



Business Case

Tom Price
Childcare Centre Facility
January 2020

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1. Organisation Details

Organisation	The Shire
Organisation Type	Local Government
Core Business	Provision of services to local communities and ratepayers
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2. Executive Summary

The Tom Price Childcare Centre project entails the design and construction of a purpose-built facility to meet the long-term childcare and out of school care needs of the Tom Price community.

Current childcare services are offered from two buildings that were converted from single persons accommodation owned by Rio Tinto. The facility is no longer fit for purpose or able to meet the current demand (currently offers 43 places for long day care and 20 places for after school care).

A demand assessment report completed by Community Childcare Cooperative NSW in collaboration with CRED determined that the current, long-term demand for childcare is 73 full-time long day care and 25 after-school care places. The delivery of the new purpose-built facility will build capacity for the provision of a greater number of childcare places as well as flexibility of operating models, better facilities for staff and support for Tom Price families.

The Childcare Centre is considered a critical priority for the Tom Price community and stakeholders for a number of reasons. The shortage of childcare places means that less than half of the full-time childcare needs of the town are being met. Secondly, the existing childcare facility has reached the end of its functional life and is restricted in its ability to meet changing health, building and childcare regulations.

The remote location of Tom Price means that there are little or no informal childcare options that are offered in a 'normal' community. This includes options such as grandparents, other family members, nannies and babysitters. This has a great effect on the support offered to families, and has been noted as a factor for the transient nature of the town's population. Offering a modern, purpose-built facility with a greater capacity will attract and retain families that require this support.

The facility will also support parents that wish to enter the workforce in some capacity but are unable to do so because of the lack of childcare options currently available. The after-school care in particular will support parents who may undertake shift work as part of their employment, provide emergency or critical services, or wish to undertake further study or further their work commitments.

The proposed location for the Tom Price Childcare Centre was endorsed by Council at the April 2018 Ordinary Meeting of Council as Lot 400 South Road.

3. Project Scope and Evaluation

3.1. Project Purpose

The purpose of the Tom Price Childcare Centre is:

1. To provide a quality, compliant childcare facility for the Tom Price Community; and
2. To increase the capacity of the community by providing additional childcare services.

Tom Price is located approximately 1461km north-east of Perth in the Pilbara Region of Western Australia in the municipality of the Shire of Ashburton (the Shire). Tom Price was constructed in 1966 as one of many Pilbara Towns specifically constructed to house and service the mining employees of Hamersley Iron.

The estimated resident population of the Pilbara region has remained relatively stable over the last few years and is largely attributed to the stabilising of resource sector developments.

According to the Australian Bureau of Statistics [ABS] Tom Price had a population of 3005 persons on the 2016 Census night. Of this, 30.6% were children aged between 0-14 years as compared to the Australian average of 18.6% for this age group. This skew largely results from the lure of high income for young workers (20-40) in the resources sector. Typically this group spends a large part of their childbearing years in the Pilbara and so the percentage of children under 14 is high.

The median age of persons in Tom Price was 31 years as compared to the Australian average of 38 years. There were 686 families identified, of which 60.5% were families with children.

ABS Census data shows that from 2011 to 2016, the Shire had one of the highest population turnover rates in Australia. Thus, demonstrating the high turnover of employees, families and individuals to the Pilbara region as a real and ongoing issue for decision makers, business and government initiatives.

The distance of Tom Price being some 1461kms north-east of Perth is regarded as a significant factor for many families and individuals choosing to return to the metropolitan area. One of the primary reasons being the distance from family and friends and the geographic isolation of the town.

The need for an appropriate childcare centre in Tom Price is further increased with the lack of grandparents or extended family and friends who may provide informal support to enable the primary carer to return to paid employment. There is also the matter of increased mental health issues with parents feeling isolated from support networks such as family and friends or for general respite purposes to have a break, attend doctor's appointments and the like.

The nature and impact of shift work on families in Tom Price results in fewer opportunities for flexibility in the workplace to provide care or even shared care for children.

It is widely acknowledged that the high costs of housing and lack of availability is currently a serious impediment to attracting new residents to the Pilbara, particularly those working outside of the resource sector. The result of the high cost of living and the reduced quality of life such as inadequate community facilities impacts on the attraction and retention rates of skilled and unskilled labour.

Unfortunately, those people with a lower than the median weekly wage are generally employed in either small business and not for profit sector, and even government related services, are not generally entitled to housing or a housing allowance to offset the high cost of housing. Therefore the need for both parents to be engaged in full time employment is imperative to continue to reside in Tom Price and the Pilbara region as a whole.

3.2. Funding

The Shire has allocated \$1.79 million while Rio Tinto has provided conditional commitment (subject to alignment on the proposed project principles between the parties) to contribute \$4.96 million toward capital costs of the project.

3.3. Project Description

Design and construction of a purpose built childcare facility to meet the long-term childcare and out of school care needs of the Tom Price community.

The Project addresses a critical priority for the Tom Price community and stakeholders for a number of reasons. The shortage of childcare places means that less than half of the full-time childcare needs of the town are being met.

