

9.1 HORTEX LICENCE AGREEMENT

Contact Person: Mr Greg Pattinson

Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (d) of the Local Government Act 1999, this matter is confidential because information contained within this report relates to sensitive third party information which is not at this stage in the public interest.

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

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

9.1 HORTEX LICENCE AGREEMENT

Responsible Executive Manager : Mr Greg Pattinson

Report Author : Mr Dermot Cussen

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

Attachments : [1](#). City of Playford and HortEx Partnership Agreement (ANNEXURE D)_2019-20

PURPOSE

To consider progress, to date, achieved under the HortEx and City of Playford Partnership Agreement; and whether the Partnership Agreement should be extended into the third year, of the three year Partnership Agreement ie until 30 June 2020.

STAFF RECOMMENDATION

1. Council commits to the continued use of the Virginia Horticultural Centre (VHC) facility for the advancement of the horticultural industry.
2. Council endorses continuing the three year Partnership Agreement (**Attachment 1**) between HortEx and the City of Playford, which commenced in May 2017, including:
 - a) Lease of the VHC to HortEx at a peppercorn rent of \$10 per annum;
 - b) City of Playford will provide funding of \$25,000 pa, indexed annually by CPI (from 2017-18) to support HortEx in driving the development and growth of the horticulture industry;
 - c) Council commits up to \$50,000 pa additional funding to leverage, Private, Federal and/or State funding for projects as agreed between the City of Playford and HortEx;
 - d) A review of the agreement after year three of the Partnership Agreement;
 - e) An annual report be provided to Council summarising the activities and

achievements of the previous year concluded; and

- f) HortEx provides opportunities for Northern Adelaide Plains, community focused, industry associations to work from the VHC at a peppercorn rent.
3. Council administration provides Council options for the ongoing use of the Virginia Horticulture Centre and potential future partnership agreements to support horticulture early in 2020.

EXECUTIVE SUMMARY

The Northern Adelaide Plains is one of the most significant regions for horticultural production in Australia; including having the largest undercover protected cropping area in the country.

Council's 2016 - 2020 Strategic Plan highlights the importance of the horticultural industry and outlines that Council will support the up-skilling and sustainable growth of the food sector in the Adelaide Plains Food and Wine Region. The City of Playford needs to develop relationships and partnerships to continue to drive the development of the Horticultural Industry to ensure the creation of "local jobs for local people".

The industry has a farm gate value of \$306 million, which is considerable relative to farm gate values for other primary industries. In addition, as you will note from Table 1 below that every 100 jobs created in this sector, creates significant greater value when compared to other sectors of the economy for the City of Playford, excluding manufacturing.

In 2016-17, Council endorsed the City of Playford entering into a Partnership Agreement with HortEx to support the development and growth of the horticultural industry in the Northern Adelaide Plains. Council also endorsed HortEx's use of the Virginia Horticulture Centre (VHC).

Two years into the Partnership Agreement, HortEx and its relationship with the City of Playford, through the Stretton Centre, is playing a key role in the advancement of the local horticultural industry.

HortEx have been a central supporter and facilitator in the development of the Northern Adelaide Plains Food Cluster. Clusters are recognised globally as being a key enabler of stronger, more resilient and profitable industries.

This Cluster, whilst only formed in the latter half of 2018, is making progress. It is leading the development of a website aimed at raising the profile of the Northern Adelaide Plains as a food region. In addition, funds from the Partnership Agreement have been used to leverage funding from the Federal Government, through the Building Better Regions Fund to develop an industry masterplan for the region.

HortEx, which has reported that it has 221 members, has advised that during the second year of the Partnership Agreement, the VHC has:

- had more than 1060 visitors (similar to the numbers that visited the VHC during the period surrounding the 2016 floods, when the centre hosted flood recovery activities); and
- hosted more than 50 industry workshops, which have included the delivery of Food Waste and Food Innovation workshops that have been delivered in collaboration between HortEx and the Stretton Centre.

Continuing the agreement for its final year displays Council's:

- strong ongoing support for the industry;
- clear desire to leverage economic development for the betterment of the City of Playford;
- reliability as a partner.

Table 1: Economic model of creating 100 jobs in the City of Playford in comparison to other industries.

