

# AMENDED REPORT

13 November 2013  
To the Ordinary Council Meeting

Director's Report  
Community and Recreation Services  
Department

## 4.12 Child Care Review

---

TRIM REFERENCE: F2010/00500 - D04248649

MANAGER: Julie Vaughan, Manager Community Partnerships and Planning

AUTHOR: Beth Jones; Assistant Manager Care and Education

### SUMMARY

Council currently operates six long day care centres and lease out two buildings as childcare centres. Over the past three years Council's child care centres have been focussed on increasing efficiencies and reducing operational costs to reduce the increasing financial burden on Council. This has included a range of strategies to improve efficiencies, as well as benchmarking exercise against private providers, an independent valuation of Council child care businesses and exploring various options for different service models.

This report provides the results of this review and recommends that Council test the market with an Expression of Interest for the two underperforming centres, Spotted Gum and Tom Stone.

### RECOMMENDATION

- 1 ***That Council receive and endorse the report.***
- 2 ***That Council note the feedback from staff and the United Services Union as documented in the report and continue to engage with staff and union throughout future steps as required under the Local Government State Award 2010.***
- 3 ***That Council direct the General Manager to undertake an Expression of Interest for the lease and operation of Tom Stone and Spotted Gum Care & Education centres.***
- 4 ***That Council endorse staff from Tom Stone and Spotted Gum Care & Education centres be invited to submit an Expression of Interest.***
- 5 ***That Council specifically invite all Central Coast Child Care Centre Operators to submit an Expression of Interest.***
- 6 ***That Council receive a report on the results of the EOI in the first meeting in February 2014.***
- 7 ***That Council inform families utilising Council Care and Education centres that the centres will continue to operate business as usual and that they be provided with a point of contact within Council to respond to any queries they may have.***

### BACKGROUND

Wyong Shire Council has operated a child care service across the Shire for over 30 years. Originally Council was the main provider of this service which caters primarily for working families, however over time more and more private providers are operating in the market. Currently Council provides 260 places of the 3037 offered across the Shire, we have only 8.5% of the market. Of the 62 centres Council currently operates six.

#### **Legislation and other requirements**

There has been significant change in both the child care sector and community during this time and the service has developed and changed in response to these needs. In recent years, the National Quality Framework has been introduced, with national laws and regulations, national quality standards and national curriculum. As a result, there are more requirements focused on ratios for staffing, education levels of staff, programming curriculum changes and increasing requirements on the spaces in which we operate. All education and care services, including long day care, pre-school, out of school hours care and family day care are now required to undergo a quality standards assessment and rating process. This is conducted by the Department of Education and Communities which is the NSW governing authority for the Australian Children's Education and Care Quality Authority. All of these requirements add to the operating and capital costs associated with the centres as compliance is essential to receive the necessary approval to operate.

Council is also required to ensure competitive neutrality in the management of its child care services. In July 1997 the then Department of Local Government issued Circular 97/39 titled "*Guidelines on Pricing & Costing for Council Businesses- A Guide to Competitive Neutrality*". This Circular, and subsequent Guidelines and legislative amendments, stem from the National Competition Policy, of which competitive neutrality is one part of, which is based on the concept of a "level playing field" between persons competing in a public marketplace (private and public sector competitors).

Public sector businesses receive exemptions from some government taxes and charges, however public sector businesses may incur more costs due to industrial conditions and community service obligations. The principle of competitive neutrality seeks to eliminate where appropriate systemic inequality between private and public businesses to promote greater competition and the benefits from increased competition. Therefore, Council must operate our businesses separately, report as such and must include "full cost" attribution with any subsidies fully disclosed, eg: Tax Equivalent Regime (TER), overheads etc.

Relevant Council staff are employed under the *Local Government (State) Award 2010* ("the Award"), which is different to the Industrial Instrument that applies to employees of private providers and has distinctive employment conditions. Award entitlements and provisions will need to be adhered to as appropriate to any decision by Council.

