



CONFIDENTIAL SERVICES COMMITTEE MEETING

CONFIDENTIAL MATTERS

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Released 01 March 2021

8.1 NAWMA AUDIT COMMITTEE

Contact Person: Ms Tina Hudson

Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (a) of the Local Government Act 1999, this matter is confidential because it is sensitive for people who have expressed interest and/or are being considered for the NAWMA Audit Committee.

A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

8.1 NAWMA AUDIT COMMITTEE

Responsible Executive Manager : Ms Tina Hudson

Report Author : Ms Kaarina Sarac

Delegated Authority : Matters which cannot be delegated to a Committee or Staff.

Attachments : 1 [↓](#). Letter requesting Council consideration of proposed Independent Audit Committee Members

PURPOSE

To endorse NAWMA's recommendation on the appointment of the Independent Members of the NAWMA Audit Committee

STAFF RECOMMENDATION

1. Council endorse the following people, as recommended by the NAWMA Board, as Independent Members to the NAWMA Audit Committee:
 - Claudia Goldsmith
 - Mark Labaz
 - Craig Johnson
2. The Chief Executive Officer write to the NAWMA Independent Chairperson notifying of the decision of Council.

EXECUTIVE SUMMARY

In May 2020, the Northern Adelaide Waste Management Authority (NAWMA) Board reviewed the composition of their Independent Members of the Audit Committee. This resulted in a public recruitment process to seek interested and capable people for carrying out the functions of the Audit Committee of NAWMA. Fifty applicants responded, with a full process of short-listing, interviews and reference checks resulting in the Board recommending three

short-listed candidates considered to have suitable skills and experiences to provide high quality input to the responsibilities of the Audit Committee.

Clause 2.1 of the NAWMA Audit Committee Terms of Reference (ToR) states that the three Constituent Councils must endorse the candidates prior to NAWMA finalising the Audit Committee composition. Specifically, clause 2.1 of the ToR states "*The NAWMA Board will determine the members of the Audit Committee and after the Constituent Councils have approved the independent members, appoint the members for an initial term of two years and thereafter for various terms as resolved by the Board.*"

1. BACKGROUND

NAWMA reviewed its Audit Committee membership and Terms of Reference in May 2020, with the NAWMA Board determining that it was timely to review the appointment of the three Independent Audit Committee Members.

Of the previous three Independent Members, two have been involved since its inception in March 2011, and one joined in December 2014. All three were invited to apply through the recruitment process, with two choosing to not re-apply. Their significant and long-term involvement with NAWMA has been recognised by the NAWMA Board.

This matter comes to Council as a requirement under legislation as well as through the Terms of Reference for the NAWMA Audit Committee. Schedule 2, Part 2, Clause 30 (3) of the *Local Government Act 1999* requires that an audit committee be determined or approved by constituent councils; and the Terms of Reference (ToR) of the NAWMA Audit Committee require that Constituent Councils approve the Independent Members initially, with further terms determined by the Board.

The NAWMA Audit Committee ToR refer to the legislation outlined above and provides for membership in line with the *Local Government Act (Financial Management) Regulations 2011*, Part 5, clause 17(3) which defines the number of members and composition of Independent Members of regional subsidiary Audit Committees.

2. RELEVANCE TO STRATEGIC PLAN

1: Smart Service Delivery Program

Outcome 1.1 High quality services and amenities

Independent Members of an Audit Committee for a Regional Subsidiary are required by legislation as part of governance practices.

3. PUBLIC CONSULTATION

There is no requirement for public consultation on this matter. It should be noted that a public call for Independent Members for the NAWMA Audit Committee occurred.

4. DISCUSSION

- 4.1** As one of the three Constituent Councils of NAWMA, Council is required to consider the composition of the Audit Committee by legislation and the NAWMA Audit Committee ToR. The Chairperson of the NAWMA Board has written to Council requesting that Council consider the recommended Independent Members for endorsement to the NAWMA Audit Committee (this letter is provided in Attachment 1).

- 4.2** The NAWMA Audit Committee is comprised of three Independent Members and two Members of the NAWMA Board, with the Independent Member roles being the focus of this report.
- 4.3** The NAWMA Board embarked on a public recruitment process for all three Independent Members in June 2020. A short-listing, interview process, and reference checks has resulted in three recommended people to fill the Independent Member vacancies. The recommended candidates are listed below with a short synopsis of their expertise:

Claudia Goldsmith	A professional Company Director, senior Chartered Accountant and Consultant; experienced exposure to local government and with audit committees.
Mark Labaz	Experienced member of NAWMA's audit committee for the past nine years; experience in corporate governance, risk management, probity, audit, procurement and contract management.
Craig Johnson	A consultant, former partner at Deloitte, and experienced Board member with other organisations; experience across various industries including local government, specifically in financial and risk management, corporate governance and internal audit services.

