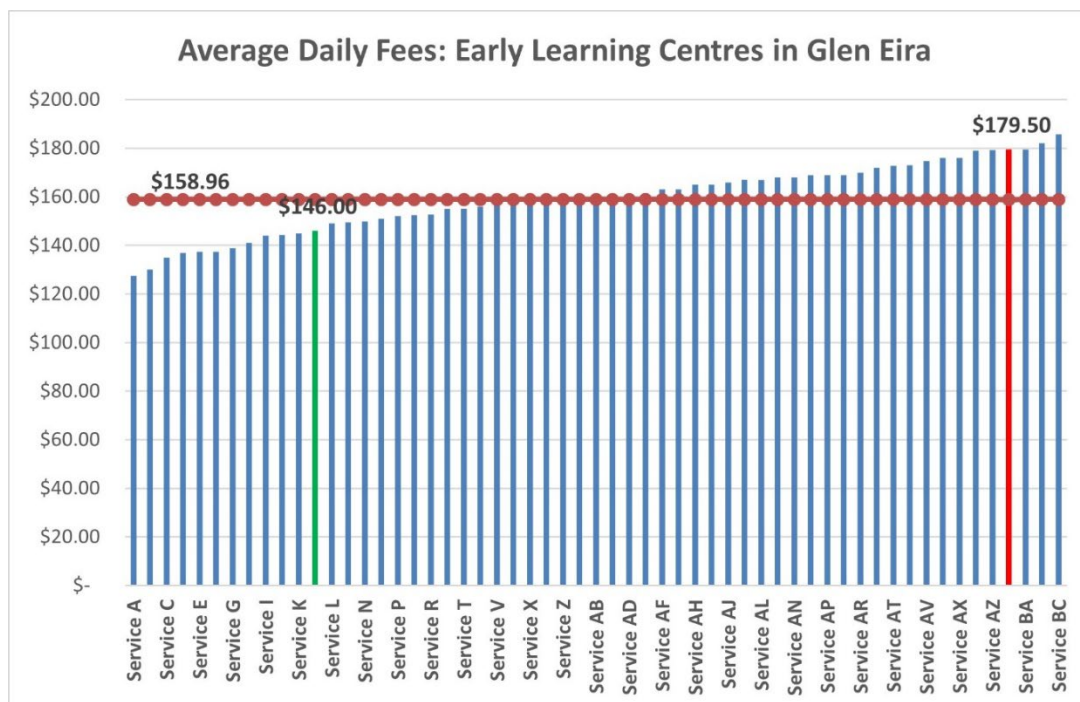
Looking forward, there is a clear trend that the current financial loss is forecast to increase with an estimated conservative financial loss of over \$3.1M in the next five years, including the financial loss for the 2023-24 budget year. This forecast is based on 90 per cent utilisation with a \$4/day increase in fees for each budget year.

Council’s Early Learning Centre Financial Forecast	2023-24 Approved Budget	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast
Operating Loss (deficit)	(569,686)	(583,479)	(627,468)	(677,379)	(691,099)

Council would need to *significantly* increase its Early Learning Centre fees to achieve cost neutrality, which would most likely have a material and negative impact on utilisation levels because Council’s services do not provide comparable service levels such as cooked meals or nappies.

If full cost recovery was applied for the 2023-24 budget year, the average fee for Council’s Early Learning Centres would be \$179.50/day which is a \$33.50/day increase on the current fees, making Council centres amongst the most expensive in the municipality.

