

3. REVISED ARRANGEMENTS FOR SUPPORT OF EARLY CHILDHOOD EDUCATION SERVICES

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The purpose of this report is to inform the Council of changes to the rent subsidy method for early childhood education services which are supported through the Council's Early Childhood Education Policy and are being implemented as part of entering into formal lease agreements with the individual early childhood education services centres.

Background

Twenty-three not for profit, community managed/based early childhood education services (ECES) currently receive financial assistance from the Council through its Early Childhood Education Policy which was adopted in 1999. This assistance is in the form of either a rent subsidy or the provision of a Council-owned building on a rent-free or subsidised basis. Of these 23 ECES, 20 are in Council-owned buildings which are managed through the Council's Property Unit.

The current method of rent subsidy for ECES in Council-owned buildings is by an internal transfer of funds from the Community Relations Unit to the Property Unit for each building. The rent for each building is assessed at a market rental level in accordance with current Council policy.

Changes in Rent Subsidy Method

Officers from the Property and Community Relations Units have been working together, with the Principal Accountant, to implement a new rent subsidy method as part of entering into formal lease agreements with the ECESs. This new method is:

1. The Community Relations Unit will make a grant to each ECES which is in a Council-owned building, equivalent to the rent (minus GST) which is charged by the Property Unit.
2. The Property Unit will then invoice each ECES for the rent.
3. These payments will be set up as direct credits and debits with each ECES to minimise any additional work for their management committees, and to minimise any financial risk.

Officers have already met with representatives of most of the affected ECES to discuss and invite feedback on these changes. Advocacy Teams at each Service Centre have also been involved in the consultation process. The proposal has been generally well-received, and will be implemented in the next financial year.

The new rent payments are being incorporated into a new lease document for each ECE facility. The leases will be managed by the Property Unit, and will provide ECES with clear information about the responsibilities of each party, as well as some security of tenure.

Benefits of New Rent Subsidy Method

The new rent subsidy method has the following benefits:

- There will be greater transparency of the level of support to ECES from the Council for ECES management committees and their customers, because the amount of rent subsidy will now be shown in their annual financial reports.
- There will also be greater transparency for the Council and for ratepayers.
- There are no changes in the costs of any of the Council's outputs. The additional expenditure on grants is offset by the additional rental revenue received. However, it will result in additional corporate revenue in the year ended 30 June 2002 as these grants can be claimed as a tax deduction. The impact of this change on the ECESs will in fact be cost neutral.

Recommendation: That the Council confirm its requirement that a system of grants and leases as outlined in the report be put in place.