- 4.4** The *Local Government (Financial Management) Regulations 2011*, Part 5, Clause 17(3) determines that an audit committee of a regional subsidiary:
- (a) must have between 3 and 5 members (inclusive); and
 - (b) must include at least 1 person who is not a member of the board of management of the regional subsidiary and who is determined by the constituent councils to have financial experience relevant to the functions of the audit committee; and
 - (c) may include members who are members of a constituent council; and
 - (d) must not include, as a member, a constituent council's auditor under section 128 of the Act or the auditor of the subsidiary under Part 6.
- 4.5** In relation to the above, NAWMA has confirmed that all applicants were vetted by Stillwell Management Consultants prior to being presented to NAWMA, and that NAWMA has considered real or perceived conflicts-of-interest when considering its appointments. None of the three recommended candidates serve as an External Auditor for any of the three Constituent Councils nor is NAWMA aware of real or perceived conflicts of interest.

5. OPTIONS

Recommendation

1. Council endorse the following people, as recommended by the NAWMA Board, as Independent Members to the NAWMA Audit Committee:
 - Claudia Goldsmith
 - Mark Labaz
 - Craig Johnson

2. The Chief Executive Officer write to the NAWMA Independent Chairperson notifying of the decision of Council.

Option 2

Council does not endorse the NAWMA Board recommendations for the reasons outlined below, and requests the Chief Executive Officer to discuss these with the NAWMA Board.

Reasons:

1. _____
2. _____

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

A public recruitment process which generated significant interest was undertaken by NAWMA. The proposed Independent Members for the Audit Committee have been through an interview and reference check process facilitated by an external agency with expertise in recruitment for these types of roles.

This option enables NAWMA to appoint Independent Members to ensure its Audit Committee is functioning.

6.1.2 Financial Implications

There are no financial or resource implications.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

This option provides Council the opportunity to highlight concerns with any of the three recommended Independent Members to the NAWMA Audit Committee.

6.2.2 Financial Implications

There are no specific financial implications to Council with Option 2.



27/07/2020

Mr Sam Green
Chief Executive Officer
City of Playford
12 Bishopstone Road
Davoren Park SA 5113

Dear Mr Green

RE: NAWMA Audit Committee Independent Member Appointments

In my capacity as Chairperson of NAWMA, I write to seek Council endorsement of NAWMA Board Circular Resolution, in accordance with the NAWMA Audit Committee Terms of Reference, to appoint three (3) Independent Members of the NAWMA Audit Committee.

We respectfully ask that Council consider the NAWMA Board Resolution at the upcoming August Council Meeting and advise NAWMA of the endorsement (or otherwise) in writing by **Thursday 27 August 2020**.

For convenience and consistency for all three NAWMA Constituent Councils, we provide background and a proposed recommendation below that you are free to utilise in your Council Report.

Background;

Clause 2.1 of the NAWMA Audit Committee Terms of Reference (replicated below), states that each of NAWMA's three (3) Constituent Councils must endorse the Board's preferred candidates.

Clause 2.1 NAWMA Audit Committee Terms of Reference

The NAWMA Board will determine the members of the Audit Committee and after the Constituent Councils have approved the Independent Members, appoint the Members for an initial term of two years and thereafter for various terms as resolved by the Board.

The NAWMA Board passed by Circular Resolution the following resolution on Friday 24 July 2020:

1. *Subject to Constituent Council endorsement, Claudia Goldsmith, Craig Johnson and Mark Labaz are appointed to the NAWMA Audit Committee as Independent Members for an initial term of two (2) years, commencing 1 September 2020, and*
2. *Subject to his acceptance of the role, Mark Labaz be appointed as the Presiding Member (Chairperson) of the Audit Committee for an initial term of one (1) year, commencing 1 September 2020, and*
3. *The Chair write to each of the three (3) Constituent Council Chief Executive Officers to gain endorsement for the appointment of the Independent Members and Presiding Member to the NAWMA Audit Committee.*

It is the opinion of the NAWMA Board that all three (3) of the preferred candidates will provide NAWMA, its Audit Committee, Board and Constituent Councils with vast financial and governance experience, and knowledge. All of the preferred candidates come to the Committee with a lens to Local

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Government and its intricacies. The CV's of the preferred candidates (confidential) are available on request.