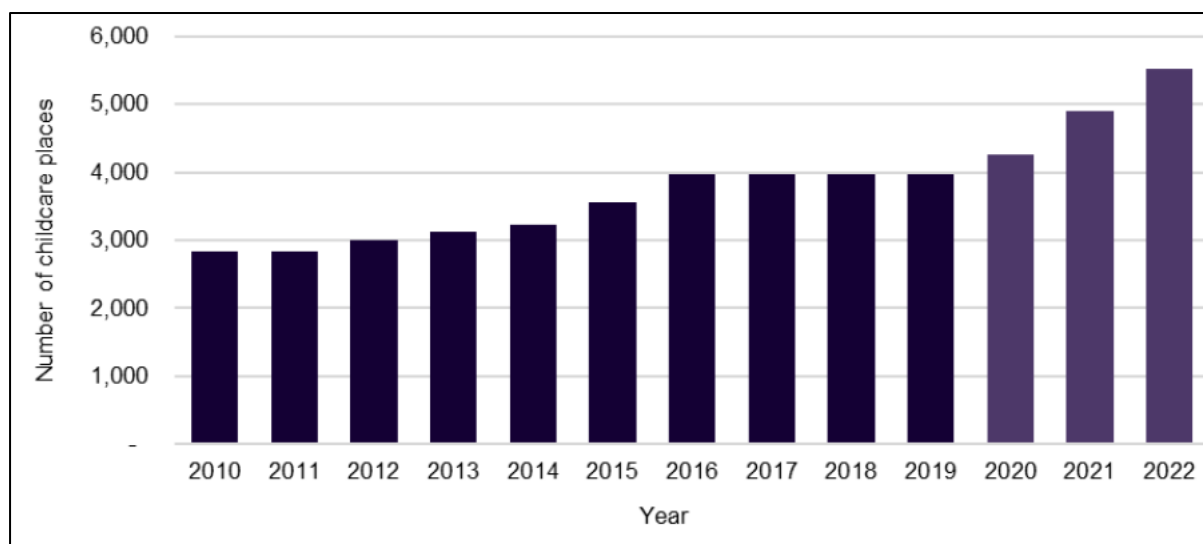
The graph below provides a comparison of Council daily fees against other providers in the municipality. The current Council daily fee is \$146.00 (represented by the green line), the daily fee required to achieve cost neutrality is \$179.50 (represented by the red line) and the average fee charged by providers across the municipality is \$158.96 per day.



Growth in local Early Learning Centres across the municipality

The childcare sector has grown rapidly in Glen Eira in recent years with the total number of places offered increasing by approximately 44.51 per cent since 2019, from 3,966 places to 5,731. There are currently 58 Early Learning Centres providing childcare in the Glen Eira municipality (including those owned by Council).

The graph below sourced from the Australian Children's Education and Care Quality Authority shows the growth in the number of places available across the municipality from 2010 to 2022.



Nine Early Learning Centres are currently in the planning phase which have the capacity to provide a further 919 places.

Many new services are larger, more modern and have been established within close proximity and in competition with the three small Council-operated Early Learning Centres which is having an impact on demand for Council's services. The majority of these services also offer cooked meals and nappies. Council does not provide cooked meals or nappies, which are part of what many prospective families expect of contemporary childcare services.

Demand and supply of childcare places across the municipality now and into the future

Whilst the supply of services has grown rapidly over the past decade, recent ABS Census data shows the population of children in the municipality in the main age range associated with childcare services (0 to 4 years old) reduced by almost 10 per cent between 2016 and 2021. This population downturn contrasts with substantial growth in the number of childcare places over the same period.

Glen Eira Municipality				
	Persons in 2016	Persons in 2021	Change since 2016	% Of Total Glen Eira Population in 2021
<i>Babies and preschoolers (0 to 4 years old)</i>	8,601	7,772	-829	5.2%

