

**SPECIAL MEETING OF COUNCIL  
22 FEBRUARY 2006**

<b>1</b>	<b>CHILDCARE POLICY</b>
<b>LOCATION/ADDRESS:</b>	
<b>RESPONSIBLE EXECUTIVE DIRECTOR:</b>	<b>SALLY CALDER, EXECUTIVE DIRECTOR COMMUNITY AND CULTURE</b>
<b>AUTHORS:</b>	<b>SALLY CALDER, EXECUTIVE DIRECTOR CULTURAL AND COMMUNITY VITALITY  GREG WOOD, MANAGER SOCIAL DEVELOPMENT</b>
<b>FILE NO.:</b>	
<b>ATTACHMENTS:</b>	<b>1. MODEL COST COMPARISON 2. COST TO PARENTS COMPARISON 3. WRITTEN SUBMISSIONS 4. CHILDCARE CENTRE MEETINGS COMMUNITY FEEDBACK</b>

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**1. KEY ISSUES**

- 1.1. The Best Value Review of Children's Services in 2005 recommended the adoption of a new childcare policy.
- 1.2. Council considered the recommended new policy in December 2005 and January 2006.
- 1.3. At the 30 January Council meeting, Council requested a series of additional consultations be held and determined to reconsider adoption of the proposed policy at a Special Council Meeting on 22 February 2006.
- 1.4. Feedback has been received about the potential impact of the proposed policy on affordability and quality.
- 1.5. This report seeks Council endorsement of the revised Child Care Policy, the financial principles, which will frame its implementation, and the financial parameters, which will inform the preparation of 2006/07 budgets.

**2. CONTEXT**

- 2.1. In September 2005, Council resolved that it wished to achieve three broad policy outcomes for childcare from its Best Value Review of childcare. These policy outcomes were:
  - 2.1.1. That families in Port Phillip would be able to access childcare when they needed it.
  - 2.1.2. That childcare would be affordable and of high quality.

- 2.1.3. That childcare would be provided by a mixed sector of council, community and privately operated centres.
- 2.2. The Best Value Review process considered childcare in Port Phillip in the context of the additional challenges faced by inner metro municipalities. The Panel found that high land prices; shortages of available land and aging infrastructure, all place increasing pressure in the inner metro child care system. Increasing community expectation that quality childcare is a fundamental right and that government will retain a major role in childcare planning, provision and funding adds to this pressure.
- 2.3. The review also found that the existing childcare system in Port Phillip was not sustainable. It is unable to meet current and future demand. Centres require significant subsidisation to operate and have no capacity to review their assts, build capacity, or offer affordable care to those who need it most.
- 2.4. The Review panel recommended that for all these reasons, a new approach to delivering child care and creating more places in the City was critical.
- 2.5. The December Strategy and Policy Review Committee and the December council meeting considered the report of the best value review panel and an implementation plan proposed by officers, including a new child care policy.
- 2.6. In accordance with normal council process, this proposed policy was held over to the subsequent council cycle ie. January 2006.
- 2.7. During the December meetings, concern was expressed that not enough detail had been provided about the impact of the proposed policy on quality and affordability.
- 2.8. The proposed policy was modified to take account of these concerns and an appropriate measurement tool for determining eligibility for Council's Affordability Subsidy and criteria for the application of a Quality Incentive Program were recommended to the Ordinary Council Meeting held on 30 January 2006.
- 2.9. Meetings have been held at all Council and Community childcare centers and a number of submissions have also been received. There has been a diversity of views and responses to the policy proposal, ranging from support for the intent of the policy to fierce opposition. Where opposition has been the strongest, key concerns have been that the policy does not take account of the high cost of living in this City and that therefore any increase in fees will have a negative impact on families; a concern that Council is removing its operational support for childcare; a concern that Council plans to withdraw from childcare; a view that building costs are not a legitimate service cost and should therefore not be passed onto users; and finally, a view that all rate payers should contribute to the costs of childcare and that in some cases users who benefit should contribute no more.

