

Early Childhood Centres Policy

July 2009

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1. Introduction

This policy sets out the Council's role regarding Early Childhood Centres (ECC)¹ and provides:

- (a) guidance on how or when Council may offer support for ECC
- (b) guidance for managing ECC leases - recognising historic circumstances and relationships with lessees.

The policy does not engage broader issues concerning Early Childhood Education (ECE) as these are managed by the Ministry of Education (the Ministry).

2. Central and Local Government roles

2.1 Overview

Research and anecdotal evidence all point to the importance of good quality ECE for the growth and development of children, providing foundations for lifelong learning and success. In addition the availability of ECE services is often necessary to a family's economic independence and participation in the workforce.

The Ministry is responsible for regulating and funding ECE services, including centres, as well as ensuring the provision of a network of services. Acknowledging the lead role of central government in the ECE sector, as well as changes in demand for ECE, this Policy considers the rationale for, and focus of, the Council's support for licensed ECC.

The Council has an interest in the provision of quality ECE services because of the contribution such services make to promoting economic and social wellbeing. ECE services support parents both as workers and in their parenting roles, as well as providing intellectual and social enhancement that contributes to a child's later development.

ECE services provide the city with necessary social infrastructure to:

- provide good educational choice for children
- promote labour force participation
- attract and retain a highly skilled population base
- increase lifestyle choices for families
- build strong, connected communities.

¹ The Council only provides land or buildings to community-based ECE providers. Community-based providers are those with a trust or community organisation as a management board i.e. they are not for profit organisations. WCC Leases Policy requires organisations to be either a trust or an incorporated society. Services that are included within that definition offer casual, sessional, full day, and long day services, or a combination of these, and include childcare centres, crèches and preschools, kindergartens, play centres, Pacific Island language nests and te Kohanga Reo.

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Community providers report that the main barrier to the establishment of services is securing land and buildings, at reasonable cost, in optimal locations. Good sites for ECC are often in locations central to communities, in popular and costly sites. Other reported barriers include the capital and operational costs of establishing and running a centre.

The Council's major intervention in the ECE sector is providing suitable land and buildings for rental by service providers. As at 23 October 2008, the Council's support extended to 22 licensed ECC. In addition, six Council-owned community centres hosted ECC through leasing agreements within their premises².

2.2 Increased Central Government Role

The Ministry is responsible for the regulation of ECE services. The Ministry has responsibility for ensuring the provision of a network of services; this includes funding, regulating, and addressing demand and supply. The Ministry aims to increase participation in quality ECE services, ensure the quality of services, manage risks of poor management and administration, and minimise risks to children³. Further articulation of the role of Central Government regarding ECE is made in the paper 'Choices for Living, Caring and Working Plan of Action'⁴ that promotes an intersectoral approach.

The Ministry provides:

- operational funding for all licensed services although that funding is not intended to cover all operating costs and services may also charge fees - except for 3 and 4 year olds who have 20 hours free funding (introduced in July 2007)
- additional funding to target specific barriers to participation or supply. For example, equity funding targets services in low socio-economic communities, isolated areas and those with a high proportion of children with special needs or from non-English speaking backgrounds
- significant funding for the establishment of new centres, with both capital and operational grants.

2.3 Strategic Alignment

The Council has no responsibilities regarding the establishment, management or funding of ECC. The Council's role is limited to:

- (a) the provision of land and buildings to lease to centres; and
- (b) advocacy and facilitation in support of the provision of services.

In light of the key role of central government in funding, regulating and supporting both the provision and participation in early childhood services, the need for direct Council support to address historical market failure has reduced.

² Two other community centres host ECE services, however these do not use Council land or buildings.

³ The Ministry's responsibilities are set out in Pathways to the Future: Nga Huarahi Arataki – a 10 year Strategic Plan for Early Childhood Education (Ministry of Education 2002).

⁴ Choices for Living, Caring and Working Plan of Action, Department of Labour (2006)

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In determining the Council's involvement in the ECE sector, the Social and Recreation Strategy provides the following guidance:

The Council does not wish to duplicate the role and activities of either central government or the community, but rather to maximise opportunities and to complement the work of both. As a community leader, the Council is in an ideal position to promote partnerships with both central government and the community.