Industry	Rise in output for City of Playford	Increase on Gross Regional Product
Retail	\$14.94M	\$8.29M
Health Care and Social Assistance	\$14M	\$9.45M
Manufacturing	\$40.46M	\$15.77M
Agriculture	\$32.41M	\$17.73M

1. BACKGROUND

In April 2014, Council sought Expressions of Interest 'to select and appoint an organisation to manage and operate the activities carried out in the Virginia Horticulture Centre'. From this exercise only one Expression of Interest (EOI) was received from HortEx Alliance. HortEx occupied the building for 2 years, at which time a review of the leasing and funding arrangements was conducted.

In 2016-17, Council endorsed the City of Playford entering into a 3 year Partnership Agreement (Partnership Agreement) with HortEx to support the development and growth of the Horticultural Industry in the Northern Adelaide Plains in line with Council's Strategic Plan.

The Partnership Agreement, which was executed in May 2017 for a period of three years to June 2020, subject to an annual review by Council, included:

- Strengthening the representation, marketing and promotion of the industry.
- Helping the industry to identify, consider and tackle future challenges.
- Engagement with all sectors of the industry to identifying constraints in the development of the industry and develop solutions to address these constraints.
- Provision of training and development.
- Collection and analysis of relevant data to help increase innovative capacity of the industry.
- Assisting the horticulture sector and other relevant stakeholders to increase innovation and adopt new technologies and address regional knowledge gaps relating to productivity and market access.
- Strengthen collaboration between the horticulture sector and government.
- Assisting the industry to improve land and waste management practices and high value add capture opportunities.

To support HortEx deliver on Partnership Agreement's objectives, the City of Playford is providing:

- An in-kind contribution of approximately \$50,000 for the use of The Virginia Horticulture Centre;

- \$25,000 per annum to support the delivery of the Partnership Agreement's objectives; and
- Up to \$50,000 per annum additional funding to leverage Private, Federal and/or State funding for projects as agreed between the City of Playford and HortEx.

2. RELEVANCE TO STRATEGIC PLAN

3: Smart Jobs & Education Program

Outcome 3.2 Commercial and industrial growth

A focus on continuous improvement, competition and adoption of innovative practices will drive change in the Northern Adelaide Plains horticulture region. It is recognised that increased profitability, production and advances in processing in the sector will lead to local jobs for local people.

As use of advanced technologies becomes more commonplace in the industry, there will be a need for appropriate education to complement these technologies. These types of jobs will create a shift in the employment needs of the industry and will also attract a new demographic of workers into the sector.

Increased production, value adding and a focus on consumers will lead to overall growth in the sector. Increasingly, businesses will further explore export opportunities.

3. PUBLIC CONSULTATION

There is no requirement to consult with the public on this matter.

4. DISCUSSION

4.1 Two years into the Partnership Agreement, HortEx and its relationship with the City of Playford, through the Stretton Centre, is playing a key role in the advancement of the local horticultural industry; and is delivering on the requirements of the Partnership Agreement, which were detailed in the Background section above.

4.1.1 Following the success of 'Our Region's Future' dinner in Virginia last June which was attended by 170 people, the Northern Adelaide Plains Food Cluster has been established to help facilitate a stronger, more resilient and profitable horticulture industry.

4.1.2 Virginia has many of the characteristics required for successful clusters, such as having multiple players in a similar industry in close geographic proximity. A successful Cluster, over time, will help the Northern Adelaide Plains Food Region achieve:

- A strong, cohesive industry voice.
- Premium quality and price.
- Recognised economic value.
- Reduced production costs.
- Sustainable production.
- Branded value-added products that are customer driven.
- Consumer recognition
- Strategic exports.

