

# CITY OF PORT PHILLIP REPORT

**SPECIAL MEETING OF COUNCIL  
8 DECEMBER 2008**

**URGENT BUSINESS**

**UB2**

**ABC LEARNING CENTRES**

**LOCATION/ADDRESS:**

**EXECUTIVE DIRECTOR:**

**DAVID YEOUART, EXECUTIVE  
DIRECTOR COMMUNITY ASSETS AND  
SERVICES**

**PREPARED BY:**

**GREG WOOD, MANAGER COMMUNITY  
SERVICES**

**FILE NO.:**

**ATTACHMENTS:**

**NIL.**

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## **1. PURPOSE**

- 1.1 This report is presented to allow council to give urgent consideration to its involvement in ABC Learning centres in the City of Port Phillip which are in receivership.

## **2. RECOMMENDATION**

- 2.1 That Council re-affirms its goal of support for childcare which is:
- 2.1.1 A joint responsibility of the three levels of government together with families
  - 2.1.2 Affordable and of high quality
  - 2.1.3 Available to families in Port Phillip when they need it
  - 2.1.4 Part of integrated family and children's services which provide quality care, health and educational outcomes for children and families.
- 2.2 That the City of Port Phillip calls on the federal government to:
- 2.2.1 Lead a revitalised national early year's reform agenda which is based on research that clearly demonstrates the importance of the early years (particularly 0 to 3 years old) on health and educational outcomes for children
  - 2.2.2 Recognise and support the role of Local Government in the roll-out of integrated service delivery in co-located child and family services hubs

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- 2.2.3 Provide funding to local government authorities who are prepared to operate failed ABC childcare centres
- 2.3 That the City of Port Phillip notifies the federal government, state government, Municipal Association of Victoria and the receivers of the ABC Learning group of companies that:
  - 2.3.1 Council's policy position is as outlined in 2.1 and 2.2 above
  - 2.3.2 Council is keen to support families affected by the failure of ABC Learning and is prepared to operate ABC childcare centres in the municipality provided that :
    - 2.3.2.1 The net operating costs, including leases and other costs associated with buildings and grounds, are funded by the federal government and any costs to be borne by council are identified for council to consider
    - 2.3.2.2 Council's existing children's services operations are not compromised
    - 2.3.2.3 Council is indemnified against any liabilities arising from the existing operations
    - 2.3.2.4 The centres will be operated by council to the same high standards with respect to quality of care, conditions of employment and compliance with regulations as council managed centres
    - 2.3.2.5 Such operations are short to medium term whilst a national reform agenda is developed and implemented.
- 2.4 That Council notes that council's family and children's services staff will continue to offer advice and support to ABC Learning staff and users.

**3. BACKGROUND AND CONTEXT**

- 3.1 ABC Learning Centres Ltd (ABC) is the largest provider of childcare in the country, operating around 1000 centres nationally. ABC has entered voluntary administration for a number of companies within the group and a receiver was appointed on Thursday 6 November 2008.
- 3.2 In the operating model utilised by ABC, few, if any of the properties from which ABC operates childcare, are owned by the company. In the majority of cases, it is suspected the only assets owned by ABC are the lease and the license to operate. Licensing is regulated by the State Government.
- 3.3 There are four ABC Learning Centres in Port Phillip and all operate according to the model previously outlined. See below for details:

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<b>Centre</b>	<b>Location</b>	<b>Places</b>	<b>Property Owner*</b>
ABC South Melbourne	221 Ferrars Street, South Melbourne	60	Vic Track
ABC Melbourne	77 Park Street, South Melbourne	60	Private company
ABC Elwood Nth	35 Tennyson Street, Elwood	55	2 individuals
ABC St Kilda East *	89 Westbury Street, St Kilda East	60	A trust company

\*Details are confidential

- 3.4 The federal government has committed \$22 million of funding to help ensure unprofitable ABC childcare centres remain open until at least the 31 December 2008 while the receivers examine the company's operations. This represents approximately 40% of ABC centres.
- 3.5 The Child Care Industry Taskforce, in the federal government Department of Education, Employment and Workplace Relations, is working closely with the administrator, Ferrier Hodgson, and the receiver, McGrath Nicol. It is envisaged that the federal government will be in a position by mid December to make a further announcement about the future of ABC Learning childcare centres.
- 3.6 ABC's Receiver has commenced an Expression of Interest process encouraging parties to register their interest in the future of ABC Learning Centres. The property owners of ABC Melbourne, Elwood North and St Kilda East are not included in the list of companies that have entered into voluntary receivership. Therefore it is to be assumed that in the case of CoPP centres, the Expression of Interest concerns the lease and license to operate only.
- 3.7 It is difficult to obtain accurate information about the staffing, utilisation rates and financial situation of the four ABC Learning Centres in Port Phillip.
- 3.8 All four ABC centres in CoPP are limited in terms of potential for expansion. They are not suitable for development as integrated family and children's centres. Their aging infrastructure may incur significant maintenance costs and may not be considered environmentally sustainable.
- 3.9 ABC Elwood North has been identified by the receiver as viable to continue operations into next year. The receiver has indicated that the ongoing viability of the other three centres in Port Phillip would be announced this week.
- 3.10 CoPP is not impacted by the voluntary administration of NSW childcare operator CFK Childcare Centres Ltd. It is our understanding that this company (43 centres) only operates in NSW.