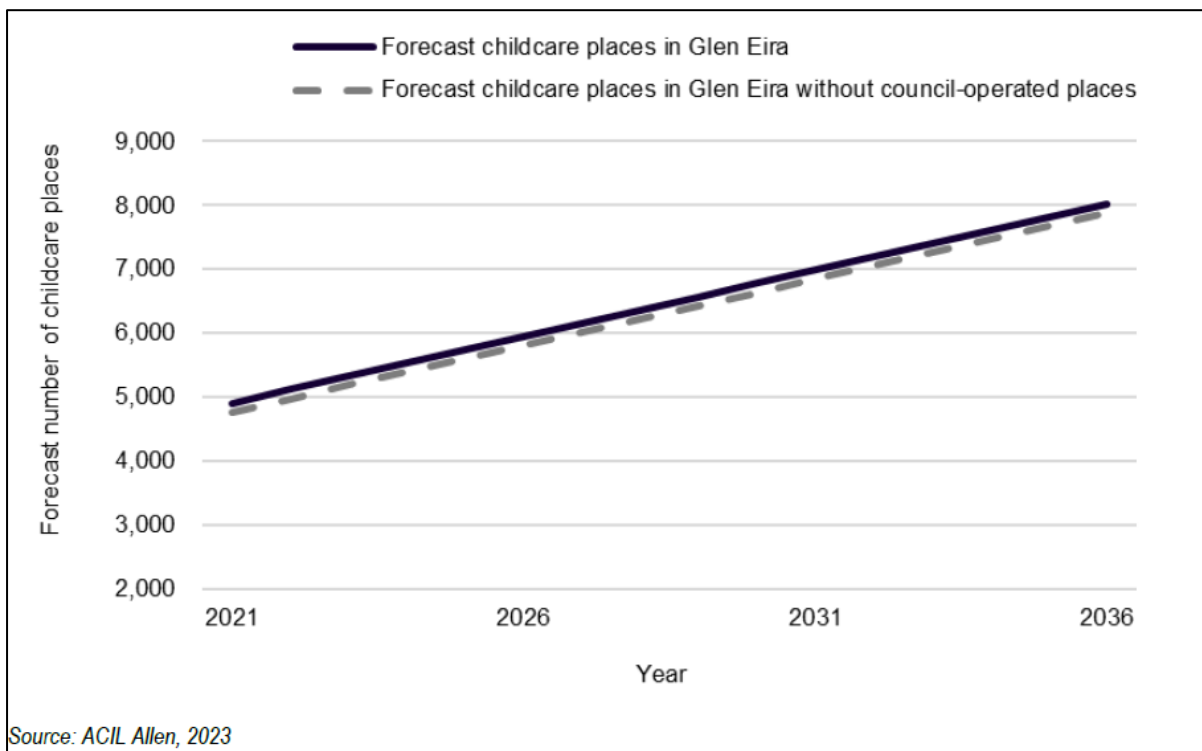
Source: <https://profile.id.com.au/glen-eira/service-age-groups>

Despite the current reduction, the population of children from 0-4 years of age is forecast to grow from 2021 to 2036. By 2036, the demographic forecast organisation *forecast.id* projects that the population of 0-4-year-old children in Glen Eira will be 3,100 children higher in 2036 relative to 2021.

In 2021, there were an estimated 1.34 childcare places available for each child 0-4 years of age across Glen Eira. Looking forward to 2036 and using predicted population modelling, projections still show there would be an estimated 1.57 places available for each child aged 0-4 years, even without the inclusion of Council’s current 115 childcare places.

The modelling is based on adding an additional 97 children and an assumed additional 208 places each year to represent market growth and projected population changes across the municipality.

The service review concluded that based on the number of childcare places available now and into the future, there is a high level of confidence that there will be sufficient childcare places available across the municipality, to meet the needs of children and families in the community.



Support for vulnerable children and families

Wherever children and families attend a Commonwealth approved childcare service, they are able to access specific support if they are experiencing vulnerability. Those children who are currently eligible for specific support whilst attending Council’s Early Learning Centres would have the same opportunity to access support at other Early Learning Centres within the municipality.

Specific support for children and families who are at risk of serious abuse or neglect can be obtained through the Commonwealth Child Wellbeing Subsidy. Application for this additional funding to support childcare fee costs for families is made on behalf of the family or child by the Approved Provider of the childcare service. To access this funding, families must be

eligible for the Commonwealth Child Care Subsidy. Those children who are currently eligible for such services whilst attending Council's Early Learning Centres would have the same opportunity to access support at other Early Learning Centres within the municipality.

