



Early Childhood Education & Care, Workplace Relations & Regulatory Compliance Specialists

Project Review: Crystal Brook Early Childhood Education and Care and Outside School Hours Care Facility Proposal

Part B: Start up and Operational Considerations

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It is our recommendation that the best model of governance for the start-up and ongoing management of the Crystal Brook Childcare Service will be an Incorporated Association. Given the dedication of the local community to the establishment of the service, we believe that the formation of this type of community-based management model will best sustain its success. There is an optimum opportunity to take advice and create an effective constitution, policies and procedures that ensure the organisation has minimum risk in terms of transparency and accountability.

It is our recommendation that serious thought is given to the make up of the inaugural and ongoing committee of the managing Association. The skills sets required to ensure success should be considered carefully and nomination of suitable candidates matched accordingly.

7.0 Reflecting the Community in the Development of the Ethos of the Setting

One aspect of the data collected from the most recent survey informs an important component of ensuring the success of this new setting within the community. Some consistent ideas were expressed by respondents which include the following,

- There is a desire for there to be a quality education service with experienced and qualified educators and teachers.
- The use of cloth nappies was another important issue for some respondents, and this will need to be managed carefully.
- That the centre should be a 'bush kindy' and have a natural outdoor environment and play space.
- Sustainability and interaction with the community, particularly with the aged care settings.
- Meals would be very desirable.
- Small group sizes for children.

Messaging about the quality of the program will be important, the commencement and induction processes will be crucial to the centre's success. The National Quality Framework (NQF) governs all aspects of education and care settings for young children in Australia. This includes law and regulations, an educational framework, an assessment and rating system, and standards which govern daily practices. The desires and concerns expressed by the community in the survey should easily be met

by the NQF, but consistent and strong messaging for families will be necessary to demonstrate that their desires are already an expectation with the system.

8.0 Costings and Operational Factors to Consider

8.1 Current Community Need.

The CBCWG have provided valuable and concise information regarding current community demand that we have adopted as a base line of utilisation for developing preliminary operational and establishment costs.

In addition, the following statistical information has been sourced from the 2016 Australian Bureau of Statistics and other sources in relating to relevant factors in Crystal Brook.

8.2 Population

There are 1,515 people living in Crystal Brook, children aged 0 – 14 made up 18.9% of the population, of these there were 88 children aged birth to 4 (6.3%). Comparison of census data from 2011 – 2016 shows a modest increase in population.

8.3 Regional Cost and Availability of Education and Care Settings

There is no childcare available for children under the age of 3 in Crystal Brook. The Department for Education Kindergarten is full. An OHSC service is operated out of the school. In Port Pirie which is a 1 hour or 60kms round trip by car, has some places available in 2 childcare settings, but there are no spaces in the other services there that includes a FDC (family day care), Pre-school and Kindergarten. The Kindergarten in Gladstone has no vacancies and there is a FDC and Rural Care Pre School in Laura that have no vacancies. Many families in Crystal Brook currently drive the 50 kms/40-minute round trip twice a day to Laura to access the FDC and Rural Preschool there. The cost of Kindergarten in the region ranges between \$320 - \$356 per year for 15 hours per week during term time. The Care for Kids website states that the average cost for childcare locally ranges between \$94.59 - \$111.00 per day. The average cost of OHSC in the region is \$20 per session for BSC, \$25 for ASC and \$65 for Vacation care.

8.7 Development Pipeline

There are currently 0 known centres under construction and 0 development applications/approvals in the area.

9.0 Projected Occupancy

Based on the survey results in April 2021 there will be 55 children eligible for OHSC services in January 2022, with an interest identified for all services. There are 80 children identified as requiring care and 14 children expected to be born in 2021. There is an established need for at least 191 childcare places across the week which when averaged equates to verified demand for a 38-place centre.

Table 2 - Projected Occupancy

For the purpose of modelling, the authors are basing costs on the following projected enrolments.

Long Day Care	Age Group	Mon	Tues	Wed	Thus	Fri
	0 to 2	12	12	12	12	12
	2 to 3	15	15	15	15	15
	3 +	11	11	11	11	11

OSHC Program		Mon	Tues	Wed	Thus	Fri
	BSC	5	5	5	5	5
	ASC	11	11	11	11	11
	Vacation	11	11	11	11	11

10.0 Factors Influencing Operational Income and Costs

To calculate the projected income of the proposed service we have also taken the following factors into account.