Secondly, the existing childcare facility has reached the end of its functional life and is restricted in its ability to meet changing health, building and childcare regulations. The new facility will provide the following components:

- A legislatively compliant childcare facility;
- Air conditioned spaces throughout the facility, with individual override controls to allow for expansion and contraction in the utilisation of the service;
- Designed for optimal energy efficiency and the environmental conditions in mind;
- Acoustic design throughout the centre to control noise between rooms;
- Large open internal space to accommodate participants in group activities, and provide sun smart play space;
- Diversification of design to allow adequate space for all childcare programs to be hosted in the facility including parental seminars and training;
- Sun Smart garden and play area for children to undertake outdoor play;
- Designated rooms to separate age groups as required;
- Designated after school area with external play facility;
- Secure facility and yard area;
- Safe and accessible parking; and
- Compliant disability access and sanitary facilities.

3.4. Background

3.4.1. Project History

The existing Tom Price childcare providers Little Geckos operate from two buildings that were converted from single person's accommodation and licensed up to 63 places (43 Long Day care and 20 out of school care) for the purposes of childcare. Although the facility is licensed by the Education and Care Regulatory Unit it operates under many exemptions to allow sustainability of the service.

Rio Tinto has contributed funding to the provider for more than 20 years and despite this, there have been numerous issues with the sustainability of the service due to the constraints around expanding the operational capacity of the service, combined with non-compliance issues resulting from the building setup.

In May 2011, the Shire engaged the services of Creating Communities Australia Pty Ltd to complete a study for a proposed redevelopment of the Nintirri Neighbourhood Centre (includes Little Geckos) and the Tom Price Youth Centre. The study aimed to look at community service organisations more holistically to see what synergies were evident by combining the projects. The resolution of inadequate childcare places was deemed to be the highest priority out of the report.

In October 2015, Community Childcare Cooperative (NSW) in partnership with CRED were engaged to further investigate the demand for childcare services in Tom Price. The assessment focused on the Tom Price community as a whole rather than the specific Rio Tinto workforce, and considered the number of places necessary to meet demand for long day care and out of school care at that time, as well as future demand. Based on a population estimate of 3000 people, the high level estimate for childcare at that time was 96 places (73 long-term and 25 out-of-school). Refer to Attachment 3: 'Tom Price Demand Assessment', CCCC Ltd (NSW), January 2016.

The population in Tom Price has remained relatively static since the report by CCCC (NSW) was provided, therefore the initial demand assessment has been reviewed by the Shire.

In 2016, CODA (commissioned by Rio Tinto) undertook a study to identify the options of increasing the childcare capacity in Tom Price. The study looked at three main options being to upgrade and refurbish the existing childcare facility (Option 1), to upgrade and refurbish the neighbourhood centre for the purpose change to childcare (Option 2) and a new purpose built facility (Option 3).

The report was reviewed by the Partnership Governing Committee through the Community Infrastructure and Services Partnership (CISP) and both option 1 and 2 were not considered 'value for money' as they would not provide an increase of childcare places required to meet the current demand of the community. Rather the preference to construct a new purpose built childcare facility was proposed by the Partnership Governing Committee.

In July 2017 a Memorandum of Understanding (MOU) was executed by the Shire and Rio Tinto Iron Ore (RTIO), to continue the Community Infrastructure and Services Partnership for a further five years. The Partnership continues to aim for the parties to work together to revitalise existing and develop new civic, sporting and community facilities and programs in the towns that Rio Tinto has a significant presence (Paraburdoo, Tom Price and Pannawonica). The MOU provides an engagement framework and CISP which details the projects that are the focus of the partnership.

The Tom Price Childcare Centre was identified as the highest-priority project in the renewed CISP, and under the terms of the MOU the Shire is responsible for project management, delivery and ownership of the proposed centre. The new facility, with increased services, is essential to supporting the families of workers who live residentially.

3.4.2. Project Needs Analysis

In March 2016, the Shire engaged Community Childcare Co-Operative (NSW) and CRED Community Planning to undertake a demand assessment for childcare needs in Tom Price. The demand assessment identified the current and future demand for childcare services and ancillary services such as out of school hour's care within Tom Price and surrounding areas.

In 2014, 30% of all children aged 0 to 5 years were enrolled in childcare services in Western Australia. On average, children in Tom Price need around 0.6 places per child (as most children only use care part-time).

Therefore, utilising the benchmark of 30% of all children in Tom Price needing on average 0.6 places per week, there is demand for a total of 78 childcare places. The current childcare

providers Little Gecko’s facility has provision for 43 long day care places and 30 out of school care places, indicating a conservative undersupply of approximately 35 childcare places. This identified gap is further supported by the online survey outcomes where parents identified a lack of places as the main reason they can’t access childcare.

There is a need for increased places for children aged 0 to 5 years but as a priority, places for infants under 2 years of age. Parents commenting that they could not get a place at existing childcare providers Little Geckos despite being on the wait list since before their child was born. At the time the study was undertaken there was 23 children on the wait list for infant places at Little Geckos (the highest number of children by age group on the wait list). Children aged 0 to 2 years increased by 44% between 2006 and 2011 representing 60% of the total increase of children aged 0 to 5 years.

There is a need for more flexible care to meet the needs of shift workers but also to give parents periodic breaks. For partners of shift workers, the feeling of isolation and loneliness is prevalent, so being able to access one day of care occasionally is important. For workers who change shifts on different weeks, flexibility with care arrangements must be considered.