Childcare services can also seek support to successfully build their staff's capacity and capability to include children with additional needs into their services so that all children have genuine opportunities to access, participate and achieve positive learning outcomes together at the service. Inclusion Support Facilitators work with services to create solutions that address barriers to inclusion. This can include access to expert advice, resources and funds to include an additional educator to support all children in the classroom to maximise inclusion.

For children accessing State-funded kindergarten in a childcare service, support is also available to assist kindergarten staff to access expert advice, build their knowledge and skills about including children with a disability, developmental delay, or complex medical needs. An agreed funding partnership exists between the State and Commonwealth Governments to maximise the assistance and impact of both types of support for the benefit of the child, their peers and staff working in the kindergarten-childcare service.

There are a number of Early Learning Centres across Glen Eira that offer services and support for families from culturally diverse backgrounds. For example, Glen Eira is home to a large population of people of the Jewish faith. A large proportion of the childcare places offered in the municipality have Jewish affiliations. This suggests that the childcare market across the municipality is capable of identifying and responding to cultural diversity needs that reflect their communities.

Options Analysis

The Childcare Strategic Service Review identified three possible options for Council to consider in response to the challenges and opportunities raised in the review. These are:

1. **Status quo** – maintain service delivery across the three Early Learning Centres in its current form.
2. **Exit service provision** – cease to operate the three Early Learning Centres by the end of 2023 and actively support existing families to transition to other early years services.
3. **Consolidate** – consolidate places from the three Early Learning Centres into a refurbished child and family hub on the Murrumbeena site.

A summary analysis of the potential advantages and disadvantages of each option are presented below.

Option 1: Status Quo – maintain service delivery in its current form.

This option involves maintaining the status quo level and form of service delivery. Under this option, there is an ongoing financial burden on Council arising from continued financial loss of at least \$570,000 per year.

Council could increase its Early Learning Centre fees to approximately \$179.50/day to achieve cost neutrality in the 2023-24 financial year. Compared to 2022-23 fees, this would be an increase of \$33.50/day, making Council centres amongst the most expensive in the municipality.

Advantages and Disadvantages

Option 1: Advantages	Option 1: Disadvantages
148 families and 162 children are not impacted or displaced.	Non-compliance with Competitive Neutrality Policy. This is so unless fees are increased to achieve cost neutrality or a robust public interest test is undertaken that meets the requirements of Competitive Neutrality Policy.
Enrolled families access services that are currently rated as Exceeding National Quality Standards.	Ongoing financial loss of at least \$570,000 per year for the next five years.
No staff redundancies or associated redundancy costs.	Ageing facilities that are not fit-for-purpose may be a competitive disadvantage for Council leading to lower utilisation that requires increased Council subsidy to operate services in the future.
No future capital costs associated with repurposing facilities.	Ongoing capital costs associated with significantly upgrading and maintaining facilities.
	Potentially limits Council's capacity to strengthen its more strategic role on behalf of all children and families in the Glen Eira municipality.

Option 1 Officer Recommendation

Option 1 is not recommended by Officers because this option is forecast to continue to result in financial losses to Council and/or significant capital investment to deliver contemporary childcare and kindergarten services in a financially sustainable way. This option also exposes Council to potential risks as it has a responsibility to comply with Competitive Neutrality requirements as a service provider in a competitive market environment.

Option 2: Exit service provision – cease to operate the three Council-operated Early Learning Centres.

This option involves exiting service provision across all three Council-operated Early Learning Centres. Under this option, Council's financial losses are reduced to zero, therefore creating a saving for Council. The risk of operating in contravention of Competitive Neutrality Policy is eliminated.