#### **Overview of the Council Care and Education service**

Council currently operates the following six centres:

Kanwal - Heritage Drive, Kanwal – 59 places  
Karinya - Hedor Street, Toukley – 39 places  
Northlakes – Highview Ave, San Remo – 45 places  
Spotted Gum – Thomas Mitchell Road, Killarney Vale – 39 places  
Treelands – Cutler Drive, Wyong – 39 places

In 2005 a review of Council's child care service was conducted and a report submitted to Council at the Ordinary meeting held on 8 June 2005 which saw Council opt out of the

management and operation of child care centre at three locations: Lakehaven, Bateau Bay and Killarney Vale. The Bateau Bay centre which was located at Bay Village Shopping Centre was closed and the remaining two were leased to private providers. Lease arrangements are still in place for two leased centres and generate an annual rental fee.

Since 2005 Council have continued to manage and operate the remaining six child care centres at Berkeley Vale, Killarney Vale, Kanwal, Toukley, San Remo and Wyong, offering long day care to 260 children per day between the hours of 7am – 6pm. Council provides up to seven meals each day, free speech pathology services, educational programs, transition to school programs and links with local feeder schools. If there is a private provider delivering the services at Tom Stone and Spotted Gum, this will mean Council provide eight long day care centres across the Shire, four of which Council operate and four that private entities operate.

#### **Improvements to reduce costs**

Council services differ slightly to private providers, to a large degree due to the obligations imposed on Council by the Award. The wages and other entitlements that Council is required to pay to its employees under the Award are approximately 20% more than the expenses that private operators have to pay their employees under their Industrial Instrument. These Award entitlements and Wyong Shire Council staff incentives include:

- The Award required that Council staff receive an Award increase of approximately 3% annually
- A rostered day off every four weeks
- Directors and teachers receive a daily meal allowance if they are required to stay on the premises for legislative compliance during their lunch break
- Overtime for attending out of hours meetings
- Regular industry specific training
- Opportunities for higher duties
- Ability to have their own child attend the centre they work at
- Council's Workfit program
- Council's immunisation free program for staff
- Ability to salary sacrifice child care fees (up until 2013).

In addition, Council have very strict compliance with Work Health and Safety and we use contractors to clean and maintain the surrounds of the service, we must manage the capital works for each of the buildings which are ageing infrastructure, Council has corporate overheads which all Council services are required to pay. In comparison to private providers, these elements may not exist and / or are provided at a lesser value, particularly in the case of owner / operators. Often private providers have the ability to save staffing costs by conducting duties such as Director, clerical, cook and cleaner by other means and as such can reduce their staffing costs by between 20 – 40% in comparison to Council services. These are fixed costs that Council cannot amend without an Enterprise Agreement and noting the percentage difference it would be difficult to compete.

To counter act these costs and to reduce the financial impact on Council over the past three years management and staff have worked hard to reduce operational costs of child care and improve efficiencies in the service. To date a number of changes have been made to reduce the costs and increase utilisation which has improved the overall financial result from a deficit in 2009/10 of \$1,044,712 to a deficit of \$468,898 in 2012/13 including corporate overheads. Efficiencies have included:

- Targeted marketing campaign to include advertisements on television, radio and in print media. The use of social media has also increased as well as letter box drops and proactive local media.
- We have actively pursued industry awards for the work that our centres have done, we have been successful in a number of awards in recent years including the National Child Care Week Awards. These awards support the marketing campaign and the quality service offering we provide in comparison to other providers.
- Changed and increased our programming to incorporate new technology, national curriculum and frameworks and sustainable practice.
- Weekly reporting and monitoring of utilisation to match staff to children has enabled management to maintain the minimum required ratios to minimise our costs where appropriate.
- Internalising clerical and reduction in full time equivalent staff has created increased efficiencies and reduced operational costs.
- Increased usage of trainees in all of our centres which supports Council's Youth Employment Strategy and provides on the job training, supported by TAFE for entry level positions into Council. In the last two years Council has been successful in receiving State Government funding to support these trainees, again reducing the operating costs for Council.
- Introduction of efficiencies such as B-Pay, Kronos, centralising the casual staff allocation, electronic programming to create savings in staff time and resourcing and service improvements for our families.
- Increased cost controls particularly around food and consumables. With over one million meals prepared in our centres, maintaining strict cost controls, while meeting the requirements under the National Quality Standards. Staff have been able to contain costs in this area, as well as other consumables without impacting the service offering.
- Increased and added new fees and charges in line with other private providers, to reduce operational costs while maintaining a competitive service.
- We have utilised our flexible licence to maintain optimum enrolments in each age group.
- Utilised floating teachers to enable a more responsive approach to staffing levels at each centre, as daily changes occur we now have the ability to move teachers throughout the day if required.