There are opportunities to streamline delivery of childcare services in Tom Price through combined service delivery with the Paraburdoo Childcare Centre. This would allow sharing of Staff and training while possibly supporting better outcomes for local families.

3.4.3. Project Approvals

Table 1 Project Approvals

Approval/Permit	Description
Planning	An application for Development Approval will be submitted upon receipt of the schematic designs, expected to be by June 2020
Funding	Secured (Conditional)
Tender Award	Appointment of the successful Tenderer with Council approval after a formal tender process
Building	Building Approvals by the successful Tenderer

3.5. Remote Regions Policy Outcomes

3.5.1. Economic Benefit

Improved childcare services will reduce overall labour turnover by adding to local amenity. In addition to this, there is the intangible benefit of the opportunity for the primary care giver to work, which results in a more balanced family structure and adds further to the stability of the workforce and the community at large.

Childcare allows the primary carer the opportunity to re-enter the workforce thus increasing the size of the local labour force without the need for additional housing. This has direct productivity and cost saving benefits, and in fact, the resource industry places a value of \$1 million on every childcare place that results in additional employment.

The Pilbara Plan identified that the provision of 575 childcare places across the Pilbara at a cost of \$69 million will result in a \$144 million over ten years in productivity gain to the resource industry with a \$14.4 million annual reduction in labour turnover costs.

Labour turnover has also been costed by the Pilbara Plan. In terms of continuous recruitment, induction and training process but also in lost knowledge and operational downtime. Current estimates of labour turnover across the Pilbara are in the vicinity of 20% per annum compared with a national average of just 11%. In dollar terms, data suggests that the annual cost of replacing lost staff across the Pilbara is at least \$506million and as much as \$1.02 billion each year. This includes an estimated \$250 million in lost productivity each year. Therefore the investment in the provision of quality childcare infrastructure and services will greatly attribute to the reduction in labour turnover and reducing current productivity levels and financial losses.

The use of local suppliers and goods are promoted through the design and construction tender through the Shire's Policy, FIN04 Buy Local – Regional Price Preference. The purpose of the policy is to promote local business partnerships within the Shire by giving preferential consideration to local suppliers when considering the provision of goods and services. The Shire's FIN04 forms part of the Shire's tender evaluation process

The National Quality Standard - ACECQA specifies the minimum number and the classification levels of contact staff required to supervise enrolled children attending the childcare service. The increased number of childcare places for the proposed new facility will result in the need to increase staffing levels to be compliant with legislation. With an increase of up to 33 places (96 in total) is expected to require a total workforce of 19 full time equivalent employees to deliver the service post construction.

Indirect employment: access to diverse employment opportunities for the primary caregiver to return to meaningful employment is expected to be the outcome of the creation of additional childcare places in Tom Price. With local business and government departments (such as teachers, police and medical professionals) experiencing significant difficulties in attracting staff. The provision of quality community infrastructure and supporting services will assist in attracting employees to choose to live and work in Tom Price and nearby communities.

The long term sustainability of the Pilbara is depended on value adding to the existing economic activity and industry. Childcare assists the local community, business and resource companies with necessary supporting infrastructure and services that are needed to attract and retain employees to the Pilbara such as restaurants, accommodation and retail facilities.

The difficulties experienced in the Pilbara are not irreversible. If the workforce is stabilised and living costs in the Pilbara are lowered by investing in economic and social infrastructure, productivity will lift, labour turnover will dramatically reduce, and the cost of economic and social services will decrease. Attraction and retention of staff can be ameliorated if living conditions are improved through the provision of better facilities and services for residents. Retention of families within the region can be assisted through provision of additional childcare places allowing caregivers to enter the workforce.

Due to the education requirements mandated by the National Quality Standards a unique opportunity exists to implement school based trainee programs as well as providing an educational opportunity to primary caregivers to obtain meaningful education and employment.

3.5.2. Social Benefit

Families form an important part of the local community. The strength of social capital within communities has been evidenced as having a significant impact on individual, family and community wellbeing as a whole. Social capital refers to the ability of individuals and families to feel part of the community that they belong, it assists with civic pride and participation, and can lead to shared values and formation of friendships and support networks.

Liveability can be defined as the quality of life as experienced by the residents within a community. Liveability in the broad sense refers to accessibility to infrastructure; food; clean air; affordable housing; meaningful employment and social space. Liveability is underpinned by the principles of equity, participation, diversity, connectedness and good governance.

The significance of family in a community is recognised by various government departments and agencies with the development of a wide range of policies and programs directed at supporting families. Families form a large proportion of the population residing in Tom Price.

Therefore the ability to increase social capital and the liveability of the local community must be directed towards investing in programs and services that support and promote “families” and sustains economic and environmental considerations.

The construction of the Tom Price childcare centre and increased provision of childcare aims to support and enhance the liveability of families residing in Tom Price.

Childcare offers a long term benefit to the community and is therefore a primary driver in the sustainability of a community. Sustainability by definition refers to meeting today’s needs without compromising the needs or ability of tomorrow’s needs.