- 2.10. Council also undertook significant work to assess the real meaning of the 1935 children on the City of Port Phillip waiting list. This needs assessment work determined that at the very least, over the next 5 years, approximately 441 additional licenses long day care places may need to be provided to meet current and project unmet demand for care.
- 2.11. A number of private and not for profit providers have demonstrated interest in establishing childcare centres in the City. Council has issued a planning permit for a 140 place child care centre in St Kilda, and has received applications for a further 190 places in Port Melbourne. It is also understood that a proposal for a further 130 places on Port Melbourne is currently being discussed. Council's Children's Services staff and Senior Planning staff are meeting with all private applicants to provide speedy and relevant advice to support them through the planning process.
- 2.12. Council has also committed over \$5million in the forward capital works program. 127 new places will be delivered by January 2007. This commitment was made prior to the Best Value Review, and is not impacted in any way by the proposal contained within this report.
- 2.13. Conversations are also progressing with the current tenants of the Pickles Street Primary School site, to find suitable alternate accommodation as a matter of urgency. Initial advice from the Department of Human Services indicates that the site could be suitable for up to 120 childcare places. It is hoped that the documentation to initiate the evaluation process will be commenced in May.
- 2.14. Children's Services staff have also met with the Department of Human Services and staff from the City of Darebin to commence the process of designing the centralised waiting list, which will be piloted in inner metropolitan areas of Melbourne. The waiting list will provide invaluable information to guide Council's future planning for child care services, and will be an essential tool for determine the financial parameters in future budget processes.

### **3. PROPOSAL**

- 3.1 It is proposed that Council:
  - 3.1.1. Adopts a new Child Care Policy.
  - 3.1.2. Adopts a set of financial principles, which will guide the implementation of the policy.
  - 3.1.3. Authorises the recommended budget parameters, in order to commence the preparation of childcare budgets for the 2006/07 financial year.
- 3.2 The intent of the new Child Care Policy is to provide a clear statement of the outcomes that Council wishes to achieve as a result of its continued participation in the childcare sector; how it will ensure that its participation in the childcare sector remains sustainable; how it will ensure that childcare in the city is supported to maintain its high quality, and how childcare will remain affordable, with an emphasis on ensuring that those families with the last financial choices experience the most affordability.

- 3.3 The key elements of the new child care policy are access; quality and the commencement of a quality incentive scheme; affordability and an enhanced affordability subsidy; a mixed sector; childcare as a responsibility of all levels of Government; participation by users in decision making; transparent public expenditure; identification and recovery of service and building costs and continued financial support by CoPP for the expansion of the childcare sector.
- 3.4 The policy is supported by high-level financial principles, which will guide the implementation of the policy.
- 3.5 Budget parameters have been developed, which provide an interpretation of those principles, for the coming budget year. The parameters provide specific details of how the principles will be applied, in order for management to commence the preparation of childcare centre budgets for 2006/07.
- 3.6 It is proposed that should Council endorse the policy and accompanying financial principles and budget parameters, Children's Services staff will commence a business planning process with all Council and community managed child care centres, to enable them to incorporate the proposed costs and subsidies into their forward budgets, in a way which ensures that existing childcare users experience minimum uncertainty.
- 3.7 It is not proposed that any new fees will take effect until January 2007, and that all families will have several months notice, in order to determine and plan for the impact of any changes to their current fees.
- 3.8 The policy, financial principles and budget parameters will be formally reviewed as a part of the annual budget process, to evaluate their effectiveness in delivering Council's three key outcomes in childcare. Any adjustments that are required to ensure that childcare remains affordable, of high quality, accessible and diverse, will be recommended at that time.

**4. POLICY IMPLICATIONS**

- 4.1. The proposed policy will result in a more equitable allocation of council resources where:
  - 4.1.1. Low income earners will pay less for childcare
  - 4.1.2. Middle income earners will be subsidised more by Council and will pay the same for childcare
  - 4.1.3. Families using childcare and most able to pay, pay the most fees.
  - 4.1.4. All users will make the same contribution to the costs of supporting existing childcare buildings.
- 4.2. General ratepayers will make a corresponding contribution to childcare, through rates. The determination of rates will need to be made with consideration to Council's ongoing contribution to supporting the affordability subsidy, the quality incentive program and the renewal, replacement of existing places, and particularly, the expansion of the childcare sector through the provision of new childcare places.