This option would involve potential staff redundancy or redeployment, and support for families to transition to an alternative childcare service. Redundancy costs have not been provided for in Council's budget and are estimated to be \$1M. In addition to these costs, annual leave and long service leave entitlements are approximately \$500K which have been accounted for in employee provisions.

In relation to Council's obligations as an Employer, Clause 11 of the Glen Eira City Council Enterprise Agreement 2022 outlines the requirements of Introduction of Change for Council staff. It embeds clear requirements for notification and consultation with staff and their representative/s prior to the introduction of major changes in production, program,

organisation structure or technology that are likely to have significant effects on employees. Staff would be supported in accordance with the processes outlined in the Glen Eira City Council Enterprise Agreement 2022.

This option would also mean that Council would determine the future use of the existing facilities as part of broader Council priorities and its adopted Property Strategy. As such, Officers would prepare a report at a later date for a future Ordinary Council Meeting to inform the future of the three Early Learning Centre sites (Caulfield, Carnegie, and Murrumbeena) that addresses future options for these facilities including potentially leasing the sites, repurposing the sites for alternative community use or disposal of the sites. The co-location of maternal and child health services at the Caulfield and Murrumbeena sites would form part of this consideration.

Advantages and Disadvantages

Option 2: Advantages	Option 2: Disadvantages
Operational savings of at least \$570K per year.	Significant disruption for families and children to secure a place in, and transition to, an alternative service.
Future capital savings associated with maintaining buildings to meet regulatory requirements and quality standards.	Potential staff redundancies and associated costs for staff who are not redeployed, approximately \$1M.
Elimination of continued financial losses, and risks associated with Competitive Neutrality Policy.	Council could be seen to be exiting for financial reasons and this is likely to attract negative media and community sentiment.
Opportunity to consider future use of the facilities and land such as convert or sell asset to fund other activities of Council.	Costs associated with repurposing or divestment of three facilities/sites – Carnegie, Caulfield and Murrumbeena; including consideration of the maternal and child health services that are co-located at the Caulfield and Murrumbeena sites.
Opportunity to convert Carnegie Early Learning Centre into a community-based kindergarten.	Loss of funded kindergarten places by closing three services that offer State-funded kindergarten programs.
Opportunity for Council to strengthen its strategic role in supporting all children and families in the Glen Eira municipality.	No budget provisions have been made for infrastructure investment in any of the three Early Learning Centre facilities.
	Closure of centres is likely to generate community interest, some of which may not be positive.

Option 2 Officer Recommendation

This option is recommended by Officers because it addresses financial sustainability goals and responsibilities of Council, and eliminates risks associated with continued financial losses. It also increases the potential for Council to strengthen its strategic capacity to support all children and families across the municipality, whilst actively supporting families

enrolled in Council's Early Learning Centres to find suitable alternative services and supporting staff in accordance with the Glen Eira City Council Enterprise Agreement 2022.

Option 3: Consolidate – consolidate places from the three Early Learning Centres into a refurbished child and family hub.

This option proposes that Council addresses the ageing infrastructure constraints in the three Council-operated Early Learning Centres by investing in a refurbished hub on the Murrumbeena Early Learning Centre site. This would also increase Council's capacity to comply with Competitive Neutrality Policy and, subject to more detailed analysis, potentially achieve cost neutrality.

Initial estimates of the capital investment that would be required to achieve this was conservatively estimated at \$9.5M if the infrastructure project was built in 2024, rising to \$10.04M if it was built in 2025.

The maximum amount of funding Council may be eligible for under the State Government's Building Blocks Grants program is estimated at \$4.5M if a Building Blocks application to State Government were successful. However, this would require Council to contribute at least an additional \$5M to \$5.54M to the project, and there is no budget provision in the adopted Council Long Term Financial Plan for these works.

Should Council wish to pursue this option, significant and more detailed work would be required to fully cost and identify required funding that would address any proposed capital works projects, including operational costs for the two remaining service sites during the design, development, and implementation of this proposed option to consolidate.