The childcare industry in general is notorious for the turnover of staff. This is especially evident in the Pilbara region where other employment opportunities appear to more attractive with the allurements of higher paid wages and conditions. The construction of a brand new purpose built fully compliant facility with access to new resources and equipment, etc. will provide an attractive working environment, contributing to the reduction in the turnover of staffing levels.

The importance of investing in good quality early childhood care and education from birth to five years is widely recognised. Research shows that positive educational experiences in these early childhood years can have lifelong impacts on health, learning and behaviour.

Good health brings social and economic benefits to individuals, their families and the wider community. In relation to Tom Price good health also extends to good wellbeing of children and in particular their families. With a lack of extended family residing nearby and the geographical isolation of the town, the need to build formal and informal relationships and support networks is crucial to the length of tenure a family stays in town.

The availability of childcare is a primary service that most families seek when considering relocation to a regional community such as Tom Price. This is directly driven by the fact that families relocating to a new town where extended family are not accessible and the formation of social networks have not yet been established.

Although Tom Price has a childcare centre currently, the converted single person’s accommodation is not compliant to the legislation or fit for purpose and is currently operating at capacity with a significant waitlist.

The Pilbara Development Commission (PDC) has identified access to quality childcare in the Pilbara as critical to the long term sustainability of the region. There is need to increase the amount, quality and availability of childcare to support families, broaden employment choices and attract and retain skilled workers in the region. The PDC is taking a lead role in working with relevant stakeholders to identify strategies to address the issues impacting childcare in the Pilbara.

A demand assessment was conducted by Community Childcare Co-Operative and CRED in 2016 for the Shire to understand the need for childcare in Tom Price. A survey and community consultation was undertaken as part of this process. Due to the time elapsed since this report was commissioned the Shire undertook an independent review of current childcare utilisation and confirmed the need for childcare has steadily increased since 2016. The waitlist remains high with some children remaining on the waitlist of in excess of two years for a childcare place to become available.

3.5.3. Project Delivery

The Shire has extensive experience in managing projects of similar size or larger over many years. The remote location of the Shire and unique operating environment creates challenges that don't exist in metropolitan areas, the experienced team in place at the Shire have encountered and improved processes over a number of projects to deliver the projects on/or under budget, within the expected timeframe and to the satisfaction of community stakeholders involved in the project/s. The Shire constructed an 80 place childcare centre in Paraburdoo, (82km from the proposed building site for the Tom Price Childcare Facility) which opened in in 2016.

The Shire employs or contracts a dedicated project manager for the project who is responsible for overseeing each project from inception to conclusion of the project.

The facility will be operated by an independent operator with the Shire managing the benefits and deliverables of the facility through a commercial lease arrangement.

The optimal delivery strategy for a project may vary as the external and internal conditions influencing the project evolve or vary.

Project Delivery Methodology:

At this stage the Shire has chosen to follow a six stage implementation strategy, based mainly on funding availability.

1. Land amalgamation and zoning
2. Production of Concept design and costing's

3. Sourcing of finance
4. Obtaining development approval
5. Procurement of a Design and Construct Contractor.
6. Construction

Works completed to date include:

- Acquisition of Lot 400 and 46
- Procurement of Consultants to complete the concept design and costing of the propose facility
- Expression of Interest for the Design and Construct with six businesses shortlisted
- Source a pre-tender estimate of the proposed D&C documentation

Detailed delivery tasks include:

- Complete a formal Design and Construct tender process through the Shire's Procurement Department
- Appointment of the preferred Contractor with Council approval
- Construction
- Contract Administration
- Defects liability inspection and report

The above steps will be delivered within an overall project management framework, which includes integration and management of the key areas of project scope, cost, time, quality, communications, procurement, resources, risk, and safety.

A development programme will be prepared by the successful design and construct contractor. The programme will be reviewed and updated as the project progresses through the major milestones or changes are made to the anticipated delivery method or timing.

Cost Control

Once funding has been secured and the project moves toward the delivery phase, a standard cost management and contract administration processes will be implemented that would typically involve, but not limited to the following activities:

- Establish an approved project budget (control estimate), including a general Work Breakdown Structure using the Client's approved budget.

- Review and comment on the cost consultant's pre tender estimate prepared using the updated D&C documentation, to confirm that the project can realistically be constructed within the control estimate.
- Coordinate scope or specification changes as necessary to maintain costs within the control estimate.
- Establish clear limits of delegated authority and approvals processes for project expenditure.
- Establish appropriate controls for contract administration and cost control (e.g. variation management, certification and payment of claims etc.).
- Establish protocols for regular reporting to the client on works progress against parameters of time, cost and quality.

3.6. Project Deliverables

3.6.1. Project Outputs

Upon completion of the project, an immediate increase to available day care places is expected to be realised. The key outputs expected from the project have been summarised in the table below along with relevant performance measures.

