

ENCL: NO

DARWIN CITY COUNCIL

DATE: 21/01/09

REPORT

TO: 2nd ORDINARY COUNCIL/ CONF

APPROVED:

FROM: GENERAL MANAGER COMMUNITY &
CULTURAL SERVICES

APPROVED: KH

REPORT NO: 09C0002 MS:kl

APPROVED: MS

COMMON NO: 1482493

SUBJECT: ABC LEARNING CHILD CARE CENTRES UPDATE

ITEM NO: C23.3

GENERAL:

This report has been compiled to provide updated information regarding the status of ABC Learning Centres who entered into voluntary receivership in late 2008. This report is presented for Council's information.

PREVIOUS DECISIONS

DECISION NO.20\1018 (25/11/08)

- A. THAT the implications of the liquidation of the ABC Learning & Development Child Care Centres, specifically the impact on child care services in the Darwin area, be considered.

DECISION NO.20\1047 (25/11/08)

- A. THAT the Letter received from the Australian Local Government Association (ALGA), dated 24 November, 2008, Document Number 1488465, tabled at the meeting, seeking Council's support to request that the Federal Government include Local Government in any discussions on the future of ABC Learning, be received and noted.
- B. THAT Council support the Australian Local Government Association's (ALGA) request to the Federal Government to include Local Government in any discussions on the future of ABC Learning.

CURRENT CONTEXT

Council currently sponsors seven child care centres in the municipality through the provision and maintenance of the buildings. The centres are managed by community based management committees. Council also assists Centre's in obtaining grants from the NT and Commonwealth Governments and project manages the works where applicable. Council's seven childcare centres currently operate at capacity with extensive waiting lists at the majority of centres.

In providing support to the centres through maintenance and assistance with grants, the cost to Council was approximately \$97,000 in the 2008 financial year. One of the centres in the 2008 year used \$16, 000 of those funds and in consultation with the Building Services Manager it was concluded that this would be a true indication of costs. If all seven centres were to require that amount in a financial year actual expenditure could escalate to approximately \$115,000 per annum.

ABC SITUATION

In late November 2008, the receiver of ABC Learning Centres Ltd, McGrathNicol, advised ABC parents and staff that a majority of the group's child centres would continue operating in 2009. McGrathNicol advised they would continue to work closely with the Government on a plan focused on providing childcare places for ABC families into the New Year.

In early December the receiver and manager of ABC learning Ltd, McGrathNicol, announced that a plan to secure a childcare place for every ABC child in 2009 and advice would be given to staff within the week as to the security of tenure. McGrathNicol advised they were working through an extremely complex collapse.

10 December 2008

A plan to provide a childcare place for every ABC child in 2009 was announced by McGrathNicol. Under the plan, 720 centres would remain within the ABC learning group and 55 would close and be consolidated into nearby ABC centres. A further 241 centres were identified as not viable under the current business model but would trade into 2009 under an arrangement with the government. The new ABC learning group would comprise:

- An additional 64 centres would continue trading into 2009 as part of the ABC Learning group. This number was in addition to the previously announced 656 ongoing centres, bringing the total number of centres trading as normal into 2009 to 720 centres.
- A further 55 ABC Learning Centres due to close to be consolidated into the above group of ongoing centres and would be offered places at ABC centres, where there is additional capacity and which are within an average radius of 2.5km.

- Confidence that approximately 80% of staff from the closing centres may be redeployed to centres nearby that are continuing into the New Year.

Centres Continuing Outside ABC Learning Group

The review process found that 241 centres were not viable under ABC's business model and therefore could not be part of an ongoing sustainable ABC business. These centres would continue until the end of March under an arrangement with the Government.

Stuart Park No 2 was identified as the only Darwin Centre that fell into the not viable category and would operate with Government assistance until the end of March which would enable the receiver's further time to continue with the expression of interest process in the 241 identified centres.

18 December 2008

On December 18, 2008, the New South Wales Supreme Court appointed, PPB Corporate Recovery (PPB) as the court appointed receivers over 228 child care centres that were previously under the control of ABC Learning Centres receiver , McGrathNicol. 21 centres were owned and leased by the Department of Defence.

The Australian Government sought a Court Appointed Receiver for these childcare centres after McGrathNicol announced the finding of it operational review and McGrathNicol were to remain in control of 720 childcare centres.

In addition, a further application has been made by the Australian Government to have the 13 ABC Learning branded child care centres owned by 123 Operation, to be under control of this receivers. These 13 centres were included in the group of 241 centres identified as not viable in McGrathNicol's announcement of 10 December 2008.