Council's child care centres are viewed by the sector and community as a leader in the industry and set benchmarks for other local providers due to our strong management support, Council processes and systems and our commitment to delivering quality service with the right staff.

**Feedback from the community**

In 2012 and 2013 Council undertook the Service Standards Review which led into the Special Rate Variation. During that process the community clearly told Council that we

needed to focus on all areas of our service across Council to find savings and be more efficient.

During this consultation the community voiced that the most highly valued Council services were roads, bridges and pathways, sport and recreational facilities, environmental assets and community facilities. Child care services operated by Council were not at the top of the communities list of essential services.

This feedback from the community required management to continue to review all services throughout the year and particularly when planning the forthcoming year, this has continuously occurred in Care and Education and has resulted in the range of efficiencies outlined previously. This continuous focus on Councils services and levels of service to the community will continue to be reviewed to move Care and Education into a more positive operating result.

#### **Feedback from Council**

At each annual February Councillor weekend workshop child care has been an item of interest for Councillors and has resulted in staff delivering increased efficiencies and improvements to the operating result. The most recent workshop in 2013 Councillors requested a lot more detailed analysis in the review and unanimously adopted the Councillor Outcomes from this workshop in April 2013 which included bringing forward the child care review forward approximately six months. This has resulted in a number of Councillor Briefings on the issue, independent review and a Councillor inspection.

### **CURRENT STATUS**

#### **Financials and Utilisation**

For a number of years Council has subsidised the costs of running Care and Education services. This along with the support from the community to review all service levels highlighted the need for management to undertake a thorough review of Care and Education to ensure we continue to maintain the high quality of care while minimising the financial impact on our ratepayers.

The review found that we are providing an excellent level of care and service to the children and families but that even with the increase in fees and charges as well as the changes that were made from 2011 to improve service delivery and increase efficiencies, we are still making a loss at two centres:

- Spotted Gum (Killarney Vale)
- Tom Stone (Berkeley Vale).

A financial analysis and independent valuation that was conducted clearly demonstrated that four centres (Northlakes, Kanwal, Karinya, Treelands) are trending up in utilisation and are contributing to a positive operational result (prior to corporate overheads). However, Spotted Gum Care & Education at Killarney Vale is our poorest performer with a continued downward trend in utilisation and forecasted operational loss followed by Tom Stone Care & Education at Berkeley Vale.

Since 2006/07 financial year the operating result and utilisation at both Spotted Gum and Tom Stone has trended downward and is currently at 41% and 72% respectively in utilisation as at September 2013 quarter of this financial year. Council and the other care and education centres have subsidised the operation of Spotted Gum and Tom Stone by \$1.35m over the last seven financial years.

Currently both centres are below budgeted utilisation in the first quarter which impacts the actual operating results. The concern with this trend already being seen in September 2013 quarter is that utilisation usually decreases throughout December through until February due to children heading off to school. Any further reductions in utilisation at these centres will only increase the operating loss.

Spotted Gum Care and Education has been subsidised by Council by \$762,000 over the last seven years. Utilisation at Spotted Gum has reduced from 87% in 2006/07 to 41% in September 2013 quarter results.

Tom Stone Care and Education has been subsidised by Council \$588,000 over the last seven years. Utilisation has reduced from 97% in 2006/07 to 72% in September 2013 quarter results.