Table 2 Project Outputs

Project Outputs	Performance Measure/s	Measurement Method
96 childcare places	Facility is constructed and utilised	Confirmation that the new facilities are completed in accordance with detailed design and the facilities are utilised
A legislative compliant childcare facility	Facility is constructed in accordance to the NQS	Facility is able to be licensed post regulatory inspection of the facility
Commercial Leased facility	New leasable space is developed Fit for purpose facility is utilised for childcare services	Operator secured Lease Agreement executed Facility licensed by Education and Childcare Regulatory Unit

3.7. Stakeholder Engagement

3.7.1. Key Project Stakeholders

The Shire has undertaken a proactive consultation process for the project with Rio Tinto, the largest employer within the Tom Price Community. Periodic engagement with the various key community stakeholders since the inception of the project has occurred, where they were given the opportunity to input to the project and were kept informed of progress at every stage.

Table 3 Project Stakeholders

Stakeholder	Area/Contact
Local Government	<ul style="list-style-type: none"> ▪ The Shire
Government Agencies	<ul style="list-style-type: none"> ▪ Department of Communities
Industry	<ul style="list-style-type: none"> ▪ Rio Tinto
Community	<ul style="list-style-type: none"> ▪ Facility Users (parents); ▪ Appointed operator of the new facility; ▪ The Nintirri Centre (Little Gecko's – existing facility operator); ▪ In home day care operators; and ▪ Community representatives

3.7.2. Stakeholder Engagement Status

The Shire seeks to encourage participation in decision making processes, communicate information to stakeholders and the community generally and ensure decision-making transparency. It therefore utilises a range of mechanisms to target a broad cross-section of stakeholders to both engage and then inform residents, community groups and business, industry and government stakeholders. The table below summarises the status of stakeholder engagement initiatives planned and undertaken for this project. The Communication Plan (Section 4.1) describes communication activities for the wider public.

3.7.3. Project Support

The Shire have been in partnership with Rio Tinto since 2012, when they jointly executed the Community Infrastructure and Services Partnership. The Partnership provides the Shire dedicated project support for identified mutual priorities. The Tom Price Childcare Centre was identified as a priority project at the inception of the partnership.

3.8. Critical Assumptions

Critical assumptions underlying the project are summarised below.

- The project will receive adequate funding from various public and private sector sources
- The project will continue to receive ongoing widespread community and key stakeholders' support.
- The following assumptions have been made for the financial modelling for the facility:
 - » The facility will be tenanted on a commercial basis in accordance with a market rental valuation; and
 - » Expenditure for the facility is based on other comparable nearby facilities.
- The project is expected to decrease the residential turnover in the Tom Price, increasing the pool of potential available employees/ contractors and labour hire to resource companies, small businesses and critical services such as teaching and nursing.
- The project receives the required approvals.
- The cost estimate for this project assumes economic efficiencies through the design and construct tender process.
- The current licensed childcare provider (Little Gecko's) will be invited to tender for the operation of the new facility. However, there is no guarantee they will be the successful tenderer. Any expected effect on the current provider is unknown until the outcome of the tender is known. It is anticipated current users of the Little Gecko's may utilise the new facility at a disadvantage to Little Gecko's.

3.9. Economic and Financial Analysis

The Shire engaged economic consultants to undertake an evaluation of the economic impacts of the project. The economic evaluation identified and assessed the potential economic and social impacts of the project in order to determine whether it generates a net economic benefit and/or positive social return to the region and state.

3.9.1. Economic Evaluation Considerations

RFF Pty Ltd undertook an assessment of the economic impacts from the implementation of the project. The following table (Table 4) provides the detailed assumptions for the CBA. According to the ATO, the new buildings will have a useful life of 40 years, which has been used as the timeframe for the assessment.

Table 3 Costs and Benefits

Impact	Description	Assumption	Source
Costs			
Construction and Development	Cost of construction and development of the new Childcare Centre	<ul style="list-style-type: none"> The cost of the development is \$5.95 million. 	Owen Consulting (2018)
Maintenance (comprising annual servicing and depreciation costs)	Costs to maintain the intersection asset over time	<ul style="list-style-type: none"> Maintenance costs are based on 1.5% of capital expenditure associated directly with the building Annual maintenance costs are estimated at \$54,555 per year 	Industry benchmark
Operating Costs	Cost to operate the Childcare Centre	<ul style="list-style-type: none"> Total operating costs have been estimated as: <ul style="list-style-type: none"> Rent (8% of revenue) Utilities (3.2% of revenue) Other Costs (12% of revenue) Wages (58% of revenue) Purchases (7% of revenue) 	IBISWorld (2018) RFF
Benefits			
Revenue	Revenue generated from the Childcare Centre	<ul style="list-style-type: none"> Fees per child have been estimated at \$90 per child per day for long day care and \$30 per child for OSHC Given the strong demand for childcare, a utilisation rate of 95% has been used It has been assumed that the centre operates 240 days per year 	CCCC (2015) RFF from industry benchmarks

Impact	Description	Assumption	Source
Productivity Gains	The provision of childcare allows a parent to re-enter the workforce, thereby providing a gain in productivity. The 2015 Shire of Ashburton Tom Price Demand Assessment indicated that there are parents at home caring for children that would otherwise prefer to be at work and at the same time, the survey conducted as part of this report found a high number of families that could not find a childcare placement.	<ul style="list-style-type: none"> • As long day care hours may not be sufficient for all jobs, the number of OSHC positions (i.e. 35) has been used as the estimated number of parents to re-enter the workforce. The additional 61 positions in long day care would also be used by these workers. • Economic data from REMPLAN was used to identify the average non-mining and non-construction industry value added per employee (\$186,713), which was used to identify the productivity gain across the economy for each parent re-entering the workforce. 	Little Geckos (2018) REMPAN (2018) RFF

Note: All costs and revenues are excluding GST.
Source: RFF

The following benefits have not been included due to limited data available. As the majority of these are net benefits, if they were included then the overall results would likely increase.