In addition, further detailed analysis would be required to determine a financially sustainable operating model for the childcare services.

Advantages and Disadvantages

Option 3: Advantages	Option 3: Disadvantages
Improved financial sustainability through realising of economies of scale in a new 117 place centre. However, the operating model for a new hub still requires further investigation.	Significant impact on Council's Long Term Financial Plan (\$9.5M to \$10.04M) with the potential of only \$4.5M in State Government grant funding available.
Ongoing financial loss to operate three Early Learning Centres ceases with establishment of a financially viable hub.	Disruption for families, children and staff during the construction of a new hub.
Limited staff redundancies and associated redundancy costs (dependent upon staffing structure required for the hub).	Some families may be concerned about additional travel to access services from a single location (i.e. Murrumbeena Hub), particularly those attending Caulfield and Carnegie Early Learning Centres.
Children will be able to attend an Early Learning Centre in a contemporary and fit-for-purpose facility and receive an improved level of service through the provision of cooked lunches and nappies.	Costs associated with repurposing or divestment of Carnegie and Caulfield Early Learning Centre facilities; including consideration of the Maternal and Child Health services that are co-located at the Caulfield and Murrumbeena sites.

	Consolidation of facilities is likely to generate community interest, some of which may not be positive due to growth in the number of centres across the municipality.
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Option 3 Officer Recommendation

Although this option may ultimately result in compliance with Competitive Neutrality Policy, this option is not recommended by Officers because there is no allocation in Council's Long Term Financial Plan to fund such a significant infrastructure and service transition project.

COMPLETION OF PREPARATORY TASKS

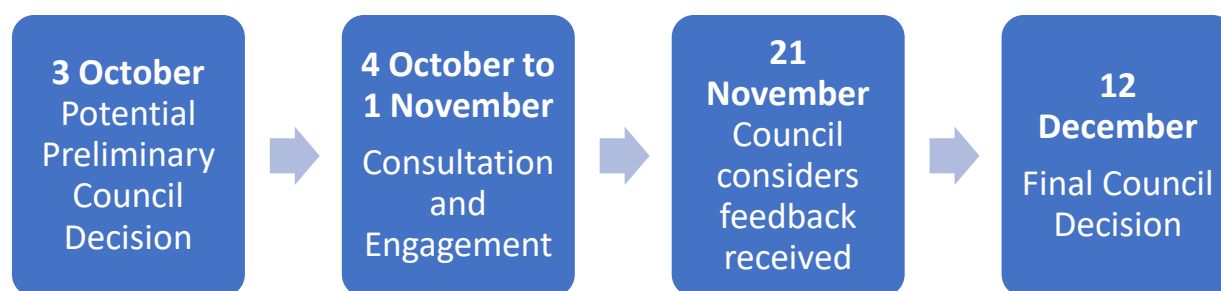
Preparatory tasks to support a consultation and engagement process following a preliminary Council decision have been completed to ensure effective communication and engagement with all stakeholders including staff, families, and the community.

A comprehensive project plan has been prepared to guide the implementation of the staff consultation, and family and community engagement processes. A risk management plan has also been developed and this was provided to Councillors at the Assembly meeting on 29 August 2023.

Attached to this report are three draft plans for Council's consideration and endorsement should it endorse *Option 2* as its preliminary decision. The Communication Plan, including Core Public Statements is provided in *Attachment 2*, and the Engagement Plan is provided in *Attachment 3*.

Preparatory Action	Outcome
Communication Plan <i>Attachment 2</i>	A Communication Plan has been developed that sets out an integrated approach to communications and engagement to support a potential preliminary decision made by Council to close its Early Learning Centres. It confirms the approach for managing media and public enquiries and identifies channels through which families, staff and the Glen Eira community would be informed of any preliminary decision and how they could provide feedback through the engagement process. The Communication Plan includes core public statements and key messages should Council make a preliminary decision to exit childcare service provision.
Engagement Plan (incorporating staff consultation) <i>Attachment 3</i>	The Engagement Plan sets out the potential staff consultation and community engagement processes. This includes the key consultation activities for staff, their representatives and relevant unions, families and the community and the opportunities to provide feedback.