Even with the improvements previously identified, financial data over the years and utilisation trends for these two centres, management do not believe that there are more efficiencies to be gained in this area with the utilisation at the levels they are. There is also limited ability to simply increase the fees and charges further with the level of competition in the area. Considering the financial position of Council and the feedback received from the community during the Special Rate Variation process, it is not recommended that Council continue to fund the operating loss of these two centres. Focus should continue to improve the remaining four centres and allow the service at these two centres to be provided through a private provider.

In addition, the independent advice and financial analysis identified that over a 10 year period it would produce a better financial position for Council if Spotted Gum and Tom Stone Care & Education centre businesses are sold and the facilities leased to a private provider. The ongoing future revenues to Council being proceeds on the sale of the business plus the annual lease, taking into account liabilities for staff entitlements is greater than Council operating the centres ourselves. It is recommended that Council explore this via an expression of interest (EOI) process.

### **Staff Consultation**

Over the last three years management have engaged staff to identify efficiencies to improve the operating result of each of our child care centres, many of which have been implemented. More recently after the Councillor Briefing held on 23 October 2013, management have consulted with the affected staff from Spotted Gum and Tom Stone centres on the results of this more recent review analysis, the intention of this report and subsequent possible recommendations. Staff have been asked to provide feedback on how they would like to be engaged in any future steps of this process and also any considerations they may wish to highlight for the process. To support this process the following occurred:

- Formal letter to all affected staff advising them of the status and inviting them to the staff briefing, together with a fact sheet (Attachment 1) which staff were given in person or if they were not at work were spoken to on the phone.
- Management attended the Director's monthly meeting to advise all centre Directors of the status of the review and what was provided to staff to enable them to hear the information directly and understand the process to assist in addressing any questions from staff or families. The fact sheet was also provided.

- Staff briefing with all affected staff to provide the status, answer any questions and gather feedback from staff on how they would like to be engaged if the process continued and any considerations they would like to raise. All affected staff and the United Services Union representatives attended.
- Staff were also asked to provide feedback by close of business on 6 November to enable their feedback to be included into the Council report planned for 13 November, for Councillor's consideration.

At the staff briefing staff tabled a document with 59 questions, which Council have provided a response to. The key themes from the consultation with staff to date focus on the following:

- Clarification on the communication and consultation plan, for staff and families and request staff be informed via:
  - Information sheets, memos
  - Verbal discussions, regular meetings
  - Contribute to the EOI and tender process
  - Meetings with the families
  - One week's notice of visits and inspections to discuss the process
  - More information requested on the process.
- Their view that a decision had already been made and the timing of the process seemed rushed.
- Concerns regarding their continued employment with Council and their Award and employment conditions into the future. Staff wanted to continue their employment with Council.
- Staff were interested in being involved in developing the scope for the expression of interest and how the expression of interest process would impact them and their centres.
- Identification of alternate models of service delivery, varying service offerings or improvements to the service included:
  - Merging Tom Stone and Spotted Gum centres and trial for a year
  - Providing Tom Stone as a long day care centre and before and after school centre
  - Amending the places at centres
  - Suggested capital improvements to the buildings
  - Reduced fees for staff
  - Reduced fees for new enrolments for three months
  - No charge for public holidays
  - Make up days
  - Changing the service model from a long day care centre to a pre-school
  - Different marketing options including banners on the roadside, centre specific leaflets, open days
  - Accessing grants for capital works
- Concern that Council would not be offering a service south of the Shire and that we should work with other services, eg: 2261 project and 2261 out of the box.
- Clarification on the processes associated with an EOI and tender.

Many of the questions focused on the what if's through the various steps of the possible process. As no decision had been made, which is the subject of this report, many of the questions could only be answered with a hypothetical or not at this stage. All staff feedback and Council's response are provided in Attachment 2.

If Council were to consider undertaking an Expression of Interest process which eventually resulted in another operator providing the service, Council would need to meet the Award entitlements for staff. This could mean redeployment if suitably qualified and positions were available or redundancy. Further information will be provided under separate cover.