The recruitment process uncovered over fifty (50) applicants for the role which was advertised due to the impending term expiry dates of the existing Audit Committee Terms of Reference. Current Audit Committee Members Mr Peter Brass (Audit Chair) and Mr Mark McAllister advised the NAWMA Board Chairperson and Chief Executive Officer early in the process that they did not reapply for the vacant positions due to current workload, and additional duties recently acquired through other Committee's. The NAWMA Chairperson thanked the pair for their long and worthwhile contributions to the Audit Committee at their final meeting of 18 June 2020.

Proposed Recommendation;

- 1. That Council resolve to endorse Claudia Goldsmith as Independent Member to the NAWMA Audit Committee, as described in the Report, and as endorsed by the NAWMA Board, and**
- 2. That Council resolve to endorse Mark Labaz as Independent Member to the NAWMA Audit Committee, as described in the Report, and as endorsed by the NAWMA Board, and**
- 3. That Council resolve to endorse Craig Johnson as Independent Member to the NAWMA Audit Committee, as described in the Report, and as endorsed by the NAWMA Board, and;**
- 4. The Chief Executive Officer write to the NAWMA Independent Chairperson notifying of the decision of Council**

If you wish to obtain any further information on the process undertaken for a Council report please contact NAWMA Executive Assistant Amy Hosking (a.hosking@nawma.sa.gov.au). Otherwise myself (brian@briancunningham.com.au) or NAWMA Chief Executive Officer Adam Faulkner (a.faulkner@nawma.sa.gov.au) can be contacted via email.

Yours sincerely



Brian Cunningham
Independent Chairperson

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 8.1 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 8.1 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 91(7) of the Local Government Act 1999, the Committee orders that the following aspects of Item 8.1 be kept confidential in accordance with the Committee's reasons to deal with this item in confidence pursuant to Section 90 (3) (a) of the Local Government Act 1999:

- Report for Item 8.1
- Attachment(s) for Item 8.1
- Minutes for Item 8.1

This order shall operate until NAWMA makes the composition of its Audit Committee public, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first, with the exception of communicating the decision of Council with the Independent Chair of the NAWMA Board.

8.2 4 LANGFORD DRIVE, ELIZABETH MATTERS

Contact Person: Mr Simon Blom

Why is this matter confidential?

Subject to an order pursuant to Sections 90 (3) (a) (b) (g) of the Local Government Act 1999, this matter is confidential because the report provides information from the Lessee which staff have been advised is highly sensitive and confidential which could cause distress to TRY Australia employees and families utilising the centre. As the Lessee has requested confidentiality there could also be legal implications if disclosed to the public. Further, the report discusses details which could potentially prejudice the commercial position if Council determines the asset to be recognised as surplus.

A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

B. THE BUSINESS MATTER**8.2 4 LANGFORD DRIVE, ELIZABETH MATTERS**

Responsible Executive Manager : Mr Simon Blom

Report Author : Mr Daniel Turner

Delegated Authority : Matters which can be delegated to a Committee or Staff but the Council has decided not to delegate them.

Attachments :
1. [Property Information](#)
2. [Lessee Advice](#)

PURPOSE

To make a determination for the termination of the lease to TRY Playford Children's Centre (4 Langford Drive, Elizabeth), acknowledge the asset as surplus to Council requirements, and consider sale or lease of the property.

STAFF RECOMMENDATION

1. Acknowledge the asset is surplus to Council requirements.
2. Agree to the lease termination at 4 Langford Drive, Elizabeth and authorise staff to negotiate an exit strategy with the lessee.
3. Staff to engage market to consider repurposing of asset options which will include open market disposal and direct sale or long term lease opportunities. Options to be presented to Council at a later meeting for delivery/investment decision.

EXECUTIVE SUMMARY

A strategic land use assessment has recently been completed on the Council owned asset located at 4 Langford Drive, Elizabeth currently leased to TRY Australia as a Childcare Centre. In completing this assessment staff have completed an internal consultation, held discussions with the Lessee and sought independent third party advice from a specialist senior childcare valuer and advisor at Knight Frank. An attached map and basic asset details are attached as Attachment 1 - Property Information

Analysis of the asset has revealed that the property has not been financially viable since being utilised as a Childcare service with significant annual losses occurring under operation from both the private and public sectors.