Benefits of Children Receiving a Quality Early Education

A variety of research has identified that a child (aged 2-5 years old) that receives early education through a quality long day care program will do better at school. As children do better at school, they are able to obtain additional skills and aptitude that might have otherwise been possible. As these children grow into adulthood, their increased educational attainment will make them more productive in the workforce and reduce the costs of government support.

Benefits of Increased Participation of Vulnerable Children

In 2015, 18% of children in the Shire were developmentally vulnerable on one or more domains. Through attendance at a quality childcare facility, some of these vulnerabilities may be better managed. Assisting children to manage any educational development issues early on will assist them to attain greater educational outcomes at school. Increasing educational attainment and effectively managing developmental vulnerabilities will help reduce future government expenditure on support.

The cost of the land has not been included in the assessment as the Shire already has tenure over the land and as such, this cost represents a 'sunk cost', which are excluded from a CBA.

3.9.2. Economic Evaluation Findings

The planned Tom Price Childcare Centre will provide a number of economic benefits to the town. 76% of parents have indicated that the biggest issues they face is the availability of childcare and many of these parents would enter the workforce, if sufficient childcare services were available. As part of the process to create the Shire Economic and Tourism Development Strategy, consultation with key stakeholders in Tom Price was undertaken and identified a shortage of childcare services.

The new Childcare Centre will directly employ an estimated 19 people, creating new jobs in the community. Beyond providing support to local families and increasing the attractiveness of the town for future residents, these new jobs offer economic diversification as they are not mining related. Increasing the economic diversity in the town is important for its future sustainability.

Beyond the direct job growth associated with the new Childcare Centre, it will enable existing parents to re-enter the workforce by providing them with adequate childcare services during business hours. An estimated 35 parents will re-enter the workforce, providing a significant increase in local economic productivity of \$6.5 million per year.

The cost-benefit assessment has found that the project has a benefit to cost ratio (BCR) of 3.54, which means that for every \$1 of cost incurred for the project, there are benefits of \$3.54.

3.9.3. Cost Benefit Assessment

The results of the CBA for the Tom Price Childcare Centre are highlighted in the following tables (Table 5 and Table 6).

Table 5 Summary of Costs and Benefits, FY2018 – FY2058

	PV- 4% Discount Rate	PV- 7% Discount Rate	PV- 10% Discount Rate
Costs			
Capital Expenditure	\$6.56	\$6.38	\$6.20
Maintenance Cost	\$1.65	\$1.11	\$0.81
Operating Costs	\$36.46	\$24.56	\$18.01
Total Costs	\$43.21	\$30.37	\$23.32
Benefits			
Revenues	\$41.29	\$27.81	\$20.40
Productivity Gain	\$129.34	\$87.12	\$63.91
Total Benefits	\$170.64	\$114.93	\$84.31
NPV	\$127.43	\$84.57	\$60.99

Source: RFF

Table 6 Cost Benefit Analysis Results

Discount Rate	PV Costs	PV Benefits	NPV	BCR
4.0%	\$43.21	\$164.07	\$120.87	3.80
7.0%	\$30.37	\$107.42	\$77.05	3.54
10.0%	\$23.32	\$76.64	\$53.32	3.29

Source: RFF

At the selected real discount rate of 7% for this project, the analysis yields a Benefit to Cost Ratio (BCR) of 3.5 meaning that it is economically desirable and provides a net benefit. Even at the higher discount rate of 10%, the project still yields a positive NPV and BCR.

Under the baseline scenario (without project scenario), none of the identified benefits would be captured nor any of the costs incurred. As such, the scenario with the project provides positive economic and social benefits.

3.9.4. Financial Operation Assessment

Assets created through this project will be owned and managed by the Shire and it will be responsible for the financial management of this facility. The indicative estimate of operating costs has been provided by the Community Childcare Cooperative based on the current budget for the existing Paraburdoo Childcare Facility and for comparable facilities across regional Australia.

This estimate has been prepared for the new facility component that includes:

- 66 Long Day Care Places
- 30 Out of School hour care places

This financial analysis includes estimates and projections with respect to the anticipated future operations of the facility. Such estimates and projections reflect assumptions made in relation to future revenue streams and expenditures. Adjustments to expense and revenue budgets, if required, will be managed through the Shire's annual budget process and the lease will attract an annual CPI increase.

Table 7 Financial Analysis Summary (Market Rental Valuation)

	Year 1	Year 2	Year 3	Year 4
Facility Leasing Fees	99,400	99,400	99,400	99,400
Total Revenue	99,400	99,400	99,400	99,400
Maintenance Expenditure*	DLP ^o Yr 1	7,274	7,492	7,717
Depreciation	72,740	72,740	72,740	72,740
Insurance*	16,000	16,480	16,974	17,484
Total Expenditure*	88,740	96,494	97,207	97,941
<i>Net Balance*</i>	10,660	2,906	2,193	1,459

* Maintenance and Insurance expenditure is expected to increase in line with consumer price index in the region

^o Defects Liability Period under the Design and Construct Contract

Any revenue is to be retained for the ongoing operational costs and maintenance of the facility.