**5. SUSTAINABILITY IMPLICATIONS**

- 5.1. The proposed new policy promotes access for all to childcare services, with an emphasis on those with fewer choices, particularly those families with low to middle incomes.
- 5.2. The new policy requires that the costs of providing childcare should be transparent and that council focuses its contribution to providing quality and affordable childcare services.

**6. RESOURCE IMPLICATIONS**

- 6.1. In order to provide a rigorous financial analysis of the proposed policy on centre budgets, parent fees and the contribution of ratepayers, a modelling process has been undertaken.
- 6.2. In this process, the 06/07 budget parameters have been applied in the 2005/2006 budget. The model has then been compared with 2005 operational budget, adjusted to include like costs so that a comparison can be drawn between the approved 2005/2006 budget and the "model" budget.

**6.3 Cost of Buildings**

- 6.3.1 Quality building are an essential component of providing quality child care services. This proposal recommends that the full cost of building services such as cyclic maintenance, minor maintenance, cleaning, security, fire services, are passed onto users. These costs will be averaged on a cost per place basis for those centres where council provides these services. Centres may provide their own cleaning service, and if they choose to do so, their charge for this service will be reduced accordingly.
- 6.3.2 The total cost to Council of maintenance services (in the 11 centres Council currently maintains) in the 05/06 budget period, is \$527,875. This equates to a cost per day, per place of \$3.78. (See Attachment1). Centres will need to recover these costs form users, through fees.
- 6.3.3 Additionally, the proposal is that users will contribute to the costs of renewing and replacing existing childcare places in existing childcare centres. This will be done, through the application of a Quality Building Levy, to which all users of services in Council owned buildings (10 centres) would make the same contribution.
- 6.3.4 Initially it was proposed to use Adjusted Fair Value, as the measure for the costs of replacing buildings. AFV is equivalent to the real cost of depreciation (8% of current value) of Council buildings. By applying a proportion of the AFV to centres, an amount of \$660, 628 would have been recovered from centre users. During the process of consultation, AFV was a difficult concept to explain. There was also a concern that the amount proposed, was too high, and did not suitably recognize Council's responsibility as a landlord, to maintain his or her own buildings.

- 6.3.5 Therefore, it is proposed to use Building Replacement Costs, as the tool to determine the costs of replacing and renewing buildings, over a period of 20 years. The total BRC for Council owned centres, is currently valued at \$8,140,000. By applying 5% of this cost annually to centres in Council owned buildings, users will contribute a total of \$407,000 per annum, \$253,000 less than originally proposed.
- 6.3.6 The impact on users of applying 5% of BRC is \$3.55 per place per day. This will need to be passed onto all users through fees.
- 6.3.7 For those Centres who have made contributions to the capital improvement of buildings and grounds, the Quality Building Levy will be offset, by the full amount of any completed in the past 5 years, as well as into the future.
- 6.3.8 Council has already committed over \$5 million in capital works, over the next 4 years. \$4.1 million is planned to be spent by the end of 2006. These funds are not contributed to or impacted on, in any way, by the Quality Building Levy.
- 6.3.9 Additionally, should Council determine a need to contribute to further capital expansion, this will be funded by the general rate base, through the capital program.

**6.4 Cost of Quality**

- 6.4.1 All centres currently receive a non-specific operational subsidy of \$25,000 per centre.
- 6.4.2 Under the proposed model all centres who meet the proposed quality criteria in an approved Quality Plan, will be eligible for a quality incentive payment, which equates to 5% of salary and wages costs. Centres will receive a minimum \$25,000 Quality Incentive Payment and those larger centres will receive a significantly greater payment, potentially up to approximately \$45,000
- 6.4.3 The Quality Incentive Scheme will be paid to all users, and will reduce the cost of their overall fees. In Council centres, based on the current modelling, this would result in a reduction to fee, of \$2.70 per day, per place.
- 6.4.4 The Quality Incentive Scheme will cost Council \$56,000 more than the existing operational subsidies.