Advice provided by the specialist childcare valuer/advisor indicates that the property is currently running at approximately 30% capacity which is not financially sustainable and an analysis of childcare competitors has revealed that there is a sufficient amount of operators in the catchment area for children to relocate to in the event the asset ceases use as a childcare service.

Discussions with the Lessee (TRY Australia) has determined that they would like to enter negotiations for terminating the current lease due to expire 30 June 2022 due to the business not being financially viable since occupying the premises in 2012. Annual losses from the childcare centre have averaged in excess of \$100,000 per annum with the 2019/2020 being in the order of \$148,000. They have further advised that the building is in need of refurbishment and is currently not fit for purpose in comparison to competing Childcare centres. Currently the centre is experiencing challenges in meeting the required Australian Children's Education and Care Quality Authority (ACEQA) National Quality Standards (NQS) which are published online and can be utilised by families seeking childcare.

Internal consultation together with advice sought from Knight Frank has revealed that an estimated amount of \$312,000 is required to uplift the property to the standard required under the current lease, however in order to refit the facility to a modern childcare centre or other asset class, an approximate \$825,000 (\$1,250m²) would likely be required to be spent. In the event the property was to be refit/repurposed to a modern standard and taking into consideration evidence and advice provided by Knight Frank, the required outlay to Council would outweigh the financial benefit received from an increased purchase price or lease.

The table below summarises the current operating financial position of the asset to Council together with assumed minimal uplift and full refit scenarios:

Current Financial Position		Assumed Financial Position (uplift)	Assumed Financial Position (Refit/Repurpose)
Annual Lease Income	\$48,691	\$48,691	\$83,305
Rate Revenue	\$3,123	\$3,123	\$3,123
Total Revenue	\$51,814	\$51,814	\$86,428
Expenditure			
Maintenance	\$3,895	\$5,640	\$8,509
Insurance	\$2,266	\$2,266	\$5,640
Depreciation	\$37,916	\$46,816	\$61,449
Interest		7,675	\$20,295
Total Expenditure	\$44,077	\$62,397	\$95,893
Net Operating Position	\$7,737	-\$10,583	-\$9,465

Assumptions: Increased income expectation upon full refit. Maintenance, insurance and depreciation increase as capital expenditure spent. Interest amount calculation increase estimated from current debt

The particulars of this report provide the necessary information for Council to determine if the site is considered surplus to requirements and to provide direction to staff with next steps and current asset matters.

1. BACKGROUND

Historically the asset was operated by Council as the 'Playford Children's Centre' prior to having a name change to 'Playford Community Children's Centre' in 2002 to align with Community Children's Centre SA network for not-for-profit childcare providers.

On 22 June 2010 Council completed a service review, investigating Council's assets and viability to continue and on 12 April 2011 Council made the resolution to cease management of the centre due to operating losses averaging \$125,065 per annum. This was attributed at the time to high staffing costs from employees being on the Council EA as opposed to the childcare award.

On 22 November 2011 Council made the resolution to lease the property to TRY Australia Children's Services who since this time have indicated the service has not been profitable and have had increasingly high vacancy rates since occupying the premises. Further to this the lessee has approached Council on a number of occasions to discuss termination of the lease with the most recent correspondence indicating annual losses have averaged in excess of \$100,000 per annum throughout the entire lease period.

Based on a risk / outcome rating assessment process that was conducted, 4 Langford Drive, Elizabeth was identified as one of eight (8) priority sites to focus on as part of Council's long term financial plan which has previously been presented to Council, initially at the October 2019 services committee. Since this time, a strategic land use assessment (SLUA) has been completed by internal staff for further analysis of the asset.

Staff were presented with an unsolicited bid in November 2019 from adjoining land owner Peter Page Holden with a purchase price of \$530,000. As the bid did not meet price or uniqueness requirements under Council's sale and disposal of land and other assets policy, it was rejected. Peter Page Holden has recently approached Council with an additional offer of \$720,000 which will be considered against Council policy to directly negotiate in the event staff recommendation is endorsed. This along with other potential disposal/lease options would then be presented to Council at a later meeting for direction.