The role of the Wellington City Council in the social domain is focussed at the community level. This Social and Recreation Strategy is premised on the basis that strong communities are those that:

- *have a robust social infrastructure, that is, there is sound provision of amenities, facilities and key social services*
- *are cohesive, that is, there is a high level of community participation, strong networks and empowered community groups.*

2.4 Council's Future Role

The role of the Council is concerned with maximising opportunities, advocacy, and facilitation with a view to supporting the provision of services. Where there is limited market capacity and access to suitable sites is restricted the Council may have a role in ensuring suitable premises are available to potential providers.

The Council will advocate to the Ministry of Education for support to services being established in areas where there is high demand. The District Plan residential chapter is being reviewed and will recognise the importance of early childhood services in supporting social infrastructure and families.

3. Guiding Principles

The following set of principles guides the Council's response to the ECE sector.

(a) Promoting social cohesion:

- supporting ECE services that complement community facilities and services available to meet the needs of local communities
- building capability and capacity to support social infrastructure.

(b) Being responsive:

- taking a case-by-case approach
- understanding the context, drivers and supply issues
- being responsive to issues raised by ECE organisations.

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(c) Optimising use of existing locations:

- minimising proliferation of buildings on land managed primarily for conservation and recreation purposes
- focussing use by ECEs on local purpose reserve (or freehold) and within community facilities hubs/nodes
- extensions of existing areas used for ECE and community facilities will have priority over new locations.

(d) Responsible management:

- being a good landlord
- recognising historical circumstances and arrangements
- adopting best practice in asset management
- recognising the professional management responsibilities and obligations of organisations that are licensed and chartered ECE providers
- being consistent in agreeing terms and conditions for leases.

(e) Partnership:

- supporting agencies and organisations involved in the ECE sector supports the outcomes of the LTCCP
- Council will develop and maintain a working relationship with the Ministry of Education
- the role of Council is primarily as enabler or facilitator, not a provider of ECE services. Direct support for licensed ECC may be given on a case-by-case basis in accordance with the ECC Policy.

4. Availability of land and buildings

For the community-based sector, the availability of Ministry grants is seen as one of the main factors affecting ability to establish new services. The Ministry grants for establishment and capital funding are only available to community-based providers and only for services operating on community-based land or buildings (since August 2006).

Ministry grants are prioritised to areas where:

- high projected growth is expected
- there is low capacity to provide services
- there are high numbers of four-year olds not attending ECE services.

Council recognises the fact that the Ministry is prioritising the provision of support to community-based providers. Consequently, there may be an increased number of future requests for assistance from ECC looking to establish or relocate within both the central city area and suburban centres. However, there are a limited number of premises owned by Council that could be made available to meet this demand, therefore it is not envisaged that the Council will provide further land and buildings.

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4.1 Assessment Criteria

The following criteria will be used in assessing requests to Council for the provision of land and/or building for ECC:

- a) The organisation must be a community-based provider and be eligible for Ministry support.
- b) Priority will be given to services that will make full use of any land/buildings.
- c) There must be a demonstrated need for the proposed service and no feasible alternative for provision.
- d) The organisation must be sustainable and able to evidence good governance.

Each case will be considered by officers (under delegated authority) who will make recommendations for Council approval.

ECC that cater primarily on a casual basis will be considered for support if they add significant and direct value to users of facilities provided by Wellington City Council e.g. Wellington Regional Aquatic Centre casual childcare.

4.2 Lease Arrangements

ECC which operate from Council owned land or buildings and who currently do not have a formal agreement in place will enter into a standard lease or similar agreement to ensure all parties are aware of their obligations including, but not limited to, maintenance, insurance, subleasing, alterations, payment of rates and utilities. The provisions of the lease/agreement will comply with Council's policy requirements relating to land designation, property legislation and building compliance requirements. Some provisions of the lease may be amended to reflect individual centres' circumstance.

When a centre's lease expires (or upon earlier request), and where the centre continues to meet the assessment criteria (4.1 above), Council officers will negotiate a new lease with the centre. Formal committee (Regulatory) approval is required.

ECC that occupy Council owned land and/or buildings will be subject to the rental determination and management provisions outlined in Schedule One. The rental determination mechanism has been designed to achieve the desired outcomes of equity, affordability and sector sustainability.