**6.5 Cost of Affordability**

- 6.5.1 Council Currently provides a low-income subsidy of \$111,257, which is available to those families who are eligible for 75% of CCB and above.
- 6.5.2 Community feedback has supported the need to respond not only to the lowest income earners, but also those families who are middle-income earners. Accordingly, the proposal provides for a new Affordability Subsidy, which will be available to all families, on a sliding scale, above 25% CCB eligibility.

- 6.5.3 The cost to Council of the Affordability Subsidy is \$436,498.
- 6.5.4 The Affordability Subsidy all be paid to all centres and must be past on to all users, as a direct fee reduction.
- 6.5.5 The impact on fees for users is discussed below.

**6.6 Impact on Fees**

- 6.6.1 The impact of the modelling process on parents fees, shows that had the proposed budget parameters been applied to the 05/06 budget, fees in Council Managed Centres of **\$70.70** per day would have resulted, with all users receiving a quality incentive credit of \$2.70. Therefore a maximum parent payment (excluding CCB) of **\$68**. (See Fee Schedule attachment).
- 6.6.2 A graduated sliding scale for Council's Affordability was used in the modelling. This scale commences at 25% CCB eligibility and subsidises at one-third the CCB amount (one child family income range \$52,000 to \$89,000) and rises to one-half the CCB amount for CCB eligibility of 75% and above (family income range less than \$52,000 per year).
- 6.6.3 Under the model, the amount lower income families would pay, after CCB, the affordability subsidy and the quality incentive are credited, is **less than** they currently pay, where those parents have **lower income** levels (CCB eligibility of greater than approximately 71% - single child family less than \$55,000 per year). These lower income families would pay (before deduction for CCB) between \$50.30 and \$59.90.
- 6.6.4 Under the model, middle-income earners would receive a council affordability subsidy on a sliding scale from 25% CCB eligibility (income \$89,000 - \$2.60 per day affordability subsidy) to 70% eligibility (income - \$56,000 -\$7.30 per day affordability subsidy). This would result in parent payments (before deduction of CCB) of between \$60.30 and \$65.40 per day for these middle-income earners.
- 6.6.5 The table below provides a comparison of the proposed child care fees with neighboring centres.

Name of Centre	Daily Rate
<b>Centres in the City of Port Phillip</b>	
Proposed Fee for Council Managed Centres	\$68
5 Council Managed Centres (currently)	\$60
Albert Park College Childcare Centre	\$56
ABC Learning Centre (Park St Sth Melb)	\$75
ABC Learning Centre (Ferrars St Sth Melb)	\$68

Kinderclub Childcare Centre (St Kilda)	\$55
<b>Centres in Neighbouring Areas</b>	
ABC Melbourne Central	\$77
Kids on Collins	\$89.67
ABC East Melbourne	\$66.50
East Melbourne Childcare Co-operative	\$57
Curzon St Children's Centre	\$68
Hotham Hub Children's Centre	\$51
Wimble St Childcare Co-op	\$61.50
Platypus Junction Early Learning Brighton	\$78

**6.7 Impact on Council's contribution to childcare**

- 6.7.1 Council's total contribution to the operation of childcare in 2003/04 was \$946,663: in 2004/05 it was \$1,323,007; in 2005/06 it was \$1,218,993
- 6.7.2 These figures do not include capital works figures, which are projected at \$1,44,000 in 2005/06, and \$2,630,000 in 2006/07; \$865,000 in 2007/08 and \$500,000 in 2008/09, at this point.
- 6.7.3 The impact of future expansion of places on Council's overall contribution to childcare, is estimated to be an additional \$220,000 per annum, when the costs of supporting the additional 127 places are projected. This includes the costs of the Quality Incentive Program, the Affordability Subsidy.

**7 CONSULTATION**

- 7.1 Consultation with the community, to inform the development of the childcare policy, commenced in March 2004, with the development of the Municipal Early Years Plan, and progressed through the preparation for the Best Value Review.

These broad consultation have informed the policy that Council is considering in this report.

Council is being asked to make its decision about the policy, in accordance with the normal governance process and timeframes.