2. RELEVANCE TO STRATEGIC PLAN

4: Smart CBD Program

Outcome 4.2 Growth and diversification of local jobs in the CBD

Outcome 4.5 Commercial Growth

The decision will impact the Council's Smart CBD Program as the asset is included as a strategic parcel within the current CBD Masterplan together with the whole block bounded by Elizabeth Way, Langford Drive and Goodman Road. This is an area of interest due to the proximity to the train station and Mountbatten Square. Due to the relatively small size of the allotment and limited main road exposure, the site is not considered to have strong strategic significance unless amalgamated with an adjoining allotment fronting Philip Hwy/Elizabeth Way.

The outcome from the decision is considered to affect growth and diversification of local jobs in the CBD as the asset is anticipated to have increased local employment opportunities and commercial growth through a change of asset class or via a refit/refurbishment. This is due to the asset currently being underutilised with inconsistent attendance and as such the majority of staff are casual employees that are sourced through local employment agencies. In the event the lease continues in its current state, the property will likely become vacant upon the lease expiring with limited opportunity to find another operator.

3. PUBLIC CONSULTATION

Council resolved to revoke the community land status of 4 Langford Drive, Elizabeth in line with the Local Government Act 1999. A report completed by Maloney Field Services (2005) reviewed all Council land status and confirmed the asset was listed as 'Freehold'. As such there is no requirement to further consult with the community.

4. DISCUSSION

- 4.1 The current net operating position of the asset is \$7,737 per annum. There is however no option to continue the current arrangement. A financial analysis of current and assumed financial positions under various uplift/refit scenarios is detailed as shown in the executive summary.
- 4.2 The lessee has approached Council on several occasions to request lease termination. The business has been operating at a substantial loss since occupying the premises and is no longer considered sustainable.
- 4.3 The lessee requested rent relief in March 2020 due to the COVID-19 environment. At time of writing, the lessee continues to pay invoices, as requested evidence to show further downturn has not been provided to Council.
- 4.4 The Lessee was contacted in April to discuss the assets current position. At this time TRY Australia confirmed they still wish to terminate the agreement and would like to discuss an exit strategy. Information provided to staff from the Lessee has been attached as Attachment 2 - Lessee Advice.
- 4.5 The Lessee recently approached the market in an attempt to assign their lease to another operation which was unsuccessful indicating there is limited or no other market interest to lease the asset in its current condition.
- 4.6 The asset is listed in the long term financial plan to be disposed of in the 2020/2021 financial year with a net value of \$779,000. A third party market valuation has recently been completed on the property which indicates the actual estimated market value to be \$750,000 in the current economic climate. Council should note that the current written down value of the property which takes into consideration the depreciated value of money spent on the asset is \$1,196,414.
- 4.7 There are seven competitors identified within the expected childcare catchment area as determined by a childcare specialist valuer. Whilst occupancy rates are typically not disclosed due to confidentiality, it is understood a number of competing centres have availability on all days with some of them indicating relatively low levels of occupancy. Census data confirms there are 3,507 children in the selected catchment area aged up to 5 years. The total number of licensed places listed in the competing centres are shown above and there are 520 licensed places in the catchment area (including TRY Australia) which equates to approximately 6.74 children per licensed place. On balance, the amount of children per licensed place is considered to be within an acceptable range taking into consideration the lower socio-economic location and higher proportion of single income families. Overall there is currently considered to be sufficient childcare centre competitors in the catchment to cater for children in the event TRY Australia was to cease service and in fact there is potentially an oversupply in the market with the service being operated. Discussions with TRY Australia indicated that current occupancy at the centre have been around 30-40% in the recent years. The valuer indicated at the time of inspection occupancy was around 30% and advised that childcare centres with this level of occupancy is not sustainable.

- 4.8** As the site is already developed there are minimal environmental considerations however note there are several regulated and potentially significant trees that need to be considered in future planning decision making.
- 4.9** There are currently 45-55 families that are utilising the service on an inconsistent basis. The majority of these families are on the highest rebate bracket meaning they are entitled to an 80% cost rebate. Should families require another service they may be required to pay slightly more at a competing centre. To clarify, TRY Australia have an average daily rate of \$85 a day whereas surrounding competitors are showing daily rates predominantly between \$85 and \$100 a day.

5. OPTIONS

Recommendation

1. Acknowledge the asset is surplus to Council requirements.
2. Agree to the lease termination at 4 Langford Drive, Elizabeth and authorise staff to negotiate an exit strategy with the lessee.
3. Staff to engage market to consider repurposing of asset options which will include open market disposal and direct sale or long term lease opportunities. Options to be presented to Council at a later meeting for delivery/investment decision.