- 4.1.3 Though it is still early days, the Cluster is advancing well and a group of industry players have been meeting regularly to discuss its development. They include: growers, suppliers, industry associations, local government (Playford and Adelaide Plains), State Government and two local universities. The City of Playford is a significant Cluster stakeholder through the participation and support of the Stretton Centre and through its partnership agreement with HortEx - the VHC is the primary meeting place for Cluster meetings, forums and workshops.
- 4.1.4 The Chair of HortEx was elected as the interim chair of the Cluster in July 2018 to support its establishment, until an independent industry Cluster Chair was elected in November 2019.
- 4.1.5 HortEx, through the Cluster, is also facilitating group buying of solar photovoltaic panels, from leading manufactures, for both the horticulture industry and local manufacturers.
- 4.1.6 A subgroup of the Cluster is exploring opportunities to remove plastic waste from the region in an environmentally responsible manner.
- 4.1.7 Based on recent discussions with the Vietnamese Farmers Association (VFA), it is anticipated that its level of participation and involvement in the Cluster will also increase, as it seeks to facilitate information flow to its Vietnamese grower members, to help them to grow and be more profitable eg through better awareness of funding opportunities.
- 4.1.8 Hortex and the VFA have held positive discussions regarding opportunities to work together in the area of water efficiency.
- 4.1.9 HortEx was a key supporter of the City of Playford's successful Building Better Regions Fund (BBRF) \$49,600 grant application. The purpose of the BBRF grant, which requires a dollar for dollar (1:1) matching contribution, is to undertake research, consultation and analysis to result in an industry-led strategic plan for the Northern Adelaide Plains horticulture industry. The BBRF grant's matching contribution comprises of \$30,000 from the Partnership Agreement, in addition to funding contributions from Primary Industries and Regions SA (PIRSA); the University of South Australia; RDA Barossa; and Adelaide Plains Council.
- 4.1.10 HortEx has provided significant input into the development of a website aimed at improving the profile of the Northern Adelaide Plains as a food region.
- 4.2** The Partnership Agreement has supported the delivery of Food Waste and Food Innovation workshops. Waste typically represents a significant percentage of crops grown across the Northern Adelaide Plains. For example, approximately 20% (or in the region of 4,500 tonnes) of capsicums grown in the region go in to waste streams each year because they are not considered good enough for the retail market.
- 4.3** Hortex has been a strong industry advocate regarding Northern Adelaide Irrigation Scheme (NAIS) opportunities and issues. NAIS will introduce an additional 12 Giga litres of recycled water into the Northern Adelaide Plains. Currently 17 Giga litres of recycled water is used in the region through the Virginia Pipe Network.
- 4.4** HortEx has advised that:
- It has 221 members.
 - In 2018-19 there have been more than 1060 visits to the VHC, which is comparable to the number of visits to the VHC during the flooding of 2016, when the VHC was used as a recovery centre.
 - The VHC has hosted 50 industry workshops.
 - It provided PIRSA with figures for the Annual Scorecard on the Northern Adelaide Plains vegetable production.
 - It continues to manages and operate AgSafe's Drum Muster at the VHC. The Drum Muster initiative provides agricultural chemical users with a recycling

pathway for eligible empty agricultural and veterinary chemical containers. HortEx has collected several thousand chemical containers which are then sent to plastic processors.

- it has two long term, key horticulture industry tenants based at the VHC: Rijk Swaan and Biological Services.
- regular users of the VHC include: Biosecurity SA and the Almond Board.

4.5 As per a condition of the Partnership Agreement, a copy HortEx's 2017-18 annual report when completed will be provided to Council.

5. OPTIONS

Recommendation

1. Council commits to the continued use of the Virginia Horticultural Centre (VHC) facility for the advancement of the horticultural industry.
2. Council endorses continuing the three year Partnership Agreement (**Attachment 1**) between HortEx and the City of Playford, which commenced in May 2017, including:
 - a) Lease of the VHC to HortEx at a peppercorn rent of \$10 per annum;
 - b) City of Playford will provide funding of \$25,000 pa, indexed annually by CPI (from 2017-18) to support HortEx in driving the development and growth of the horticulture industry;
 - c) Council commits up to \$50,000 pa additional funding to leverage, Private, Federal and/or State funding for projects as agreed between the City of Playford and HortEx;
 - d) A review of the agreement after year three of the Partnership Agreement;
 - e) An annual report be provided to Council summarising the activities and achievements of the previous year concluded; and
 - f) HortEx provides opportunities for Northern Adelaide Plains, community focused, industry associations to work from the VHC at a peppercorn rent.
3. Council administration provides Council options for the ongoing use of the Virginia Horticulture Centre and potential future partnership agreements to support horticulture early in 2020.