At this stage of the process Council is not required to undertake consultation or provide information to staff on the potential for Spotted Gum and Tom Stone to go out to an EOI process. However management have seen the value in formally engaging with affected staff on the status, potential changes and impacts on staff, future staff engagement and other considerations staff may raise.

Management have drafted an engagement plan to work through how staff will be engaged, which includes: letters, fact sheets, emails, briefings, and two representatives to be involved in developing the scope for the EOI process. This plan will need to be revised based on feedback received from staff (where appropriate) and the resolutions from Council. Depending on the resolution, there may be different processes as per the Award for engagement with staff and the Union.

#### **Union Involvement**

In addition to the staff engagement process, Council formally advised the United Services Union in writing of the status and inviting them to the staff briefing. The Consultative Committee Union delegates were also provided with formal notification. These two stakeholders are also included in the draft engagement plan, Council will continue to engage the Union and their delegates.

In the absence of formal advice and based on verbal discussions, it seems the Unions position is that Council should continue to operate these two centres.

#### **THE PROPOSAL**

This report seeks approval to undertake an Expression of Interest for approved providers for the lease and operation of Tom Stone and Spotted Gum Care & Education centres.

Staff have noted in their feedback, outlined above, that they would like to submit a bid for the Expression of Interest process. If the affected staff believe they can be competitive it is recommended that the affected staff be allowed to submit an EOI. To ensure appropriate governance and potential probity issues are addressed, the following elements of a probity plan are required, as a minimum.

- Staff from the affected centres can make the bid
- Staff will need to go through the normal tendering process and all discussions and questions must go through the contracts manager
- Management had included in the engagement plan and staff had requested their involvement in developing the scope for the EOI, if Council resolve to allow affected staff to submit an EOI they can not be involved in developing the scope
- Council's Senior Internal Ombudsman will be the probity auditor.



It is recommended that the scope development and assessment team include a representative from Contracts and Special Projects team, Director Community and Recreation Services, Co-ordinator Care and Education and the Chief Financial Officer.

The Expression of Interest will be advertised as required under the Local Government Act and the information will include background information, various statistical data and highlight that the following will be the baseline for any future agreement, bidders will be required to provide the following information:

1. The bidder will provide a long day care centre on the site and must be an approved provider
2. The potential lease will have a 10 year term with three 5 year options, with rent to be paid monthly
3. The bidder will be asked to identify their recommended annual lease payment
4. The bidder could submit to operate and lease one or both centres
5. The bidder will be asked to make a one off payment for purchase of fixtures, fittings, equipment and goodwill
6. The bidder will cover all maintenance and will provide an annual maintenance plan with budget allocation comparative to depreciation which will form part of the lease agreement (Council will only cover structural maintenance, however not those required as part of changes to child care legislation)
7. The bidder covers all outgoings
8. The bidders fees and charges will not exceed the current Council rates for a 12 month period
9. The bidder will continue the ongoing enrolment of the existing children at both centres
10. The bidder will provide a service for children who are covered under the Inclusion Support Subsidy
11. Service approvals will be transferred to the potential leasee, Council will not hold any responsibilities for these approvals
12. The bidder will meet all legislative requirements, such as insurances, working with children checks etc as required to operate under the service approvals
13. The bidder identifies options for the transfer / future of all appropriately qualified staff
14. The bidder agrees to provide Council with relevant information on their service to enable a review after the first 12 month period
15. The bidder will provide various financial and utilisation data annually and other information as requested to enable Council to undertake a 12 month review.

It is proposed that the EOI will be advertised from late November to prior to Christmas with assessment of the EOI to take place during January, with a report back to Council on 12 February 2014 with results and recommendations from the EOI process.

It is also recommended that once a decision has been made by Council on the next step communications continue with staff, unions and families at these centres. Any media requests will also be addressed to ensure accurate information is provided to families and the broader community.