1. The above figures have been developed from data provided by the working group taking into account the children's ages as at January 2022 being an estimated date for the service to commence operations.
2. Long Day Care will operate between the hours of 7:00 am and 6:00 pm and between Monday to Friday inclusive for 50 weeks a year allowing for an annual shutdown.
3. OSHC services will operate between 7:00am and 9:00am for Before school care, 3:00pm and 6:00pm for After school care between Monday and Friday inclusive during school terms.

NOTE 1: *before school may be an option however data is not available to distinguish between morning and afternoon demand. In a majority of cases nationally morning OSHC is often not more than 20% of afternoon OSHC demand and likely not viable. Demand could be assessed once the service is operational.*

NOTE 2: *If long day care children are present at the service when school age children are attending, the child to staff ratio applicable to the youngest child in care will apply if the group is mixed. In the calculations we have not allowed for a mixed group.*

4. Vacation Care will operate between 7:00am and 6:00pm and between Monday and Friday inclusive during school holidays.

NOTE 1: *If long day care children are present at the service when school age children are attending, the child to staff ratio applicable to the youngest child in care will apply if the group is mixed. In the calculations we have not allowed for a mixed group.*

11.0 Operational Income

To calculate the operational income of the proposed service, we have used the potential enrolment figures provided by the working group (**Table 1 A&B**) to create the projected occupancy (**Table 2**) and applied the working groups service charges (**Table 3**) developed based on similar services in Crystal Brook and surrounding communities.

The calculations have been applied over a 12-month period taking into account childcare operating hours, OSHC during school terms and Vacation Care during school holiday periods as set out in (**Table 4**).

Please note that for calculation purposes, gazetted school terms and vacation periods for 2022 has been used.

Table 3 - Charges Rates for Calculation Purposes.

Type Of Care	Unit Price	Period Of Care
Long Day Care	\$ 100.00	Per child per day
BSC	\$ 20.00	Per child per session
ASC	\$26.50	Per child per session
Vacation Care	\$ 66.00	Per child per day

Table 4 - School and holiday and terms in 2022 as the test date period.

Date	Classification	Period	Type
3 January to 28 January	Holiday Period	4 weeks	LDC & Vacation Care
31 January to 14 April	Term 1	11 weeks	LDC & OSHC

18 April to 29 April	Holiday Period	2 weeks	LDC & Vacation Care
2 May to 8 July	Term 2	10 weeks	LDC & OSHC
11 July to 22 July	Holiday Period	2 weeks	LDC & Vacation Care
25 July to 30 September	Term 3	10 Weeks	LDC & OSHC
3 October to 14 October	Holiday Period	2 weeks	LDC & Vacation Care
17 October to 16 December	Term 4	9 weeks	LDC & OSHC
19 December to 30 December	Holiday Period	2 weeks	LDC & Vacation Care

Table 5 - Gross Operational Income

Area	Weeks of Service	Attendance per week	Session Charge Rate	Annual Income
BSC	40	25	\$ 20.00	\$20,000
ASC	40	50	\$ 26.50	\$53,000
Vacation	10	50	\$ 66.00	\$33,000
LDC	50	190	\$100.00	\$950,000
TOTAL COMBINED ESTIMATED INCOME				\$1,056,000

12.0 General Comment on Building Footprint and Room Numbers.

To build a service that caters for the current demand only would be short-sighted and not cost effective. Neither would it be practical to build a service that will never fill up.

A practical approach must be adopted in determining the capacity of the service and cost efficiency in concert with the community's current demand.

Early childhood education and care centres in particular, due to their high staff to child ratio requirements, must maximise the number of children in care relative to child to staff ratios. For example, providing care for an extra child who brings in an additional \$500 per week in income is not practical if the addition of this child also means that an extra staff member must be engaged at a cost of \$1,100 per week.

13.0 Building Configuration Considerations

13.1 Space Requirements - Indoor

3.25 square metre of unencumbered indoor play space per child.

The unencumbered indoor space at the education and care service premises should be provided in accordance with regulation 107 of the National Regulations.

In calculating the area of unencumbered indoor space, the following areas are excluded:

- any passageway or thoroughfare (including door swings)
- any toilet and hygiene facilities
- any nappy changing area or area for preparing bottles
- any area permanently set aside for the use or storage of cots
- any area permanently set aside for storage
- any area or room for staff or administration
- the area of a kitchen (unless the kitchen is primarily to be used by children as part of an educational program provided by the service).
- any other space that is not suitable for children.

