

8.2 PRECINCT INVESTMENT DECISION

Contact Person: Ms Tina Hudson

Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (b) of the *Local Government Act 1999*, this matter is confidential because it contains financial information regarding specific commercial and community organisations within Council.

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 PRECINCT INVESTMENT DECISION

Responsible Executive Manager : Ms Tina Hudson

Report Author : Ms Sarah Schutz

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

PURPOSE

To review the original 112 Coventry Road Rejuvenation decision made in 2018/19, in light of new services being delivered at The Precinct.

STAFF RECOMMENDATION

1. Council endorse the exit of the investment decision relating to The Precinct and incorporate this into our community service profile.
2. Staff to monitor operations for the 2021/2022 financial year and update Council with the potential budget impact and appropriate funding pathway as part of the 2022/2023 annual business planning process.

EXECUTIVE SUMMARY

In light of new services being delivered at The Precinct, Council are asked to endorse the exit of the investment decision associated with the 2018/19 annual business planning process and incorporate this facility into our community service profile.

The original intent of the investment decision was to realise leasing revenue through the charging of commercial rents to leaseholders. The current tenants at The Precinct are not for profit and community service organisations who are delivering highly valued services to our community but have limited capacity to pay rent. To date Council has not been able to achieve the financial outcomes identified in the investment decision, however the service outcomes delivered from the Precinct have been positively received.

Converting this from an investment asset to an ongoing service will require adjustments to the budget, with a funding pathway to be determined over the next 12 months.

1. BACKGROUND

In the 2018/19 budget initiatives Council approved the repurposing of the former para WorkLinks site into 'a vibrant community hub, housing Council supported services along with social enterprises, government agencies and local businesses'.

It was anticipated that the facility would attract not for profit and community groups with a capacity to pay full commercial rates and would be largely self-managed by those tenants. The Precinct was planned to achieve break even by 2019/2020.

Despite the intent to be able to charge tenants commercial rates, the greatest level of interest in relation to partnership participation at The Precinct has been from not for profit and community service organisations who do not have the capacity to pay the amounts anticipated. Partnership organisations who have taken space at The Precinct include:

- Playford Community Fund
- Men's Shed
- Lutheran Community Care

To support the change of focus toward a community service hub, Council also relocated the Healthy Food Co and Café to the site. Other community services include:

- Community Garden
- Volunteer Opportunities
- Meeting Spaces for hire
- And more recently, the Playford Wellbeing Hub

The Precinct is a key pillar in delivering the Wellbeing Hub objectives.

It is recommended that Council exit the investment decision and incorporate this into our service profile. Converting this from an investment asset to an ongoing service means that adjustments to the budget will need to be made, with a funding pathway to be determined over the next 12 months.

2. RELEVANCE TO STRATEGIC PLAN

This project aligns to the following decision-making filters and Community Themes in the Strategic Plan:

Themes:

Community Theme 3 Connecting with our community and each other

- The Precinct is a community hub offering a place for connecting, learning, creative workshops, public talks and forums. Activities and programs delivered at the site generate benefits on a whole of life basis to the local community and to the local economy.

Community Theme 4 Supporting business and local employment opportunities

- The Precinct supports a range of partner organisations to deliver services to our community as well as a wide range of volunteering opportunities which support the development of skills and experience and can lead to local employment opportunities.

Our intent in making this recommendation is to continue to deliver services that ensure the foundational needs of our community are being prioritised. Maintaining the service profile of The Precinct also best positions us to work with other levels of government and stakeholders to ensure we maximise any opportunity to leverage external funding and partnerships for service delivery.

Deliverables

- Continuation of service delivery at the facility

Interdependencies, Constraints, Risks and Issues to Consider

- Playford Wellbeing Hub (as noted below)

3. PUBLIC CONSULTATION

There is no requirement to consult the community on this matter.

4. DISCUSSION

- 4.1** In the 2018/19 annual business plan process Council approved the repurposing of the former para WorkLinks site into 'a vibrant community hub, housing Council supported services along with social enterprises, government agencies and local businesses'. The site was expected to offer 'opportunities to engage local people, organisations and businesses to collaborate and actively participate in tackling social challenges, whilst stimulating the economy'. Capital investment was expended to support the achievement of these goals, including the need to deliver DDA compliant toilets to the site.

It was anticipated that the facility would attract community organisations that deliver valuable services to our community, with the capacity to pay appropriate commercial rates and would largely be self-managed by those tenants. The Precinct was planned to achieve break even by 2019/2020 and full pay back within 5 years.

- 4.2** A summary of the original financial modelling is provided below:

| Investment Decision – The Precinct | Net Capital Investment \$'000 | Net Operating Investment \$'000 |
|---|--------------------------------------|--|
| 2018/19 – Budget | 180 | (38) |
| 2018/19 – Actual | 180 | (10) |

| Investment Summary | \$'000 |
|---------------------------------|------------------------------------|
| Net Capital Investment (outlay) | 180 |
| Net Operating Return | 38 favourable ongoing |
| Break Even Achieved | 2019/20 |
| Pay Back Period | 5 years after break even (2024/25) |

- 4.3** Realising the investment decision has been difficult to achieve for a number of reasons including:

- Commercial rents have been difficult to realise, particularly for the community organisations who reside at The Precinct, in particular the Playford Community Fund and the Men's Shed.
- Realising revenue associated with the hire spaces requires Council effort and coordination.