## **OPTIONS**

**Option 1: Test the market with an EOI for Spotted Gum and Tom Stone Care and Education centres, with staff being invited to make a bid - Recommended**

It is recommended to seek EOI's for Spotted Gum and Tom Stone Care & Education to test the market. Based on feedback from the staff and Union through consultation, it is recommended that Care and Education staff be invited to make a bid.

Council has undertaken a thorough review and delivered efficiency improvements to reduce the operating loss of these centres, with limited improvement. Council's internal and independent analysis of the financials, utilisation and assessment of other factors has been undertaken to gauge the impact on Council in operating these services. This has highlighted that utilisation is decreasing, operating loss is increasing and that there is a lot more financial benefit to Council if the premises are leased and operated by other providers.

This option provides Council with improved financial results yet still provides an avenue for the service to be offered to the community in that location.

**Option 2: Only conduct an EOI for Spotted Gum and merge staff and families to Tom Stone - Not Recommended**

During the consultation process the Care & Education staff suggested an option of merging Spotted Gum and Tom Stone and Care & Education and only seeking EOI's for one service, as they believe Tom Stone could turn around. The financial modelling on this has been conducted and the results show that when Spotted Gum is merged with Tom Stone. The merged Tom Stone would need to be operating at 92% utilisation to ensure that the service covers its costs. Currently these services are operating at 41% and 72% respectively. Current enrolment at both centres for January 2014 projects utilisation at 75%. This projected loss would need to be funded by Council.

Although this option is not recommended this is an option that any potential bidder could submit as part of their EOI.

**Option 3: Council continues to operate the two centres - Not Recommended**

Council continuing to operate the two centres is not recommended as three years of reviewing, creating efficiencies and amending the service model to deliver improved results for the Council and the community have still not delivered positive results for both Spotted Gum and Tom Stone. Their results over the last three years show a negative operational result and a negative trend in utilisation. The independent and internal financial analysis provides clear indication that both of these two centres can not compete in the market and there would be more value in them for Council to lease these properties to other service providers. The recommended option still enables a service to be provided, simply not by Council.

**STRATEGIC LINKS**

**Wyong Shire Council Strategic/ Annual Plan**

Care and Education is identified under Council Enterprises due to the competitive neutrality requirements.

**Long Term Financial Strategy**

Spotted Gum and Tom Stone Care & Education have both had a negative operational result which is only projected to increase, even after numerous efficiencies and changes to the service model to deliver an improved operating result. With the increasing regulatory requirements and the decreasing utilisation trend, it is anticipated these costs will increase. The sale of business and lease of premises of these two services to a suitable provider will

reduce the financial risk to Council, increase the income stream and still maintain a service to the community.

**Asset Management Strategy**

It is expected that this will reduce the impact on both Councils maintenance and capital works program budgets for both centres.

**Workforce Management Strategy**

It is expected that this will reduce the number of employees in Care and Education, however a number of those staff may be transferred to our casual or vacancy list in other centres.

**Link to Community Strategic Plan (2030)**

The Community Strategic Plan identifies that the community will have access to a diverse range of affordable and co-ordinated facilities, programs and services. This plan is a plan for the community to deliver, not simply Council. The recommendation of this report maintains that child care should be offered from these sites, simply not by Council. Considering the number of private providers offering child care services in the Shire, it is expected that the need for this service in the community will still be met.

**BUDGET IMPACT**

Over the last seven years Spotted Gum and Tom Stone have cost Council more than \$1.35million. In addition, the independent advice and financial analysis identified that over a 10 year period it would produce a better financial position for Council if Spotted Gum and Tom Stone Care & Education centre businesses are sold and the facilities leased to a private provider. The ongoing future revenues to Council being proceeds on the sale of the business plus the annual lease, taking into account liabilities for staff entitlements is greater than Council operating the centres ourselves.

Management are continually monitoring and working on challenges with all services across Council and improving their operating result to deliver better outcomes for the Council and the community.