The childcare centres in the ABC2 Group would continue to operate with financial assistance from the Government into 2009 and, if necessary until 31 March 2009. PPB advised that they would contact all parties who had expressed an interest in ABC Learning childcare centres and review all submissions. A second round of expressions of interest would be announced to allow for parties to gain a better understanding of the centres and if necessary provide additional information or new parties could make a submission.

14 January 2009

The Court Appointed Receivers of the ABC2 Group, PPB Advisory (PPB) announced the 2nd stage Expression of Interest (EOI) process for parties interested in obtaining those child care centre's which form part of the ABC2 Group child care centre's.

ABC2 Group comprises 228 child care centres which were previously under the control of ABC Learning Centre's Receiver, McGrathNicol, and which were judged

unviable under the ABC business model. It also includes 13 centers that were labeled as ABC centres and were previously operated by 123 Operations.

The Australian Government made up to \$34 million dollars available to keep the 241 child care centres open until 31 March 2009 and a national call for expressions of interest were invited.

PPB will apply rigorous selection criteria against which they will assess all EOIs. Interested buyers must meet appropriate accreditation and licensing requirements and be able to demonstrate that they can provide high quality, long-term childcare in a safe environment.

The criteria will also emphasize greater diversity in long day care provision in Australia by encouraging organisations of different sizes and character including not-for-profit organizations. A demonstrated commitment to adopt leading-practice employment approaches, as indicated by preparedness to take on accrued employee entitlements of former ABC employees will also be seen as desirable and as part of the short-listing process.

PPB will quickly establish the best way forward for each individual centre and have committed to keep parents, staff and centre directors informed of developments.

It was established in this correspondence that the EOI process provides only for the businesses not the actual building as they are under lease agreement and were not owned by ABC Learning .

20 January 2009

Media release – Not for profit consortium launches community sector bid for ABC2 centres. A group of not for profit organisations committed to high quality child care services has formed a consortium to bid for 241 former ABC Learning centres with the aim of securing them for operation by the community sector.

Children 21 is comprised of six organisations which have extensive expertise providing professional development services to the child care sector, running community based childcare and offering training and early learning services.

Children 21 is developing a management model that leverages the efficiencies that come from running the centres as a group, while working with a range of other not for profit organisations which could operate individual or groups of centres.

Children 21 is a consortium of not for profit organisations dedicated to providing quality community based childcare based on principles of social justice and inclusion and its members are:

Community childcare co-operative NSW, Lady Gowrie Tasmania, Child Inclusive Learning and Development Australia (CHILD Australia) WA and NT, Try Youth Enterprise & Training Company Ltd (ETC) and Community Sector banking (joint venture between Bendigo Bank and Adelaide Bank

CURRENT SITUATION IN DARWIN

There has been no immediate impact on any of the Council Child Care Centres regarding demand for placements. Mitchell Street and Stuart Park still continue to have at least a one year waiting list and are not currently taking any more names until this reduces. This has been the case for some time prior to this announcement.

Karama, Malak, Nightcliff, Casuarina and Parap are all at capacity with waiting lists but have not noted any specific calls as a result of the receivership of ABC Learning child care centres.

ABC Stuart Park 2 is the only centre in the Darwin Municipality that has been identified as not viable and placed into the ABC 2 group, however the NTG Children's Services Licensing Unit advised at the time of preparing this report that ABC Stuart Park 2 comes under the Defence Extension programs. This classification has also been confirmed via telephone with PBB Melbourne who stated that Stuart Park 2 is under the Defence Extension program but it along with 3 other centres in this category are included in the Expression of interest process that is taking place.

Through contact made with current Directors of the Council Childcare Centre's, it has been ascertained that at least one Director has registered interest in gaining further information in the 2nd stage EOI in management of the Stuart Park Number 2 centre.

Council has not proceeded any further with the 2nd stage of EOI given the EOI process provides exclusively for the childcare centre business only and does not include the infrastructure.

LEGAL IMPLICATIONS:

This item is considered 'Confidential' pursuant to Section 65(2) of the Local Government Act and 8(c)(iv) of the Local Government (Administration) Regulations, which states municipal council may close to the public only so much of its meeting as comprises the receipt or discussion of, or a motion or both relating to, information that would, if publicly disclosed, be likely to prejudice the interests of the council or some other person.

PAGE: 6
REPORT NUMBER: 09C0002 MS:kl
SUBJECT: ABC LEARNING CHILD CARE CENTRES UPDATE

RECOMMENDATIONS:

THAT it be a recommendation to Council:-

THAT Report Number 09C0002 entitled ABC Learning Child Care Centres Update, be received and noted.

MICHELLE SHAW
CHILDREN & COMMUNITY OFFICER

JOHN BANKS
GENERAL MANAGER COMMUNITY &
CULTURAL SERVICES

Any queries on this report may be directed to Michelle Shaw on 89300561.