13.2 Space Requirements - Outdoor

7 Square metres of unencumbered outdoor play space per child.

The unencumbered outdoor space at the education and care service premises should be provided, in accordance with regulation 108 of the National Regulations.

In calculating the area of unencumbered outdoor space required, the following areas are to be excluded:

- any pathway or thoroughfare, except where used by children as part of the education and care program
- any car parking area
- any storage shed or other storage area

- any other space that is not suitable for children.

NOTE: Maximum capacity of children attending the service will be limited in particular by the unencumbered indoor floor area when the OSHC children arrive in the afternoon when a full complement of LDC children are present.

In regard to design, keep in mind that the area of a veranda may be included in calculating the indoor space only with the written approval of the Regulatory Authority. A veranda that is included in calculating the area of outdoor space cannot be included in calculating the area of indoor space (regulations 107(4) and (5)).

14.0 Estimated Building, External Play Scape, and Internal Fit Out Costs

Based on the current demand and sector established costs, we can provide the following estimates for Building Envelope and Start Up / Fit Out of a 38 place Early Childhood Education and Care (ECEC) Service.

Please note: the figures provided in **(Table 6)** have been adjusted to allow for the addition of an OSHC and Vacation Care services, 10 places (therefore 48 places overall).

Fit out costs for a newly built ECEC service can be broken down in the following general areas. This list however is a guide and not exhaustive and the figures quoted indicative. Cost estimates are calculated on the average of the estimated price range per licensed place.

Table 6 - Building, External Play Scape and Internal Fit Out

Area	Estimated price range per licensed place	Average Cost estimates
Building Envelope - in compliance with applicable Building Code and compliant with the Education and Care Services National Law and Regulations as applied and varied in South Australia.	\$ 9,500 - 11,700	\$ 508,800

<ul style="list-style-type: none"> • Food prep area to required legislated standard • Nappy change, additional plumbing and bathroom requirements, • Disabled access and council approved car parking provision 		
External play scape - climbing structures and swings, Sand pit, water play and craft facilities, storytelling/performance spaces and general landscaping	\$ 3,000 - 3,500	\$ 156,000
Children's loose play equipment - Indoor and Outdoor - moveable	\$600 - \$800	\$36,600
Children's Furniture - tables, chairs, cots, bedding, shelves, high chairs, collage trolleys	\$525 - \$575	\$26,400
Soft Furnishings - carpet mats and cushions, sheets and blankets (all major flooring hard and soft should be included in the build costs)	Estimate Only	\$4,000
Art and Craft - Materials, paints, brushes, sculpting materials	\$50	\$2,400
Baskets and Storage - Baskets for toys and equipment, outdoor shed storage and racking, fridge baskets, bottle prep baskets, nappy change baskets.	Estimate Only	\$4,000
Office and Stationery - drawer inserts, binding machine, paper products, pens, sorting trays, office chair.	Estimate Only	\$3,000
Cleaning and Paper Products - mops, buckets, bins, paper towel dispensers, paper towel, hand soap dispensers and hand soap,	Estimate Only	\$5,000
White Goods - washer, dryer, commercial Fridge / freezer, Cook top, Oven, microwave, bottle warmers, baby monitors, commercial dishwasher, vacuum cleaners, blower vac, laminating machine	Estimate Only	\$35,000
Kitchen Equipment - food processor, stick mixers, blenders, food probes,	\$160 - \$200	\$9,120

saucepans, plates, cups, utensils, containers, mixing bowls, baking pans and dishes.		
IT Infrastructure - photocopier, desktop computers, laptops, Ipads, cameras, TV's, CD players, iPod docking stations or Bluetooth speakers.	Estimate Only	\$18,000
Indoor Plants - Plants and pots for communal areas and within playrooms and external experiential vegetable garden.	Estimate Only	\$2,500
Reception, Staff Room, Office Furniture and built in storage cupboards – Foyer lounge, tub chairs, desk chairs, dining table and chairs, art work and prints.	\$650 - \$700	\$32,400
Estimated Costs for Building, External Play Scape and Fit Out		\$ 838,220
Specific Exclusions – Air Conditioning units, enrolment materials (children's shirts, hats or bags), staff Uniforms, window treatment and blinds, Approval and License fees, signage, marketing materials, website, site costs, utility connections, council fees and parking.		

