

**Item 16.****Contract Variation - Child Care Management Agreement - Children's Services Community Management****File No: S059762****Tender No: 0921****Summary**

In 2009, the City sought tenders from not for profit child care providers to operate the City's work based child care centre, Chippendale Child Care. This service provides priority to City of Sydney employees to places in the service.

On 21 September 2009, Council approved Children's Services Community Management to operate and manage Chippendale Child Care and entered into a five-year agreement with an option for a further five-year term. On 7 December 2016, the City exercised the five year option. The five-year term is due to end 30 December 2021.

Under the contract the City pays a management fee - currently \$20,000 per annum, to manage and operate the service in line with legislation pertaining to education and care services and to provide City of Sydney employees with first priority to child care places. Currently, the take up by City of Sydney employees is at 23.8 per cent of enrolments.

On 21 May 2018, Community Early Learning Australia formally notified the City that Children's Services Community Management was no longer in a position to operate and manage Chippendale Child Care and were seeking to end the contract agreement by 21 August 2018.

On 22 June 2018, the City met with Children's Services Community Management to discuss a proposal for the continued operation of the Centre to December 2018. Details of the discussions and the options provided are provided in Confidential Attachment A.

This report recommends that Council accept the contract variation offer of Children's Services Community Management to operate Chippendale Child Care to 31 December 2018, with an option to extend the arrangement for an additional six months to 30 June 2019 should this be required to allow longer-term arrangements to be put in place.

## **Recommendation**

It is resolved that:

- (A) Council accept the contact variation offer of Children's Services Community Management for Chippendale Child Care for a period up to 31 December 2018, with the option of an extension of an additional six months if appropriate;
- (B) authority be delegated to the Chief Executive Officer to exercise the option referred to in clause (A), if appropriate, and negotiate the price to extend the contract accordingly; and
- (C) Council approve funding from the 2018/19 General Contingency budget, should the additional costs be unable to be absorbed through savings in the City Life operational budget for 2018/19.

## **Attachments**

**Attachment A.** Contract Variation Offer (Confidential)

## Background

1. In 2009, the City sought tenders for a not for profit child care provider to operate and manage the City's work based child care centre, Chippendale Child Care.
2. On 21 September 2009, Council approved Children's Services Community Management, a subsidiary company of Community Early Learning Australia to operate Chippendale Child Care and enter into a five-year agreement with an option for a further five years.
3. On 7 December 2016, the City assessed whether the five-year option should be exercised and agreed to award Children's Services Community Management with the next five-year term which is due to end on 31 December 2021.
4. The City's assessment found that the service was operating at near capacity over the first five years and the take up of places by City employees was between 25 and 30 percent of enrolled children per year. The Annual Reports showed that the service made a surplus three out of the five years and the deficit incurred in Year 1 and Year 4 was subsidised by Children's Services Community Management. During this time, the service also underwent Assessment and Rating against the National Quality Standards and received a rating of Exceeding National Quality Standards.
5. On 21 May 2018, Community Early Learning Australia formally notified the City that Children's Services Community Management was no longer in a position to operate and manage Chippendale Child Care and were seeking to end the contract agreement by 21 August 2018.
6. Upon receiving this notification, the City assessed options and associated timeframes for maintaining the ongoing operation of the centre. As part of this process, the City requested that Children's Services Community Management assess what assistance would be required to continue operations while a long-term plan was determined.
7. On 22 June 2018, the City met with Children's Services Community Management to discuss a proposal to provide Children's Services Community Management with the capacity to continue operation of the service until December 2018.
8. Confidential Attachment A provides details of the proposal and recommendations.

## Financial Implications

9. Additional funds are required for this project due to Children's Services Community Management's financial circumstances. Acceptance of the recommended option will therefore require Council to increase the budget, as detailed in confidential Attachment A. Funds may be sought from General Contingency if the additional expenditure is unable to be absorbed within City Life's operational budget in 2018/19.

**Relevant Legislation**

10. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
  - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
  - (b) prejudice the commercial position of the person who supplied it.
11. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

**Critical Dates / Time Frames**

12. Children's Services Community Management have identified, that they are unable to continue to operate Chippendale Child Care beyond 21 August 2018 if a suitable resolution is not reached.

**ANN HOBAN**

Director City Life

Irene Fakas, Manager Child and Family Services