- 7.2 Meetings were held at all community and council centers and copies of the minutes from these meetings are also attached.
- 7.3 Submissions were received by the due date of February 13. Further submissions were received following this date. All submissions have been attached to this report.
- 7.4 The key themes from all submission and meetings have been responded to in the following table:

<b>KEY THEME</b>	<b>OFFICER RESPONSE</b>
Consultation has been inadequate	Consultation with the community in relation to children's services generally commenced in early 2004 to inform the development of the Municipal Early Years Plan. Childcare was a key issue discussed through this process. A Community Consultative Committee was established in July to inform the best value process. During that process 46 written submission were received and 16 people presented verbally to the panel. Over 100 people attended the two days hearings of the panel. A number of residents have participated in Council meetings considering this topic in December and January. 12 community meetings, and a special meeting of the Community Consultative Committee have been held in the past three weeks. A number of written submissions have been received.
Timelines too rushed	See above.
Implication of policy not understood adequately, not enough detail provided especially financial implications for centres and parents.	As many details as possible have been provided to centres during the recent meetings, and where these have not been available, they have been subsequently discussed. The resource implications section of the report
Not clear how the proposed policy will deliver councils objectives	See report.
Unsure what councils contribution will be in the future – are they withdrawing funding or not?	Council is not withdrawing funding from child care. It is making all the costs,
Quality and affordability is critical	Agree. Details of the Quality Incentive Scheme and Affordility Subsidy provided in report.
Proposed fee increase is to high	Details of potential fees for 2006/07 in Council centers, and how they compare with a range of other centers in and around the city are provided in the resource implications section of this report.

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<p>Affordability subsidy does not ensure affordable child care</p>	<p>The affordability subsidy has been extended from its current cut of point of 75 % of eligibility for CCB, to 25% of eligibility. This means many more families, who are defined as middle income families will benefit. It has also been developed in a way that ensures that anyone with 75% of eligibility for CCB will pay no more than they currently pay. Affordability is the role of the Federal Government and the proposed subsidy is designed to top up the CCB considerably for users of City of Port Phillip services.</p>
<p>Quality incentive payment criteria not clearly articulated and will not offset the increased costs proposed under the new policy.</p>	<p>There has been overwhelming agreement from our community that staff have the biggest impact on quality, and in particular qualifications and training and staff ratios. International research and our Community Consultative Committee support this. The proposed criteria are outlined in the proposed financial parameters for the 2006/07 budget. These parameters also enable the Children's Services coordinator to enable variations to these criteria, should community managed committees have a particular view of how quality is best achieved in their centre.</p>
<p>A user pay model will decrease community participation and capacity building</p>	<p>The policy does not propose a full user pays model. There is evidence that many families prefer community managed centers because they offer the opportunity for greater community connection and participation. The policy does not impact on this.</p>
<p>Child care is essential for workforce participation, especially of women, and for enhanced child development outcomes</p>	<p>Agree.</p>
<p>Council and community managed centres are highly valued, concerned that the new policy will reduce their viability in the future.</p>	<p>Council's support for community and council managed centres is explicit in the policy. The financial parameters have been developed to ensure their long term role in childcare in the city as well as the ongoing replacement and renewal of the buildings.</p>
<p>Policy favours users of council and</p>	<p>By recovering service and existing</p>

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community centres and creates a competitive advantage over private centres and their users	policy costs, Council is in fact reducing any competitive advantage that has previously existed for Council and community centres
The average total household income in Port Phillip is higher than the national average household income; therefore, Council should be subsidising users at a higher rate than the proposed 50% eligibility for CCB.	The proposal raises the cut off point for the affordability allowance to 25% of CCB, noting the additional cost of living in CoPP.
This policy attempts to fund people's lifestyle choices, rather than focusing on increasing access for those low income families who have no choices.	The policy will reduce fees for the lowest income earners.