Should Council decide to choose *Option 2* as its preliminary decision, all feedback received through the consultation and engagement period will be provided to Council prior to a report being presented to on 12 December 2023 for Council to make a final decision about Council's Early Learning Centres. These key dates are outlined below:



CLIMATE EMERGENCY RESPONSE STRATEGY IMPLICATIONS

Goal 3: Council-owned buildings and infrastructure are resilient and safe for our staff and community.

There is an opportunity to improve energy efficiency and environmentally sustainable design features of Council's early years assets with any renewal, upgrade or infrastructure replacement program related to this reform agenda.

FINANCIAL, RESOURCE, RISK AND ASSET MANAGEMENT IMPLICATIONS

Council is operating in increasingly constrained financial circumstances. Council's financial position has been materially impacted by the decline in revenue from the COVID pandemic, rate capping and increasing debtors coupled with escalating costs for construction, utilities and borrowing. Escalating CPI increases have added wage growth pressure, and the impact of increased regulation and cost shifting from other levels of Government has also been significant. This rate of change in the operating environment presents a level of increasing risk to Council's financial sustainability.

Council has provided for \$64M of borrowing in the current Long Term Financial Plan and given Council's financial position and increased finance costs, there is no opportunity to increase borrowing levels.

Council is dedicated to providing high-quality services to residents both now and into the future. Inflation and rising costs are making it tougher for all councils to operate, including Glen Eira and so Council is taking action to plan responsibly now and with future budgets focusing on shared community priorities.

While local government collects only 3.8 per cent of taxes, it manages one third of the nation's infrastructure. In addition, infrastructure upgrades and services are costing much more. Due to inflation, infrastructure projects are consistently costing 10 to 20 per cent more than originally budgeted.

Consequently, the costs associated with refurbishing or building new centres would have significant impact on the Council's budget and would reduce the capacity of Council to meet its current infrastructure commitments, including investment to unlock more open space, infrastructure improvements in Glen Eira's parks and the ability to effectively maintain existing assets such as roads, footpaths, and community facilities.

The State Government has also announced Councils can increase rates up to a maximum of 3.5 per cent in the 2023-24 financial year. This is still 0.5 per cent below expected inflation. This means costs will keep increasing faster than revenue.

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

The strategic service review has identified ongoing financial losses for Council if it continues to operate its three Early Learning Centres. The centre budgets are set at 90 per cent utilisation rates, however utilisation has not reached 90 per cent for at least six years. Looking back, the actual operating loss for each service in the last four years has consistently exceeded the budgeted loss for the services with the notable exception of the 2018-19 operating budget where actual budget came in slightly under the forecast operating loss.

POLICY AND LEGISLATIVE IMPLICATIONS

Local Government Act 2020.

Glen Eira City Council Enterprise Agreement 2022 – outlines Council's obligations to consult with staff about the introduction of major change.

As a level of government, Glen Eira Council is required to abide by National Competition Policy, including Competitive Neutrality Policy, which is overseen in Victoria by the Office of the Commissioner for Better Regulation. In essence, Council is responsible for ensuring that none of its business activities operate under any advantage in competitive markets such as the local childcare market because of the benefits it enjoys as a level of government unless this would compromise clearly stated public policy objectives and not be in the public interest.

Council's three owned and operated Early Learning Centres operate in a competitive market with the other 55 early centres that operate in the municipality. The three Council owned and operated Early Learning Centres operated at a loss of \$580,784 in the 2022-23 financial year and this trend forecast to continue.

As an Approved Provider of children's services, Council is bound to abide by the National Law and Regulations and the National Quality Framework. To be eligible to provide Commonwealth Childcare Subsidy for families enrolled in its childcare services, Council also has a funding and service agreement with the Commonwealth relating to the Family Assistance Law. Council must also comply with the Victorian Government Kindergarten Funding Guide for its State-funded kindergarten programs.