Refurbishment Costs

Our benchmarking has established that the median average expected price for an indoor refurbishment is approximately \$10,000 per licensed place. What is problematic about refurbishment is the unknown's that can occur that can increase costs up to at least 30%. Sector wisdom suggests that it can be much simpler and more desirable to simply start fresh with a new build, enabling purpose built and contemporary design and minimise the risk of costly unknowns. Additionally play spaces can cost in range from \$50,000 – \$500,000 to establish. One of the acknowledged benefits for this community is that there is motivation, historical evidence and the equipment and manpower available for a community action to provide much of the requirements for an outdoor play space.

15.0 Operational Costs

Operational Cost for services can be broken down to 6 main areas of expenditure and surplus. Due to the highly regulated and consistent operational structures of

ECEC services nationally, operational structures and costs vary very little between services.

The following Table 7 provides indicative percentages for a service between 29 and 45 places with the corresponding amounts calculated on the estimated income at Table 5 of \$950,000.00. (Note: this figure excludes potential OHSC income at Table 5B)

15.1 (Table 7) - Estimated Operational Costs

Cost Area	Percentage of Gross Income	\$
Staff Cost - Wages, superannuation, insurances and educator development and training	67%	\$ 636,500
Rental Costs – Rent? outgoings, Occupier building maintenance (amount quoted is average commercial rate)	10%	\$ 95,000
Repair/Maintenance/Replacement of equipment, and fixtures	3%	\$ 28,500
Resources and Educational Tools - Purchase and or replacement of resources used for educational purposes	6%	\$ 57,000
General Administration Overhead - Licensing CCS operational cost, book keeping, accounting and auditing, subscriptions and variance	4%	\$ 38,000
Operational Surplus	10%	\$ 95,000
ESTIMATED INCOME FROM (TABLE 4)		\$ 950,000

Cost Area- Based on 100% Occupancy	\$- Estimate
Catering LDC per child/per day	\$ 3.00 per child/ per day
Catering OOSH per child/per day	\$1.50 per child/per day

Cleaning LDC and OOSH	\$ 950.00-\$1,000.00 per month
Nappies, Wipes, Toilet Paper etc	\$ 1,500.00 per month
General consumables- LDC (sunscreen etc)	\$ 250.00 per month
General consumables-OOSH (sunscreen etc)	\$ 150.00 per month

15.2 Staffing Costs

The below tables set out staff costs in each area of operation based on regulatory child to staff ratio requirements and occupancy estimates at Table 2. All wages are set at the highest rate for each level of staffing as at July 2021. The authors have provided for a cook in the following calculations as per the requests in the 2021 Survey.

Table 7 - Long Day Care Staffing Requirements

Room	Ratio	Staff	Qual	Status	Hours	Rate	Annual
Nursery	1:4	3	Diploma	FT	38	28.73	\$ 56,770
			Cert III	FT	38	26.66	\$52,680
			Cert III	FT	38	26.66	\$ 52,680
Toddler	1:5	3	Diploma	FT	38	28.73	\$ 56,770
			Cert III	FT	38	26.66	\$ 52,680
			Trainee	FT	38	18.58	\$36,714
3 – 5 year old group	1:11	2	Teacher/Director	FT	38	44.11	\$ 87,161
			Diploma	FT	38	28.73	\$ 56,770

Support		1	Trainee (Float)	FT	38	18.58	\$ 36,714
Kitchen		1	Cook	PT	35	23.67	\$ 46,771
Sub Total							\$ 535,710

Table 8 - OSHC Staffing Requirements

Room	Ratio	Staff	Qual	Status	Hours	Rate	Annual
BSC	1:14	1	Cert III	PT	15	26.66	\$ 15,996
ASC	1:14	1	Cert III	PT	25	26.66	\$ 26,660
Calculated on 40 weeks Sub Total							\$ 42,656

Table 9 - Vacation Care Staffing Requirements

Room	Ratio	Staff	Qual	Status	Hours	Rate	Annual
OSHC	1:14	1	Cert III	FT	38	26.66	\$ 10,130
Calculated 10 weeks Sub Total							\$ 10,130

* The staffing costs for OHSC may vary according to attendance, the figure provided is a basic minimum.

Table 10 - Total Staff Costs Including Insurance, Superannuation and On-Costs

Service Area	Direct Gross Wages	*On-Costs (28%)	Staff Costs
LDC	\$ 535,710	\$ 149,998	\$ 685,708
Total Cost Per Year			\$ 685,708

Service Area	Direct Gross Wages	*On-Costs (28%)	Staff Costs
BSC	\$15,996	\$4478	\$20,474
ASC	\$ 26,660	\$ 7,464	\$ 34,142
VAC	\$ 10,130	\$ 2,836	\$ 12,966

Total Cost Per Year	\$ 67,564
Total Combined Cost Per Year	\$753,272

***On-Cost** - On costs include insurances for professional indemnity, workers compensation, superannuation, casual leave cover, long service leave obligations, personal leave, parental leave flexible working arrangement variations and staff training.