**8 IMPLEMENTATION**

- 8.1 Should Council endorse the recommendations contained in this report, management will commence the process of developing 2006/07 childcare budgets with both Council and community managed centers. Business planning will be conducted in consultation that is sensitive the needs of existing users, and the special circumstances of the smallest centers, in particular.
- 8.2 The full cost of building services such as cyclic maintenance, minor maintenance, cleaning, security, fire services. Costs will be averaged on a cost per place basis for those centres where council provides these services. Centres may provide their own cleaning service, and if they choose to do so, their charge for this service will be reduced accordingly.
- 8.3 Indicative fees for Council managed centres have been identified through the process of testing the financial implications of this new policy framework, however final fees for Council managed centres will be confirmed through the budget process, in accordance with normal Council procedure.
- 8.4 In order to enable families and centres maximum time to consider the implications of any change to existing fees, management commits to ensuring that all families who are users of Council managed child care centres will be individually informed of new fee rates, which will not take effect before 1 January 2007, as soon as the 2006/07 budget is endorsed, in July of this year.
- 8.5 Council notes that financial allocations are made via the annual process, which provides an opportunity for formal review of the policy, the financial principles and the annual budget parameters to determine:
- a) Their effectiveness in delivering Council's desired outcomes.
  - b) Their effectiveness in delivering a more equitable allocation of Council resources, with a proportionately greater cost recovery of identifiable direct and indirect costs from those benefiting from child care and most able to contribute.
  - c) A corresponding lesser proportion of cost recovery from those least able to pay.

## **9 CONCLUSION**

9.1 Based on the information available, review of the submissions and review of the impact of the financial modelling our conclusion is that:

- a) The policy delivers Council's desired outcomes
- b) The financial principles and implications are sustainable
- c) The implementation plan is fair and deliverable

On this basis it is recommended that Council proceed with the immediate adoption of the policy and restructuring of Council's financial contribution effective January 1 2001.

## **10 COMMUNICATION**

- 10.1 The City of Port Phillip is providing over \$5 million dollars to fund more than 227 new child car places.
- 10.2 The City of Port Phillip is quadrupling its Affordability Subsidy to low and middle incomes earners.
- 10.3 The new policy limits the subsidies going to wealthier families.
- 10.4 All users will have their fees reduced as a result of a Quality Incentive Scheme.
- 10.5 The real costs and charges of childcare are transparent and sustainable
- 10.6 The new policy means the City can meet the needs of current but also provides for the future users
- 10.7 It shares the cost of childcare amongst current and future users and the general community

## 11 RECOMMENDATION

It is recommended that based on the following rationale:

Council notes that Local Government in Victoria has played a major role in initiating and developing the children's services system and securing Federal and State Government funding for programs such as maternal and child health, preschool and childcare.

It is not Council's responsibility alone to provide childcare for everyone. The Federal and State Governments have a critical role to play. A primary role for Council however, is to assist those families with limited choices to get access to care.

Council is the largest single provider of early years services in the municipality. It is a major provider of childcare in Port Phillip.,

### Part 1 POLICY

11.1 That Council endorses the following as the new City of Port Phillip Child Care Policy:

- 11.1.1 ***All children in CoPP should be able to access quality childcare when they need it.***
- 11.1.2 ***Childcare is a joint responsibility of the three levels of government together with families. The federal government has the primary responsibility to ensure that childcare is accessible, affordable and of a high quality. However, current federal government policy does not deliver these outcomes in CoPP.***
- 11.1.3 ***A mixed sector of Council, community and private childcare is more likely to provide diversity, choice and sustainability.***
- 11.1.4 ***Families should have the opportunity for involvement in decisions that affect them to ensure that there is a community capacity to respond to, protect and enhance the social, cultural and economic diversity of the municipality.***
- 11.1.5 ***All public expenditures on childcare should be transparent and clearly show:***
  - 1.1 ***Costs of providing services***
  - 1.2 ***Costs of providing quality buildings***
  - 1.3 ***Charges to users***
  - 1.4 ***Council subsidies and incentive payments.***