For organisations that have a lease agreement with the Council, lease terms and conditions will be reviewed to align with this policy. This review will increase rent for most if not all of those services for which the Council directly provides land and/or buildings. A transition arrangement will be provided for existing ECC.

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Where the lessee owns the building, the lessee is responsible for all maintenance and compliance costs (e.g. building warrant of fitness) associated with the building.

Where the Council owns the building, the Council is responsible for:

- all exterior and deferred maintenance (undertaking repairs that have not yet been done e.g. replacing damaged weatherboards) of the building
- compliance costs to meet requirements of the Building Act 2004 (e.g. fire systems, disabled access) – (this does not include compliance with ECE regulations)
- building insurance.

The Lessee is responsible for:

- all interior maintenance (e.g. plumbing, electrical)
- outgoings (e.g. electricity, water rates) whether they own the building or not
- the legal and advertising costs for preparing a new lease with the Council (when the lease expires or is varied).

Consultation will occur with community centre committees regarding current arrangements with ECC and the establishment of new ECC in community centres, with a view to achieving future alignment with this policy.

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Schedule One - Rental Determination and Management provisions

Clause 1

Rental Calculations

Annual rental will be calculated as follows:

(1) Ground leases – 1% of the revenue attributable to each centre based upon the total of (a) Ministry of Education payments (excluding equity grants) and (b) income received by the centre that constitutes payment for childcare services (including fees, donations and subsidies from Work and Income New Zealand);

(2) Premises leases – 4% of the revenue attributable to each centre based upon the total of (a) Ministry of Education payments (excluding equity grants) and (b) income received by the centre that constitutes payment for childcare services (including fees, donations and subsidies from Work and Income New Zealand)

Rental Payments

Rental payments are based on the previous year's revenue and are due every four months. After the end of each year a final payment or refund may be due if there is a difference between the current and previous years' revenue.

For example:

Rental calculation for 2010/11 (Ground Lease)

Funding Year	2009/10	2010/11
Total revenue	\$150k	\$200k

Step 1 – calculate the rental due per annum (before end of year reconciliation)
 $\$150\text{k} @ 1\% = \$1,500$

Step 2 – calculate rental payments
Rental payments of \$500 due every 4 months

Step 3 – calculate difference between current year's actual revenue and previous year's
 $2010/11 \text{ revenue } (\$200\text{k}) - 2009/10 \text{ revenue } (\$150\text{k}) = \$50\text{k}$

Step 4 - calculate final end of year payment or refund
 $\$50\text{k} @ 1\% = \500 (due for payment with next instalment)

In some cases some reduction in rental may be considered. For example:

- where a centre is facing demonstrated financial hardship;

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- where asset investment has been made or maintenance costs incurred that add value to the premises (particularly those that reduce costs to the Council).

In these circumstances all ECC will be considered on a case-by-case basis and any reductions will be negotiated with individual groups.

Clause 2

The policy will be effective from 1 July 2009 with the new rental determination provisions set out in Clause 1 effective from 1 July 2010

Where a centre faces a rental increase greater than \$500 p.a., as a result of renewing its lease the new rent will be phased in over a period of three years (i.e. one-third increase each year).

Clause 3

Leases will recognise particular circumstances such as asset investment. The Leases Policy for Community and Recreation Groups may apply in some part of those leases on reserve Land.

Clause 4

If there are reasonable grounds, the Council may seek early termination of a lease. The grounds where Council might seek to terminate a lease will be included in the standard lease agreement. Such grounds would include the following situations where the licensed ECE provider:

- becomes bankrupt or insolvent
- fails to maintain regulatory requirements e.g. license or charter requirements of the Ministry of Education
- is unable to meet the terms and conditions of the lease
- proposes to change its activity to one that is not supported by Council.

Before Council undertakes any action to terminate a lease, it will consider alternative solutions in discussion with the lessee.

Clause 5

The Lessee will provide to the Council annually pertinent financial information (reviewed or audited accounts), including the annual report of the trust or incorporated society.

Note that where an access-way to the leased area is shared between the public and a lessee, and the public specifically needs the access, the Council will have responsibility for maintenance of the portion of the access-way that is shared.

Clause 6

As a general rule, the prior written approval of Council is required before any work is undertaken on Council-owned buildings, vegetation or on the exterior of buildings owned by lessees.