Staff overheads generally sit at 65 – 70% of operational income in Community Sector Services. The figures used to calculate wages are based on maximum wage rates and staff hours are conservative leaving an acceptable margin for variance

15.3 Rental Costs

An allowance of \$2,500 per place per annum as listed in Table 7 is almost at commercial rate for services in metropolitan Adelaide. Based on lease back arrangement's currently in place with the South Australian Department for Education and other service providers, the allowance amount far exceeds the departments usual arrangements. The allowance for rent is at commercial level and far exceeds need. See notes on table.

15.4 Repair, Maintenance and Replacement

Being a new construction and fit out, it is unlikely the that amount allocated of \$ 28,500 per annum will be significantly impacted for 3 to 5 years. Forward planning demands that within the 6 months of operation, a schedule of maintenance and redundancy be developed both for the facility and operational equipment including external play scape. The amount allocated may have to be adjusted as the service ages and high demand maintenance and repair areas are identified.

15.5 Resources and Educational tools

Equipment breaks, books tear, parts of puzzles are lost, and all manner of broader educational equipment and resources need constant repair or replacement. The

amount may have to be adjusted relative to operational need as the service develops but at present the amount allocated should be more than sufficient

15.6 General Administration.

The amount allocated should be more than sufficient to meet the administrative operational needs of the service.

15.7 Operational Surplus

One of the first tasks to face the organisation will be to determine how much surplus it intends to retain for “just in case” need and what projects and developments will be planned so that surplus can be reinvested in the service to improve outcomes for children and families in the Crystal Brook community and region.

16.0 Recommendation on Models and Sites

Our financial modelling has reflected a cautious approach, using a modest calculation on enrolment of children and the highest level on costings for staffing which is the most expensive outgoing for any Early Years Education and Care setting. Our conclusion based on the data provided by the CBCWG is that once established a centre-based service for children aged birth to 5 in Crystal Brook, has the potential to be successful and financially viable. What needs to be considered now is which site and model to pursue. Each site has its advantages and challenges. The major consideration for the community will be cost, not only regarding the building or refurbishment of a site but the leasing arrangements available from each managing organisation, the cost and length of lease is to be considered carefully as well as start-up options e.g., initial rent-free periods and exit strategies in the event the service closes in the future. Space available is also a major consideration, our modest calculation of a 38-place service would see the need for 123.5 Sq metres of unencumbered internal space and 266 Sq metres of external play space. If OHSC places or additional birth to 5 places are to be added to the service, then additional space will be required.

17.0 Next Steps

- Creation of the entity to manage the project and ongoing and formalise the committee.
- Employment of a suitable person to manage the project.
- Commence formal waitlist to enable accurate financial and operational modelling.
- Identify sources of start-up capital.
- Investigation of lease arrangements with the hospital administration and SA Health, the school and Department for Education, and the Arch Diocese of Port Pirie.
- Investigation of structural suitability of the old boarding house and measurement of spaces of all sites.
- Tender process for refurbishment and new build options.

18.0 References

ABS Statistics 2016 website

http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC41104

ACECQA Website

<https://www.cecqa.gov.au/resources/opening-a-new-service>

Aged Care Online Website

<https://agedcareonline.com.au/2020/08/Child-Care-in-Aged-Care>

Care For Kids Website

<https://www.careforkids.com.au/home/childcarecosts>

19.0 Appendix

Appendix A – see attached, All survey responses 2021

Appendix B - see attached, Summary of data survey 2021

DJMIR

A handwritten signature in blue ink, appearing to read 'D. Morphett', with a stylized, flowing script.

David Morphett
Director

Personal Declaration - My ancestry is connected with the Weliwan people of North Western NSW who continue to live and gather with other tribes at Balame's Ngunnhu in modern day Brewarrina, and have done so for over 40,000 years. It is with deep respect and appreciation I acknowledge the elders of all tribes both past and present and the valuable guidance, contribution and personal sacrifice they have made to honour and protect our countries ancient culture and heritage.

DJMIR – (the Authors)

DJMIR Advisory Services has been providing sector specific support to early years education and care providers for over 20 years.

We provide advice, training, information and services for general human resources management, workplace relations, regulatory compliance, governance and business and strategic planning and development exclusively for the early years education and care sector.