Option 2

Determine the asset is not surplus to Council requirements. Tenant/Leasing options to be considered further and presented at a later meeting for Council endorsement.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

Analysis/implications of the recommendation has been determined as follows:

- Allows staff to consider opportunities to reduce Council's overall debt position in line with the current long term financial plan.
- Analysis of competitors (as determined by specialist childcare valuer) together with advice from the lessee indicates there is sufficient supply of Childcare centres within the catchment area in the event of centre closure.
- The potential risk for negative publicity/reputation is considered minimal due to the business being operated by TRY Australia, not Council.
- There is a potential for short term employment loss and negative financial impacts from those utilising the service should the property become vacant and as such an exit strategy with the Lessee will be negotiated to mitigate risks. For example, an agreement could be reached that requires the lessee to pay out a portion of the remaining lease which could be utilised towards providing families an appropriate amount of time to source another services and upskilling/assisting with staff costs of transitioning to other employment.
- There may be loss of lease income should the property cease use prior to disposal or another investment/delivery decision being realised.

The above risks and implications as a result of the recommendation being endorsed will be considered in further detail in a future report upon further details being known.

6.1.2 Financial Implications

The initial financial or resource implications will be presented for decision in a further report upon the lessee exit strategy has been negotiated and initial market engagement being conducted in line with the endorsement.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

In the event Council determine the asset is not considered surplus the analysis and implications under option 2 are as follows.

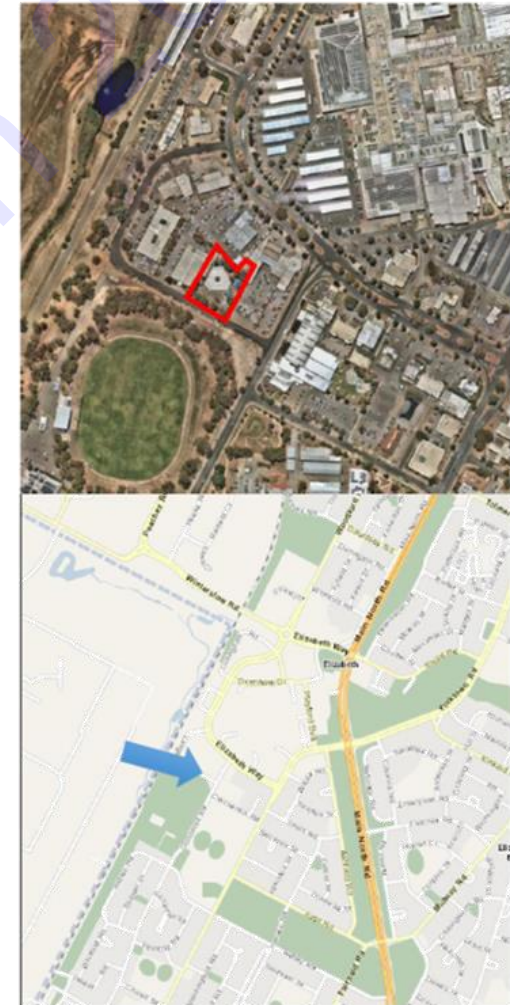
- There is a high risk of not securing another Childcare operator upon the current tenant vacating. This could result in the property becoming vacant for an extended period of time creating negative outcomes from an employment, community, asset, and financial perspective.
- Whilst determining the asset not to be surplus to Council requirements may mitigate reputational risks from a service perspective, it could be seen to increase risks associated with public expectations for meeting Councils financial plan ie decreasing overall debt.
- Sourcing another appropriate operator in the current market will likely require leasing incentives such as a rent free periods and providing upgraded fitouts. Furthermore, potential Lessees will likely see an opportunity to negotiate a below market rate on the property if providing a Community service.