Option 2

1. Council supports the continued use of the Virginia Horticultural Centre facility for the advancement of the horticultural industry.
2. Council seeks to discontinue the three year Partnership Agreement (Attachment 1) between HortEx and the City of Playford.
3. Council administration provides Council options for the ongoing use of the Virginia Horticulture Centre and potential future partnership agreements to support horticulture.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

The Partnership Agreement has been a catalyst for the current momentum that exists to support the economic development of the Northern Adelaide Plains Food and Wine Region.

In 2014 the VHC was unused and this asset, which was developed to promote economic growth in the area, was not meeting its intended purpose. In contrast, the VHC is now regularly used by industry and is tenanted by a horticulture seed supply business and a company that delivers key biological services to the industry (integrated pest management)

The Northern Adelaide Plains Food Cluster is becoming a key vehicle for fostering economic growth in the region. A notable outcome from the agreement to date is the development of a deeper understanding of how the industry works and of who the key players are by City of Playford staff. This knowledge is critical in developing strategic direction to support the industry in a manner that is achievable. Indeed, a key roadblock for the development of the Northern Adelaide Plains Food Cluster has been navigating the industry perspectives and developing effective strategies. HortEx has been a key player in ensuring that these issues are overcome.

This option incorporates an additional requirement for HortEx to allow opportunities for Northern Adelaide Plains, community focused, industry associations to work from the VHC at a peppercorn rent, such as the Vietnamese Farmers Association.

Council administration will bring a report to Council early in 2020 to discuss options to support the horticulture industry through the use of the Virginia Horticulture Centre and potential funding arrangements. This will enable Council to form a view and implement a process to extend the lease of the Virginia Horticulture Centre at the conclusion of the 3 year agreement with HortEx. This may include going out for another Expression of Interest to see what other parties may be interested in utilising the Virginia Horticulture Center.

6.1.2 Financial Implications

Table 2: Financial implications of recommended decision

	Current Year 2019/20 \$'000	Future Years 2020/21 \$'000	Ongoing \$'000
Operating Revenue			
Operating Expenditure	75,000	0	0
Net Operating Impact	75,000		
Capital – Investing Revenue			
Capital Expenditure			
Total Borrowings (Capital Investment)			

The operating expenditure does not include Council's in-kind subsidy to the Horticultural Industry by Council of approximately \$50,000 pa for the lease of the VHC to HortEx, (mainly made up of depreciation and maintenance cost). The funding agreement is funded through the Strategic Projects budget allocation within the recurrent budget.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

Efforts to create an effective industry led cluster are proceeding well. Given the objectives of the Partnership Agreement are being delivered and that Hortex and the VHC is playing a key

role in the progress that has been achieved, there is a reputational risk for Council from terminating the Agreement early.

Council administration would bring a report to Council to discuss options to support the horticulture industry through the use of the Virginia Horticulture Centre and potential funding arrangements.

6.2.2 Financial Implications

Option 2, at this time, does not commit Council to any support of the horticultural industry and thus will result in no change to Council's current financial position. However, Council owns the Virginia Horticulture Centre and is still required to maintain and depreciate the building.

ANNEXURE D

City of Playford and HortEx Partnership Agreement

The City of Playford's Strategic Plan "Smart Jobs & Education Program", seeks to lead by example and advocate to other organisations to support the diversification of our local economy and improve the employment prospects for our community. This includes providing the right environment for investment and business attraction and connecting our community up with the right skills and education for the transitioning economy.

The Adelaide Plains Food and Wine Region is one of the most significant regions for horticultural production in Australia, with the Virginia and Northern Adelaide Plains contributing approximately 6.5 percent to the state's economy and employing nearly half of the state's vegetable industry.

The City of Playford needs to develop relationships and partnerships to continue to drive the development of the Horticultural Industry to ensure the creation of "local jobs for local people". This document summaries the partnership agreement between the City of Playford and HortEx. Both parties acknowledge that this is not an exclusive partnership and the City of Playford and HortEx may enter into other partnership arrangements to progress the development of the Horticulture Industry.