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**4. CONSULTATION AND STAKEHOLDERS**

- 4.1 Council officers attended a MAV forum to discuss this issue on 17 November 2008. There were a range of views from councils about participating in the running of ABC Learning, but there was strong consensus on the federal government needing to reform the childcare sector and provide funding to any council which agrees to run ABC centres.
- 4.2 The following council staff assisted in the production of this report
- Jo Smale, Coordinator Family and Children's Services
  - Virginia Lloyd, Operations Coordinator Children's Services
  - Sheena Frost, Special Projects Coordinator
- 4.3 All councillors have been consulted on the report's recommendation and have indicated their support.
- 4.4 Council's family and children's services staff are in the process of offering support and advice to ABC staff and users.

**5. DISCUSSION**

**5.1 PREFERRED OPTION**

- 5.1.1 The demise of ABC provides an opportunity to achieve long term structural reform to the childcare and early year's sector. As the major funder of childcare, this is a role which only the federal government can undertake. Council should advocate strongly for this reform and argue that the federal government should recognise and fund local government to fulfill its role to plan for and support local not-for-profit children's services (council and community operated).
- 5.1.2 There are many critical questions concerning the future transfer or sale of ABC Learning centres that remain unanswered. At this stage, it remains unclear what will be offered for sale for struggling centres, but it may be that licenses to operate are the only assets many of the companies in receivership actually own. It is important to note that McGrathNicol is only acting as a receiver for creditors of ABC Learning; their role does not extend to owners of property from which ABC childcare centres operate.
- 5.1.3 In the short-term the Council may be able to provide temporary operation of ABC centres in Port Phillip, but such commitment should not come at the expense of council's current centres, staffing and management. The preferred option recommends cost recovery funding from the Federal Government. Any costs to be borne by council would need to be identified for council consideration.

**5.2 OPTION TWO**

- 5.2.2 It is open to council to consider not doing anything to support failed ABC Learning centres.
- 5.2.3 This option is contrary to council's child care policy to support access to affordable quality care for families.

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- 5.2.4 Doing nothing would create disruption for families and would cause a loss of childcare places, if no other operator (private or community) stepped in to operate "at risk" ABC Learning centres in Port Phillip.

**5.3 POLICY IMPLICATIONS**

- 5.3.1 Council's child care policy is committed to ensuring access to quality, affordable care.
- 5.3.2 The loss of ABC Learning places would place significant strain on families using those places. Council's short-term commitment to operate such centres is in line with council's child care policy
- 5.3.3 Notwithstanding 5.3.1 & 5.3.2, a commitment to operating single purpose child care centres is at odds with council plan initiative 38: to create integrated children's centres, as well as the Municipal Early Years Plan 2005-2009: to work in partnership to achieve a fully integrated approach to the early years care, education & health. Council's long-term aim is to foster integrated service planning and delivery that supports families from birth.
- 5.3.4 The ABC Learning collapse is exceptional and the impact significant both in Port Phillip and nationally. Short-term council intervention to run ABC Learning centres should not be seen as a precedent to supporting failed private sector childcare operations.

**5.4 FINANCE / RESOURCE IMPLICATIONS**

- 5.4.4 The preferred option requires federal funding and indemnity against existing liabilities for the centres. The recommendation also requires any costs to be borne by council to be identified for council consideration.
- 5.4.5 The Council would require detailed information about staff numbers and childcare places at each centre to provide a complete picture of possible financial and resource implications. Council's policy is to operate high quality centres, and any such ABC Learning centres that may come under council's temporary operations would need to meet that expectation, which would most likely require additional costs in staffing and infrastructure e.g. playgrounds.

**5.5 LEGAL & RISK IMPLICATIONS**

- 5.5.4 Any involvement of Council in running failed ABC Learning centres will require indemnity from liabilities arising from existing operations
- 5.5.5 There are no identified implications for human rights in the preferred option.

## **5.6 SUSTAINABILITY ASSESSMENT**

### **SOCIAL EQUITY**

- 5.6.4 Council's intervention to support the continued operations of ABC Learning Centres will support families who are dependent on such childcare, as well as relieve Port Phillip from additional childcare pressures.
- 5.6.5 Advocating for the long-term reform of the sector will create better connections across the sector, and better support for families, particularly vulnerable families.

### **ECONOMIC VIABILITY**

- 5.6.6 The preferred option has significant financial implications. Council would require detailed analysis of centres to determine what level of expenditure may be required to bring such centres in line with council's own children's centre operations in terms of staffing levels, management, training and facilities provided.

### **ENVIRONMENTAL RESPONSIBILITY**

- 5.6.7 Advocating for the long term reform of the sector and recognising the role and purpose of integrated Family & Children's centres will lead to more efficient and environmentally sustainable operations.

### **CULTURAL VITALITY**

- 5.6.8 The preferred option allows families to continue to access childcare places that were part of ABC Learning.
- 5.6.9 Advocating for long-term reform will lead to an early years care, education & health sector that provides support for diversity and community ownership of facilities.

## **6. IMPLEMENTATION STRATEGY**

### **6.1 TIMELINE**

- 6.1.1 Council will immediately notify the federal government, the state government and the receivers of its decision and seek discussions on implementation.

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**6.2 COMMUNICATION**

- 6.2.1 Council's decision will be announced through the press and appropriate channels will be explored to notify users and staff of ABC centres in Port Phillip.

**Key messages**

- 6.2.2 The early year's sector, including childcare requires long-term national reform.
- 6.2.3 The demise of ABC Learning provides the Federal Government an opportunity to lead this reform.
- 6.2.4 Council is able to support families using ABC Learning and can operate 'at risk' centres on a short-term basis, subject to receiving funding and indemnity from the Federal Government.
- 6.2.5 Council is committed to improving access to high quality care, education and health services for families in Port Phillip through the provision of integrated services.