As an employer, Council has responsibilities outlined in a range of legislation, including the Fair Work Act 2009, Occupational Health and Safety Act 2004 and Equal Opportunity Act 2010. The terms and conditions for its employees are outlined in the Glen Eira City Council Enterprise Agreement 2022.

COMMUNICATION AND ENGAGEMENT

The Glen Eira City Council Enterprise Agreement 2022 requires Council to consult with staff and their representatives about the introduction of major changes in production, program, organisation structure or technology that are likely to have significant effects on employees.

The Local Government Act 2020 requires the CEO of a Council to consult with employees affected by a proposed restructure before implementing the restructure. The potential closure of Council's Early Learning Centres constitutes major change.

Should Council make a preliminary decision to close its three owned and operated Early Learning Centres, Council must genuinely consider feedback from staff, their representatives and/or relevant unions received through the consultation process before making a final decision about its Early Learning Centres. The consultation process may uncover further workforce impacts, community value, risks and opportunities associated with the proposed closure of Council's three owned and operated Early Learning Centres that have not been identified in the strategic service review report or Council briefings to date.

In accordance with Council's Enterprise Agreement 2022 a phased consultation process with staff will be undertaken for a period of four weeks that is inclusive of the following activities.

- Initial briefing with staff on preliminary decision, consultation process, support available.
- Two-week period to provide written submissions or feedback.
- Further two-week period to clarify queries and provide time for further staff meetings, either individual or in groups.
- All relevant information about changes proposed and the expected effects to be provided in writing to staff and relevant unions, including providing relevant information in the Childcare Discussion Paper.
- Explanation and information regarding Council's response to alternative proposals to be provided.
- Information meetings regarding the proposed change, answer questions and explain mechanism for feedback.
- FAQs provided to staff and relevant unions on the decision and the process of consultation and next steps.
- Council to be provided with and genuinely consider all feedback and any alternative proposals with an open mind prior to making any final decision through presentation of the Engagement Outcomes Report at an Assembly meeting.

These key activities to communicate and consult with staff about Council's potential preliminary decision to close its three owned and operated Early Learning Centres are also outlined in the Communication Plan (*Attachment 2*) and Engagement Plan (*Attachment 3*).

Service users and wider community

The Engagement Plan (*Attachment 3*) outlines a process that includes a four-week community engagement program to provide any member of the community with an opportunity to provide feedback in support of the principles of transparency and good governance.

A Childcare Discussion Paper will be provided to staff, families and the community to facilitate informed feedback and input into the final Council decision. The Discussion Paper will contain information about:

- The preliminary Council decision to exit childcare service provision.
- Changes proposed and expected effects of proposed changes on staff, families and the broader community.

- Reasons behind the preliminary Council decision and Council's response to alternative proposals/options.

Families attending Council's Early Learning Centres will also be invited to provide feedback via a customised survey.

The Glen Eira community will have an opportunity to provide feedback via Council's *Have Your Say* engagement platform.

LINK TO COUNCIL PLAN

Strategic Direction 1: Well informed, transparent decisions and highly valued services
We build trust through engaging with our community, delivering quality services and making evidence-based decisions

OFFICER DECLARATION OF CONFLICT OF INTEREST

No officers involved in the preparation of this report have any general or material conflicts of interest in this matter.

CONCLUSION

Preparatory work has now been completed and is provided with this report to ensure that Councillors have the information required to consider a preliminary decision to exit service provision in its three Early Learning Centres.

The attached Communication Plan, Engagement Plan and Risk Management Plan set out the approach that will be taken during the consultation and engagement period with staff, families and the Glen Eira community. Feedback received during this period will be provided to Council on 21 November 2023, prior to Council making a final decision about its Early Learning Centres on 12 December 2023.