3.10. Funding Strategy

3.10.1. Total Budget

The provisional budget for the project is \$6,750,000. The project budget, as informed by Hodge Collard Preston's concept design and cost estimates, is pending completion of a detailed design and receipt of tenders.

Table 8 Project Budget

Item of Expenditure	Budget	Source of Fund	Quality of Estimates	Has the Funding been secured
Design and Construction	5,950,000	4,960,000 – RT 990,000 - Shire	Hodge Collard Preston	Yes
Site works and Headworks	750,000	Shire	Rio Tinto	Yes
Contingency	50,000	Shire	N/A	Yes
TOTAL	\$ 6,750,000			

Recent social infrastructure projects across the Shire have been completed under budget with lower construction prices, therefore it is anticipated that the project can be delivered for the provisional estimated budget.

3.10.2. Project Budget and Funding Stream

Rio Tinto is a major stakeholder and funding partner in the delivery of the \$5.95 million Tom Price Childcare Facility project. The timing of funding expenditure is yet to be determined however will be expended on the project over a 12 month timeframe (cash flow and timelines are subject to the timing of funding release), in accordance with the project timeline.

3.10.3. Sustainability and Ongoing Viability

The Shire will lease the completed facility on a commercial basis to an appropriately licensed childcare provider. The lease will include conditions surrounding minimum capacity of provider, hours of operation etc to ensure a continual and sustainable service to the community.

Applying a commercial rental rate of \$1400 per long day care place (66 places) and 17% of OSHC utilisation (equating to 5 places) will yield a rental income of \$99,400 per annum. This amount will remain static for the first five years of operation, with annual CPI applied from

the five year lease anniversary. This will enable the facility to be maintained without deficit to the Shire, whilst enabling the childcare service operator to develop a sustainable and affordable business model in the new building.

The Shire's Asset Management department maintains asset strategies, plans and registers to inform Council decisions on the procurement maintenance renewal and disposal of assets.

Asset Management

The Shire's assets deliver essential community service. The effective management of the Shire's Assets is critical to the sustainable delivery of services to the community into the future. Framework & guidelines have been introduced by the WA Local Government for uniformed implementation of Asset Management.

Framework

To effectively manage assets the Shire has:

- Developed an Asset Management Policy
- Developed as Asset Management Strategy
- Developed a process for evaluating Asset Management Plans and Asset Sustainability
- Linked Asset Management to the Annual Report and Long Term Financial Plan

Guidelines set out processes and activities required to achieve the desired outcomes:

- Defining Levels of Service
- Addressing roles, responsibilities and reporting requirements
- Establishing data and information systems
- Evaluating progress

The Shire's Asset Management Strategy is the framework for the management of infrastructure in the most cost effective manner at the desired level of service for the present & future communities.

The Asset Management team has implemented the Assetic Mydata programme that has been specifically designed to meet the requirements of Local Government organisations. MyData allows all data relating to Council Assets to be stored, maintained and expanded all in the once central location.

There will be no further implications for Government expenditure in relation to the future operational management and maintenance of the Tom Price Childcare Facility.

3.11. Project Key Milestones, Timeframe and Cost

The project team has identified a number of key milestones, along with the expected date of their achievement, for the project. A more detailed timeline will be developed on completion of the project plan, following approval. The oversight of a Working Group consisting Elected Members, Shire Officers and Rio Tinto Representatives will ensure any delays are dealt with in a timely fashion.

Table 9 Project Milestones, Expected Date and Cost

Main Activities / Milestone	Milestone Date	Activity Cost
Site works and Headworks	30/05/2020	750,000
Design and Construction - contract award to practical completion	31/12/2020	6,820,000

3.12. Risk Analysis

A thorough risk analysis has been completed for the project to identify and evaluate the effect of uncertainty on objectives and deliverables, including risk mitigation strategies in accordance with the AS/NZS ISO 31000:2009 Risk Management – Principals and Guidelines.

The overall objectives of the risk management and assessment process were to identify risks to the successful delivery of the project and construction contract in respect to:

- OHS related aspects of the overall project;
- Overall project cost;
- Project completion on time; and
- Stakeholder interest.

The Shire is responsible for risk management for the project delivery. This process is guided by a risk register to enable the ongoing review and management of the identified risks. The summary findings from the *Risk Management Plan* are detailed below.

Table 10 Risk Analysis Register Summary

ID	Potential Risk	Likelihood	Consequence	Risk Rating	Mitigation Measures
1	Loss of key stakeholder support	The project fails to compete with competing projects for funding	Funding is not approved, inadequate or significantly delayed	HIGH	Well-developed project with stakeholders on board and included in an ongoing communication plan.
2	Delays in planning approvals	The proposed development is incompatible with current planning objects	Delays to the commencement of the project	LOW	Early engagement with relevant authorities.
3	Construction Issue/s	New risks (such as geotechnical or environmental) are identified during construction process	Delays to the completion of the project and/or requirement for additional works	LOW	Project construction to be managed by experienced Shire and DoT staff.
4	Ongoing sustainability of the facility	Lower than expected cash flow for the project	The project is not well maintained	TOLERABLE	The risk is mitigated on a partial cost recovery basis through in-house services with some specialist functions contracted out.