**CONSULTATION**

For the past three years management and staff have been reviewing child care operations and have developed and implemented efficiencies that have improved service delivery at a reduced cost. During this time there has been consultation with staff including:

- Regular team meeting
- Centre Director team meetings
- Individual discussions with management
- Department Directors Quarterly supervisors sessions.
- Staff have also received written updates on performance on monthly basis.
- More recently through formal notification and a staff briefing.

The Unions have also been advised through the Consultative Committee and more recently through formal notification.

It should be noted that consultation will both staff and unions at this stage of the process is not required under the Award and is being provided prior to Council making any decision. Once a decision is made Council will need to meet the award provisions regarding engaging with staff and the unions.

In addition, there have been numerous discussions and briefings with Councillors on Care and Education and improving their operations and the review process, including:

- Three Councillor briefings
- Three Councillor February workshops
- Development and unanimous adoption of the Councillor Outcomes from the most recent Councillor planning workshop
- Councillor inspection at both Spotted Gum and Tom Stone centres.

As outlined previously management have a draft engagement plan which identifies the various opportunities where staff, unions, families and the community will be informed or consulted throughout the possible process. Recent feedback from staff has been collated and they have not requested any strategies in addition to the current draft plan.

At this stage the only decision for Council is that an EOI be called to test the market. If Council receive submissions through the EOI process, Council will then need to make the decision if they accept any, and if they go to selective tender.

### **GOVERNANCE AND POLICY IMPLICATIONS**

In December 2009, the Council of Australian Governments (COAG) agreed to a new National Quality Framework for Early Childhood Education and Care. This requires that all Australian children, regardless of their location, will get the best possible start in life through high quality early childhood education and care and school age care services. Child Care Services must adhere to these standards.

### **MATERIAL RISKS AND ISSUES**

If Council does not address these two centres, Council will continue to fund the operating deficit in these centres, which is not financially viable and in breach of the National Competition Policy. Council currently operates six centres and it is important that this discussion and recommendation not impact the viability of the remaining four centres, providing clear information to the staff, families and media is crucial to reduce ill informed rumours that have the potential to impact on utilisation at other centres.

The United Services Union has lodged a dispute with the Industrial Relations Commission, and it is essential that Council continue to comply strictly with its obligations under the Award.

If Council determines to proceed with a private provider operating these centres, Council will need to transfer it's provider approval and the provider will need to meet all legislated requirements for operating a long day care centre.

### **CONCLUSION**

Wyong Shire Council has operated child care for 0 - 6 year-olds for approximately thirty years in a market that is increasingly being delivered by private providers. After a three year period of review and an increase in efficiencies and a decrease in operational expenses two services, Tom Stone and Spotted Gum are still reporting a negative operating result and declining utilisation. Management have investigated a number of different service options and undertaken thorough financial analysis and an independent valuation. These results

## 4.12 Child Care Review (contd)

---

have highlighted that Spotted Gum and Tom Stone would be more profitable if they were leased out to a private provider as they have been trending in a downward cycle for a number of years. This would provide a financial benefit to Council but still deliver a service to the community.

This report recommends that Council seek Expression of Interest for Spotted Gum and Tom Stone Care & Education to test the market and to report back to Council meeting in February 2014 with recommendations and results of Expression of Interest process. Council will consider the results at that time.

Council will continue to offer child care service to children and families in the community at these locations during this process and until future directions are decided. The child care services at Kanwal, Toukley, San Remo and Wyong which produce a positive operating result will continue to operate as normal with continual monitoring and identification of further efficiencies.

### ATTACHMENTS

- |   |  |           |
|---|--|-----------|
| 1 | FAQ 2013 child care review FINAL                             | D04289943 |
| 2 | Child Care Review - Staff feedback November 2013             | D04290065 |
| 3 | Care and Education Calculations - Confidential (D04301824) - | Enclosure |
| 4 | Staff Feedback Tom Stone - Confidential (D04301696) -        | Enclosure |
| 5 | Staff Feedback Tom Stone 2 - Confidential (D04301776) -      | Enclosure |
| 6 | USU Submission- Confidential (D04301780) -                   | Enclosure |