Objectives

The City of Playford and HortEx partnership, through active engagement, will strive to drive the development and growth of the Horticultural Industry in the Northern Adelaide Plains by:

- Strengthening the representation, marketing and promotion of the industry
- Helping the industry to identify, consider and tackle future challenges
- Engagement with all sectors of the industry to identifying constraints in the development of the industry and develop solutions to address these constraints
- Provision of training and development
- Collection and analysis of relevant data to help increase innovative capacity of the industry
- Assisting the horticulture sector and other relevant stakeholders to increase innovation and adopt new technologies and address regional knowledge gaps relating to productivity and market access.
- Strengthen collaboration between the horticulture sector and government
- Assisting the industry to improve land and waste management practices and high value add capture opportunities

Timeframe of Agreement

The partnership agreement, which commenced in May 2017, is intended to run for 3 years (i.e. to 30 June 2020), but is subject to an annual review by Council.

Facility

The Virginia Horticulture Centre was established to enhance the horticulture industry through promotions, training and development, research, community development, tourism and to

develop linkages with other State initiatives. The Virginia Horticulture Centre provides an opportunity to establish a focal point to play a significant role within the industry.

To support the horticultural industry the City of Playford will lease the Virginia Horticulture Centre to HortEx under a "pepper corn" rent arrangement. The table below summarises the financial contribution associated with the lease of the facility on an annual basis.

DRAFT

	HortEx Contribution	Council Contribution
Depreciation		\$33,000*
Annual Maintenance		\$13,000*
Outgoings: examples include Power, Cleaning, Insurance, Telecommunications and Water	\$15,600*	
		\$3,000
Total	\$15,600*	\$49,000*

* These are 2016-17 figures

Sub-lease arrangements:

HortEx can sub-lease the facility to organisation(s) that support the horticultural industry subject to Council's agreement. HortEx can retain the associated income from sub-lease arrangements to support the operations of HortEx. Administration would use the following criteria in determining support for a sublease.

- o Commercial entity not relating to horticulture – Do not support
- o Commercial entity supporting horticulture – Support (commercial terms)
- o Government/Not for Profit supporting horticulture – Support (agreed terms)
- o Incorporated horticulture associations supporting a Northern Adelaide Plains community – Support peppercorn rent plus actively support the operations and purpose of the facility)
- o Government/Not for Profit supporting community during and post emergency – Support (no charge, except outgoings)

HortEx will provide to Council at no cost a "Hot Desk" arrangement to facilitate the working partnership between Council and HortEx.

Industry Development Grant:

In addition to the provision of the facility the City of Playford will provide an additional \$50,000 for the first year and then \$25,000 pa indexed annually by CPI to support HortEx in achieving the objectives of the Partnership agreement.

The City of Playford agrees to commit up to \$50,000 pa additional funding to leverage Private, Federal and/or State funding for projects as agreed between the City of Playford and HortEx to achieve the objectives of this agreement.

In-kind Outcomes

	HortEx	Council
Branding	All HortEx activities jointly badged with Council logo	
Marketing	Develop and implement a marketing plan to demonstrate that the use of the centre is actively promoted to the local horticultural industry Council wide, encouraging membership from the whole northern region	
Governance	Council representative on a Management Group to oversee Partnership Agreement	
Reporting	Provision of Audited Financial Statements annually Provision of 3 year Business Plan	
	Provision of representation base details <ul style="list-style-type: none"> - total number of farmers/organisations represented, annually Training and development <ul style="list-style-type: none"> - total number of training and development programs held, their intended outcomes and attendance - Quarterly. 	
Information Sharing	Provision of Horticultural Industry and Value Chain Analysis	Provision of Horticultural Industry and Value Chain Analysis
Engagement	Facilitate engagement between Council and Industry representatives	Council will consult where appropriate with HortEx and other industry groups as relevant in regard to significant horticultural issues
Industry Support	Provide intelligence in relationship to new developments	Case management of significant developments In-kind support to progress specific issues (as agreed)

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 9.1 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 9.1 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 90(2) and Section 91(7) of the Local Government Act 1999, the Council orders that the following aspects of Item 9.1 be kept confidential in accordance with Council's reasons to deal with this item in confidence pursuant to Section 90 (3) (d) of the Local Government Act 1999:

- Report for Item 9.1
- Attachment(s) for Item 9.1
- Minutes for Item 9.1

This order for the Attachment and Decision shall operate until the execution of the Lease between the City of Playford and HortEx, 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.

This order for the Report 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.