- 4.4** Despite the intent to generate leasing revenue, the greatest level of interest in relation to partnership participation at The Precinct has been from not for profit and community service organisations who have limited capacity to pay rent. Partnership organisations who have taken space at The Precinct include:

- Playford Community Fund, across two sheds on site

- Men's Shed
- Community Care Lutheran, including the Op Shop and the business centre

To support the change of focus toward a community service hub, Council also relocated the Healthy Food Co and Café to the site. Other community services include:

- Community Garden
- Volunteer Opportunities
- Meeting Spaces for hire
- And more recently the Playford Wellbeing Hub

4.5 The Precinct is a key pillar in delivering the Wellbeing Hub objectives. The Playford Wellbeing Hub, launched on 11 January 2021, spans across two of our community centres – The Precinct and John McVeity Centre. The Hub Initiatives through the Wellbeing Hub will focus on supporting young people, families and older residents, as well as members of our ATSIC and CALD communities, to stay socially connected and active, with a focus on wellbeing through food, physical activity and other health and wellbeing supports. The Wellbeing Hub objectives include:

- Creating opportunities to be active
- Supporting wellbeing through food
- Improving access to health and wellbeing
- Encouraging community participation and engagement

4.6 Other key users of the site include:

- A wide range of volunteers across PCF, Men's Shed, Food Co, Op Shop and Lutheran Care.
- Community members experiencing poverty (PCF, Food Co, Lutheran Care financial counselling, Op Shop).
- Numerous groups including local schools, NDIS and mental health organisations - specifically choose The Precinct due to site amenity, accessible cost of the PODS to hire and connection to local services.
- Community members with an interest in community gardens.

Co-location of the range of community services into the one site has created value across the services.

4.7 The Precinct provides a great deal of community value and is generating benefits on a whole of life basis. We are seeing significant contribution to improved:

- Community connections
- Improved wellbeing
- Skills building
- Financial independence
- Healthier choices

4.8 It is recommended that Council exit the investment decision and incorporate The Precinct into our service profile. Converting this from an investment asset to an ongoing service means that adjustments to the budget will need to be made, with a funding pathway to be determined over the next 12 months.

4.9 If it was determined that the focus of this site should be income focussed, rather than service focussed, the impact could include:

- Existing services may find it difficult to pay rent on their sites.
- Existing services who can't afford the rent at The Precinct may struggle to find suitable alternative locations in the Playford region, thereby meaning members of our community may no longer have access to the services.

5. OPTIONS

Recommendation

1. Council endorse the exit of the investment decision relating to The Precinct and incorporate this into our community service profile.
2. Staff to monitor operations for the 2021/2022 financial year and update Council with the potential budget impact and appropriate funding pathway as part of the 2022/2023 annual business planning process.

Option 2:

Council maintain commitment to the investment decision relating to The Precinct and commence discussions with the current tenants about rent increases.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

Exiting The Precinct investment decision means that the current levels of service provided by Council and our partner organisations at that site will be maintained.

Co-location of the various services at The Precinct in one hub creates benefits such as cross referral and collaboration. These benefits may not continue to be realised if the tenants need to relocate because of lease cost pressures.

The community service profile at The Precinct was a key factor in Wellbeing SA choosing to work with us on the Playford Wellbeing Hub. Any changes to the service profile may put at risk the objectives of the Playford Wellbeing Hub and the receipt of associated grant funding, particularly in relation to:

- Supporting wellbeing through food
- Improving access to health and wellbeing
- Encouraging community participation and engagement

6.1.2 Financial Implications

There are no budget implications in the short term. There are still a number of unknowns related to financial operations, in particular the impact of the Playford Wellbeing Hub and the John McVeity Centre changes on The Precinct. Staff will monitor operations for the 2021/2022 financial year and will update Council with the potential budget impact and appropriate funding pathway as part of the 2022/2023 annual business plan process.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

It may be difficult for organisations such as the Men's Shed and the Playford Community Fund to source sufficient funds to pay commercial rents. This may result in the existing services needing to find suitable alternative locations within or outside the Playford region. There is a risk that members of our community may no longer have access to the services.

If current Precinct tenants are unable to pay commercial rates and therefore leave, it is possible that we will be unable to attract new tenants prepared to pay commercial rents due to the location and nature of The Precinct site.

Maintaining commitment to the investment decision may put at risk the objectives of the Playford Wellbeing Hub and receipt of associated grant funding.

6.2.2 Financial Implications

Council will meet the financial targets identified associated with the original investment decision.

No change to operating budgets are required.

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 Section 90 (3) (b) 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 next scheduled annual review of confidential items by Council at which time this order will be reviewed and determined in accordance with Section 91(9)(a) of the *Local Government Act 1999*.