- 11.1.6 ***All fees will be set to recover the costs of services, and the costs of maintaining and replacing existing buildings. These fees will be offset through the provision of a Quality Incentive for all users, and an Affordability Subsidy for eligible low and middle income earners, at all Council and Community run centres.***
- 11.1.7 ***CoPP will continue to contribute to the funding of childcare by applying Council's total net financial contribution to:***
- a) ***A Quality Incentive Program for council/community centres to ensure continuing access to high quality childcare, as assessed by approved criteria.***
  - b) ***An affordability subsidy to eligible families to ensure affordable fees for families least able to afford childcare, as assessed according to an approved standard.***
  - c) ***Capital investment in the expansion and retention of council/community childcare places in the City of Port Phillip.***
- 11.1.8 ***Council's financial allocation will be made via the budget process and be subject to regular scrutiny of the effectiveness of this policy in delivering Council's desired outcomes.***
- 11.1.9 ***Council will work with centres individually to assist them to continue to provide high quality, affordable childcare, within the parameters of this policy.***

**Part 2 FINANCIAL PRINCIPLES:**

- 11.2 Council endorses the following financial principles, which will provide a framework for the implementation of the new Child Care Policy:
- 11.2.1 The level of eligibility for the federal government's Child Care Benefit be the measure for the application of Council's Affordability Subsidy.
  - 11.2.2 Fees will be set to recover the majority of the costs. Council will recover the full costs of building services such as cyclic maintenance, minor maintenance, cleaning, security, fire services.
  - 11.2.3 Council will use the building replacement cost as the basis for the Quality Building Levy to fund asset renewal and replacement and new places in existing centres.
- 11.3 Council will contribute to the provision of new places in new centres, in partnership with other parties including the other levels of Government, if required. Council's costs for new centers will be funded through rates, and not through the Quality Building Levy.

- 11.4 Full and transparent accounting based on agreed standards is a condition of participation in council's incentive and subsidy schemes.

**Part 3 BUDGET PARAMETERS:**

- 11.5 That having reviewed the financial implications of the proposed policy for both centers and users, and being satisfied that the policy and financial principles will deliver Councils three board outcomes for childcare, which are more places, quality and affordable care, and a mixed sector, Council authorises management to commence preparation of 2006/07 budgets. Council notes the significant community concern that has been raised about the impact and method of implementation of the new policy and sets the following budget parameters to guide the implementation program set out in Section 9 of the report:

11.5.1 Quality Incentive program

- 11.5.1.1 That the amount for Council's Quality Incentive Program be set at 5% of expenditure on salaries and related costs for each centre, subject to a minimum payment of \$25,000 per centre.
- 11.5.1.2 Council and Community Managed Childcare Centres will be eligible to receive funds from the Quality Incentive Program, subject to demonstrating a level of staff qualifications, staff ratios, salary levels, coordination time and food and material expenses over the minimum level required by accreditation standards.
- 11.5.1.3 Council's program manager may approve variations in emphasis on the individual quality criteria, to suit centre circumstances.

11.6.1 Affordability Subsidy

- 11.6.1.1 The following benchmark will be established for Council's Affordability Subsidy
- (a) The maximum payable will be set at a third of the amount payable as Child Care Benefit (CCB) for each child for all those families eligible for greater than 25% of CCB.
- (b) The actual amount payable will be determined by Council's program manager, based on individual centre's business plan to ensure equitable application of the subsidy in for users in all Council and Community Managed Centre's.

- (c) Council's program manager shall have the discretion to increase the affordability subsidy up to one half of the amount of CCB payable for an individual child to take account of special circumstances, which may arise during the implementation of this policy, to ensure that no individual experiences hardship.
- (d) All centres must pass on the full benefits of Council's Affordability Subsidy to eligible users.

11.6.2 Quality Building Levy

11.6.2.1 Council determines that the Quality Building Levy will be set at 5% of the total building replacement costs.

11.6.2.2 The Quality Building Levy will be averaged across the total number of childcare places, which are in Council owned buildings, and will be directed to the replacement and renewal of existing places.

11.6.2.3 The Quality Building Levy will be offset by any money spent on capital works by committees of management in the past five years. Amounts raised through fundraising or fees, will be fully credited, at a rate determined in consultation with committees of management

11.6.3 Cost recovery

11.6.3.1 For Council managed centres, only avoidable overheads are recovered to a maximum of 5% of direct operational expenditure. Council recognises that parent community work in community-managed centres is the equivalent of overheads in council managed centres.

11.6.3.2 Non-policy related cost increases will be passed on in full, in the 2006/07 and subsequent financial years.