



CHILDCARE PROCESS FOR BUYING A CHILDCARE CENTRE

Step One – Entity Purchase In

The first step in purchasing a childcare business is deciding on the entity you wish to purchase the business in. That might be a Company, a Company & Trust or other entity structure. A company can be organised via ASIC or via your accountant. A company and Trust will require an accountant or a lawyer to establish. What is the best option for you should be discussed with your accountant.

If the Company has 3 Directors ECRU will probably insist all three Directors will be required to go through the exam/interview process. Therefore, if there is a person in the Company who is childcare trained or has Education experience it is best to only have them as sole Director. They will then be the only person required to go through the approval process and will have a better chance of success. If there are multiple Directors of the Company and e.g. two Directors are required to sit the exam and one of the Directors fails then usually ECRU will fail both Directors. Shareholders are not required to undertake the approval process, however, they will be vetted.

Step Two – Apply for Provider number

To be able to own and operate a childcare business you must hold a Provider number.

This Provider number is applied for via the Department of Communities – Child Care section in the State you live in or the State you are buying the Childcare business in.

The Provider number is attached to the entity e.g. Company - Company/Trust you have set up that will ultimately own the Childcare business or businesses.

The price is \$231 in March 2021.

The Provider number once obtained does not last forever. If you have not purchased/own a centre within a period of approximately two years from time of issuance the Department may cancel the number.



The application will require credit checks into the Company history and ALL the Directors of the Company.

Sellers are more willing to accept an offer from a buyer with an existing Child Care Provider number, knowing settlement can occur a lot quicker and the risk of not being approved is not applicable. The time quoted by the Department of Communities for Child Care Provider Number is currently 120 days, however, the Provider approval process at July 2022 is taking 180 days or longer. Refer section 15 of the Act for more information.

Provider Application Assessment/Examination

Effective 1 May 2022, ECRU (Education and Care Regulatory Unit) is now conducting on-line assessments for Provider Approval suitability in an exam format and possibly subsequent interview.

If you are purchasing a centre and have signed a contract, through Advance Business Brokers, we will assist with this process and provide detailed information on the questions and documents to assist you.

National assessment comprises a 75 minute online exam with no reading time. Combination of multiple choice and written answers. Applicants sit the exam in the ECRU offices in Perth. Usually offer only one date per month. It is very important participants answer the questions as quickly as possible, as several clients have advised they were unable to finish in time.

ECRU provides some reference materials, a pen and some paper.

Receipt of Provider Number

Once you have received your Provider number, you can then proceed with your purchase or look for a childcare business and advise the broker/owner you are already in possession of your Provider number which puts you in a stronger position to purchase.

Or, if you have already signed a contract to Purchase a centre and Provider number is a condition of contract you can move onto lodging the other applications.

Child Care Centres - Existing Child Care Providers

An existing Child Care Provider will already have a Child Care Provider Number. Therefore only a transfer of the Existing license of the Centre being sold is required.



Finance must also be approved in writing by a finance provider prior to lodgement of license transfer.

The transfer of Service is legislated to be 42 days from receipt of correct application with the Department of Communities.

If the buyer is purchasing the Centre in a New company they will need to apply for a NEW provider number for that particular Company and do the full process below.

Step Three - CCS - Funding for parents with children in Childcare

If the buyer has a contract in place to purchase a business, and has applied for and received their Provider number, then as soon as their Provider number is issued, they should also lodge their application for CCS funding. This application can also take 42 days or longer.

If you are an existing Child Care operator already holding an approval and operating/receiving CCS funding, then an additional form will need to be completed for the new service and set up for funding to be received as soon as settlement has occurred.

For an existing Child Care operator who already is approved to add their service for CCS funding, please ensure as the Buyer of a Childcare Service you have this completed in advance of settlement so there is no disruption in CCS payments to parents.

Any questions need to be directed to the relevant Government department.

Step Four - Transfer of Service

Transfer of Service can only be lodged with a Provider number.

The current price is \$112 at July 2020

Transfer of Service usually takes 42 days from the date of lodgment unless intervention has been lodged by ECRU.



Step Five – Settlement

Settlement on a childcare business usually occurs on a Friday (due to Government funding going Monday to Friday) usually one week after Transfer of Service 42 days has expired.

Step Six – Finding a centre

Please note childcare centres are hard to come by. They are in high demand and to enter the industry will require flexibility on the part of the Buyer in regard to location and price.

If the centre has been operational and profitable for over two years a Buyer may be able to secure finance at 50% of the business price or 60% - 70% of the business & property price if purchasing both property and business at the same time.

The price of childcare centres can range from \$100,000 to \$4,000,000 + for an individual centre (no property) depending on net profit, location, size and age.

Currently centres are selling in the Perth metro area for a multiple of 3 to 4.5 x net profit including add backs. Group sales can achieve 6 to 8 x net profit.

Regional locations e.g more than two hours from Perth CBD usually sell for multiples of 2.5 – 3 x net profit.

We hope you have found the above useful.