6.2.2 Financial Implications

- Whilst there are numerous scenarios that could occur that will be presented to Council at a later date, the two assumed scenarios are (1) uplifting the asset to a minimum standard required under the current lease and (2) refit/repurposing the asset to a modern Childcare facility or other asset class.
- Uplifting the asset to a minimum standard has been estimated at \$312,000. Refitting the premises to a modern Childcare facility or other asset class has been estimated at \$825,000 (\$1,250m²). The overall net operating position to Council under these scenarios are shown in the executive summary.
- Assumption: From a leasing perspective, the assumed income upon completion of a refit as determined by Knight Frank is considered to be \$83,305p.a. Whilst an extra rate revenue apportionment of \$3,123p.a may be increased it has been assumed to remain the same as the current apportionment being recovered. Under this scenario (and shown in the executive summary table), Council's overall net operating position is assumed at -\$9,465p.a. Taking this into account, refurbishing/refitting the premises to a modern standard is not considered financially sensible.
- Assumption: Potential market value on the property if a refit occurs has been estimated at \$1,100,000 by Knight Frank. This considers a 7.5% yield on the estimated rental value and in line with recent market evidence. Taking the current market valuation of the property (\$750,000) into consideration, spending \$825,000 to achieve a \$1,100,000 property value is not considered financially sensible.
- Adding \$825,000 capital investment to the \$779,000 expected to be achieved in the 2020/2021 financial year, the long term financial plan debt impact to Council would be -\$1,604,000.

ANNEXURE A- PROPERTY INFORMATION

Item	Detail
Registered Proprietor	City of Playford
Property Details	CT Volume 5549 Folio 106 being Allotment 54 in Filed Plan 113438
Site Street Address	4 Langford Drive, Elizabeth SA 5112
Site Area / Building Area (m ²)	Site Area- 3,404m ² / Building Area- 660m ²
Current Council Net Operating Position	Revenue- \$51,814 Expenditure- \$44,077 Net Operating Position- \$7,737P.A.
Current Market Valuation (as at 27/05/2020)	\$750,000
Current Written Down Value	\$1,196,414
Current Development Plan Zoning	Zoned- Regional Centre. Precinct- 23 (Centre Fringe)
Leases / Licences	Leased to TRY Australia expiring 30 june 2022. 2x further 5 year options which are highly unlikely to be exercised
Community Land Classification / Management Plan	Freehold. As confirmed in external contractor asset identification (Maloney Field Services 2005)



PLAYFORD CHILD CARE CENTRE

TRY Australia is a group of 2 companies and an association. Playford Child Care Centre (PCCC) is a part of TRY Australia Children's Services (TRY) which makes up the majority of the operations of the group. TRY's history is one of services to vulnerable young people dating back to the 1880s. TRY took on the provision of Early Learning and Care services in the 1970s.

PCCC is the sole child care centre for TRY Australia Children's Services in South Australia, with the TRY Australia head office in Melbourne.

Since TRY commenced management of PCCC the service:

- has never reached capacity (70), with demand being variable – see below utilization rate for the past 6 months
- the demographic is highly vulnerable
- The family fee is very low (\$85 per day) and most families (about 80%) are eligible for the highest CCS rate
- The service is rated Working Towards (QSA 3 - physical environments & 6 – collaborative partnerships with families and communities). This was rated in 2012 and the service is well overdue a second Assessment and Rating (which was recently postponed again).
- Staffing is problematic in that it has been difficult to recruit an Early Childhood Teacher, leaving TRY having to use agency staff for this position which has been costly and inconsistent.
- Generally, staff are keen to learn and very committed to the service
- The building is in dire need of a refurbishment and is not fit for purpose. This condition of the building is often commented on by parents looking at the facility, particularly if PCCC is not the first child care centre they visit.

Utilization Rate:

	Monday	Tuesday	Wednesday	Thursday	Friday	Week
Average last 6 months	24	24	29	29	25	131
Utilisation	34%	34%	41%	41%	35%	37%

To address this TRY was successful in receiving a grant to undertake:

- Community outreach and consultation
- Advertising
- Staff training

Management are committed to upskilling the current staff, with professional training being organised, and given the current COVID environment TRY has not proceeded with the community outreach and consultation or advertising. This is unlikely to happen in the foreseeable future.

DECISION MAKING

The TRY Board has undergone significant change in the past 2 years. The Board does not see the one off expansion into South Australia as making strategic or operational sense. All remaining services are in Victoria, particularly in the Western and Northern suburbs of Melbourne.

The Board views that an exit strategy from the PCCC is the most satisfactory way forward, and if not achievable prior to the cessation of the lease next year, TRY is clear that we will not be negotiating a continuation of the lease.


I understand that TRY has attempted to negotiate a cessation of the lease on two occasions. During this process TRY also approached a number of other providers in South Australia to attempt to negotiate a transfer of management. The most recent attempt resulted in TRY being informed that the building was not suitable and that there is already an oversupply of child care places in the geographical area.