ID	Potential Risk	Likelihood	Consequence	Risk Rating	Mitigation Measures
5	Decrease in utilisation of service	Lower than expected utilisation of the facility	The operator fails to be financially viable	MEDIUM	Discussion with Rio Tinto re sustainability of the service etc long term.
6	Existing facility remains open	Lower than expected utilisation of the facility	The operator fails to be financially viable	HIGH	Commitment from Rio Tinto and the existing operator in writing prior to project commencing.

3.13. Indigenous Participation and Engagement

The Shire continues to advocate for improvement in the status of Aboriginal and Torres Strait Islander population in part through the support of the seven key targets of Closing the Gap (2016). Targets relevant to the Tom Price Childcare Facility project are:

- 95 per cent of all Indigenous four-year-olds enrolled in early childhood education (by 2025)
- Halve the gap for Indigenous children in reading, writing and numeracy achievements within a decade (by 2018) – *met through the benefits of quality pre-school education*
- Halve the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade (by 2018) – *met through quality childcare place allowing parents to seek employment*

The Shire is committed to creating sustainable economic development opportunities for local industry, in full alignment with Australian and Western Australian Government guidelines on local participation and engagement. This includes full, fair and reasonable opportunity for capable and competitive local Indigenous and non-Indigenous businesses to participate in the procurement of goods, equipment and services.

Indigenous engagement by the successful construction contractor and childcare facility operator to increase opportunities for children, youth and Indigenous residents to be part of the wider community will align with the Shire's 10 Year Community Strategic Plan 2017-2027 (Desktop Review) and Buy Local – Regional Price Preference which provides incentive to bidders who maximize local contact in both labour and materials.

4. Implementation Strategy

4.1. Communication Plan

The Shire and Rio Tinto have agreement to the IAP2 spectrum to determine the level of engagement of stakeholders in the Partnership MOU. This requires transparency and honesty while increasing the participation of stakeholders to improve the sense of ownership and pride they have for the project. With this in mind, identified stakeholders will continue to be involved in the decision making process throughout the project implementation phase.

The Shire's communication and media strategy will ensure proactive media statements and communication products, as produced for major projects, are released consistently on the Shire's website and in newsletters to ensure all stakeholders are effectively communicated to and engaged with in a timely manner.

4.2. Project Management

The project manager and support team will be sourced via the Shire's Property and Buildings Services Department to deliver the defined project outputs. The same protocols and processes will be followed during the design, tendering and construction of the Tom Price Childcare Centre as other recent construction projects delivered by the Shire. Processes for procurement include strict policies and procedures for tendering and contract variations. The Shire are currently preparing a project management plan for the project.

On completion of construction of the facility the Shire will become the asset owner and undertake the ongoing tenancy management and asset maintenance of the Tom Price Childcare Centre.

4.3. Project Governance

The project is to be coordinated and overseen by the Working Group (to be formed however consisting Elected Members, Shire Officers and Rio Tinto Representatives) that will comprise senior stakeholder representatives. The Working Group will provide governance and oversight to the implementation of the project should the funding be secured. The Working Group will also be involved in the final assessment of the project upon the completion to ensure the deliverables have been achieved in accordance to the project objectives, design and concept plans.

4.4. Procurement Strategy

The Shire will adhere to their Purchasing Policy (FIN12) which commits to procurement policies which ensure best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance. The Shire is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of value for money, open and fair competition, accountability, risk management and probity and transparency.

All contractors tendering for work offered by this Project (ie design and construction) are required to nominate subcontractors, the local content of which is encouraged and assessed.

It is intended to engage local and/or regional contractors and suppliers for this Project's implementation as it has the following benefits:

- Fosters government and non-government partnerships.
- Demonstrates investment in the community.
- Local suppliers would place considerable value on serving their local community and the benefits associated with it.
- Close proximity makes it far easier to travel to them for supplier development and contract management purposes, as well as for site inspections which minimises costs.
- The local knowledge of local suppliers means that they are well-placed to appreciate and satisfy local preferences - this is particularly relevant where specialised products and services are concerned.
- Supply chains are generally shorter, leading to greater certainty and predictability of delivery times.

This Project will provide full, fair and reasonable opportunity to regional businesses in its planning, tendering and contract management through advertisement of the tender via local, regional and state publications.

The Price Preference will apply to suppliers who are based in, and operate from, the Shire in relation to all tenders and quotations invited by the Shire for the supply of goods and services and construction services.

4.5. Supporting Documents

The following documents have informed the development of the business case.

- A1: Risk Management Plan
- A2: Cost Benefit Analysis (RFF)
- A3: Demand Assessment (CRED)
- A4: Project Definition Plan (CODA)
- A5: Construction Cost Estimates
- A6: Project Concept Design

5. Signing Of Business Case

I confirm that the information contained in this Business Case is true and correct.

Signed	
Approved by	Paul Sheedy
Position	Acting Chief Executive Officer
Date	9 January 2020

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