While the TRY Board are keen to exit PCCC, they have been concerned regarding the plight of the vulnerable families that attend the service. This has been heightened again more recently with TRY's inability to support the service in the manner in which they see as optimum, given the closure of State borders.

In the discussion at the TRY Board meeting in May they reiterated that they would welcome discussions in relation to exiting the service in a planned manner in which families attending would be supported. To that end, I have been asked to continue such discussions as appropriate with Playford City Council.

FINANCIAL INFORMATION

Please find below financial budgeting information for PCCC for the past 5 years.

<div>  Playford Child Care Centre </div>										
PROFIT & LOSS STATEMENT - 2019/20										
	Year to Date			2019/20 Financial Year			Prior Years Comparative			
	Actual	Budget	Variance	Budget	Forecast	Variance	2018/19	2017/18	2016/17	2015/16
Income:										
Government Funding	408,334	520,115	(111,781)	643,418	453,134	(190,284)	493,816	479,338	616,047	652,119
Childrens Services Revenue	109,792	145,485	(35,693)	178,182	109,792	(68,390)	151,582	170,243	170,156	197,313
Funds Raising Revenue	0	0	0	0	0	-	0	0	0	0
Financial Revenue	1	0	1	0	0	-	0	43	26	15
Other Income	69	0	69	0	0	-	0	4	0	0
Total Income	518,196	665,600	(147,404)	821,600	562,926	(258,674)	645,399	649,629	786,229	849,447
Expenditure:										
Staff Expenses	443,299	461,943	(18,644)	550,960	531,960	(19,000)	508,003	629,912	636,952	650,775
Corporate Expenses	3,418	1,950	1,468	5,634	3,962	(1,672)	4,927	5,079	6,048	2,726
Office Expenses	8,060	12,457	(4,397)	14,335	9,468	(4,867)	18,792	14,290	9,824	9,506
Marketing & Communications	0	0	0	0	0	-	723	0	0	0
Property Expenses	70,695	75,915	(5,220)	91,097	87,834	(3,263)	87,745	95,345	87,891	91,632
Childrens Service Expenses	18,530	31,492	(12,962)	37,903	20,340	(17,563)	26,873	28,165	38,698	41,210
Funds Raising Expenses	435	0	435	0	435	435	0	0	0	0
Grant Funding Expenses	1,066	0	1,066	0	1,066	1,066	0	0	0	0
Repairs & Maintenance Expenses	3,339	1,500	1,839	1,500	4,269	2,769	3,694	6,315	6,163	5,144
Motor Vehicle Expenses	0	0	0	0	0	-	0	0	0	0
Equipment Expenses	2,920	3,675	(755)	4,305	3,160	(1,145)	3,244	1,651	2,776	2,520
Financial Expenses	999	1,377	(377)	1,982	1,180	(802)	5,355	1,056	1,993	2,673
Total Expenditure	552,761	590,309	(37,548)	707,717	663,674	(44,043)	659,355	781,812	790,345	806,187
Operating Result Pre M'ment Fees	(34,566)	75,291	(109,856)	113,883	-100,748	(214,631)	(13,956)	(132,183)	(4,115)	43,260
Management Fees	0	55,913	(55,913)	67,096	48,210	(18,886)	46,852	45,863	45,361	44,822
Other	0	0	0	0	0	-	0	0	0	0
Net Operating Surplus/(Deficit)	(34,566)	19,378	(53,943)	46,787	(148,958)	(195,745)	(60,808)	(178,046)	(49,476)	(1,562)

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 8.2 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 8.2 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 91(7) of the Local Government Act 1999, the Committee orders that the following aspects of Item 8.2 be kept confidential in accordance with Committee's reasons to deal with this item in confidence pursuant to Sections 90 (3) (a) (b) (g) of the Local Government Act 1999:

- Report for Item 8.2
- Attachment(s) for Item 8.2
- Minutes for Item 8.2

This order shall operate until the current lessee has vacated the premises and Council has disposed / leased the property to another operator, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first.

Pursuant to Section 91(9)(c) of the Local Government Act 1999, the Committee delegates to the Chief Executive Officer the power to revoke this order at any time subject to first confirming with the lessee (TRY Australia) to ensure no matter of confidentiality will be breached, and the Chief Executive Officer must advise the Committee of the revocation of this order as soon as possible after such revocation has occurred.