**

Corporate & Strategy Reports

**Committee Consideration – 8 September 2020**

**Council Resolution – 22 September 2020**

**Table of Contents**

Item No. Page No.

[CPS18.20 List of Accounts Paid – July 2020 2](#_Toc49503892)

[CPS19.20 Ongoing Implications of COVID-19 on the City’s Tenancy Portfolio 4](#_Toc49503893)

[CPS20.20 Review of Point Resolution Child Care Centre 9](#_Toc49503894)

[CPS21.20 Sale of 64-66 Melvista Avenue, Dalkeith 17](#_Toc49503895)

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| **CPS18.20 List of Accounts Paid – July 2020** |

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| **Committee** | 8 September2020 |
| **Council** | 22 September2020 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Creditor Payment Listing – July 2020
2. Credit Card and Purchasing Card Payments – July 2020 (29 June – 29 Jul 2020)
 |
| **Confidential Attachments** |  |

**Executive Summary**

In accordance with Regulation 13 of the *Local Government (Financial Management) Regulations 1996* Administration is required to present the List of Accounts Paid for the month to Council.

**Recommendation to Committee**

**Council receives the List of Accounts Paid for the month of July 2020 as per attachments.**

**Discussion/Overview**

**Background**

Regulation 13 of the *Local Government (Financial Management) Regulations 1996* requires a list of accounts paid to be prepared each month, showing each account paid since the last list was prepared. This list is to include the following information:

1. the payee’s name;
2. the amount of the payment;
3. the date of the payment; and
4. sufficient information to identify the transaction.

It is normal practice for the monthly payment list to be a month in arrears to allow for the production of Council reports, the timetable is such that Council reports are being finalised for the following months’ round of meetings before the completion of the current month.

**Risk Management**

The accounts payable procedures ensure that no fraudulent payments are made by the City, and these procedures are strictly adhered to by the officers. These include the final vetting of approved invoices by the Manager Finance and the Director Corporate and Strategy (or designated alternative officers).

**Conclusion**

The List of Accounts Paid for the month of July 2020 complies with the relevant legislation and can be received by Council (see attachments).

**Consultation**

Required by legislation: Yes [x]  No [ ]

Required by City of Nedlands policy: Yes [ ]  No [x]

**Strategic Implications**

The 2020/21approved budget is in line with the City’s strategic direction. Payments are made to meet the City’s spend on operations and capital expenses undertaken in accordance with the approved budget.

The 2020/21approved budget ensured that there is an equitable distribution of benefits in the community

The 2020/21budget was prepared in line with the City’s level of tolerance of risk and it is managed through budgetary review and control.

**Budget/Financial Implications**

The payments are made in accordance with the approved budget and achieves a surplus cashflow balance.

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| **CPS19.20 Ongoing Implications of COVID-19 on the City’s Tenancy Portfolio** |

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| **Committee** | 8 September2020 |
| **Council** | 22 September2020 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Hardship Provisions Policy
 |
| **Confidential Attachments** | Nil. |

**Executive Summary**

At the Special Council Meeting of 14 April 2020, Council endorsed the application of the Hardship Provisions Policy to Community/Sporting Groups and to Commercial and Residential tenants, in supporting them during the COVID-19 emergency; and requested a further item be presented to Council to consider the ongoing implications of the pandemic on the City’s Tenancy Portfolio.

The concessions approved by Council at the time reflected the principles covering Federal Government Code of Conduct for Commercial Agreements and also of the recent request by the Premier, Hon Mark McGowan, that all local governments consider concessions on Rates, Fees and Charges to provide relief for families and businesses from the impacts of the COVID-19 Pandemic.

This report provides an update to Council on the positive effect its previous decision has had on the City’s Tenancy Portfolio and considers the options available to Council should the state suffer the effects of a ‘second-wave’ and in the event government restrictions on human movement and interaction are re-tightened.

**Recommendation to Committee**

**Council:**

1. **Authorises the Chief Executive Officer to:**
2. **recommence ‘normal’, pre-COVID-19 Hardship Provisions, management of the City’s Tenancy Portfolio in line with obligations under each agreement, including charging rent as of 1 July 2020; and**
3. **removal of Clauses 3, 5(c) and 5(d) of the Hardship Provisions Policy to reflect this decision; and**
4. **Requests a further item be presented to Council, should the State suffer the effects of a ‘second-wave’ of infection and government restrictions on human movement and interactions are re-tightened to Phase 3, 2 or 1.**

**Discussion/Overview**

**Background**

At the time of writing the previous report (14 April 2020), the City had a Tenancy Portfolio of 60 agreements. 29 of those agreements were where a Tenant exclusively uses a space in exchange for rent.

Those 29 agreements reflect an annual rental of approximately $345,000 per annum, or the equivalent of $28,750 per month. It is notable that this was not averaged equally through the year as some rentals are paid annually, and some on a seasonal basis (sporting clubs).

Of the 29 agreements that pay rent, 13 were agreements of a commercial nature, 11 were management licences to not-for-profit community groups, and 5 were residential properties.

At Special Council Meeting of 14 April 2020, Council agreed to apply the Hardship Provisions Policy to the City’s Tenancy Portfolio. In relation to city tenants, the Hardship Provisions Policy dictated that where COVID-19 Hardship was evident, rent-free terms would be offered to commercial tenants, residential tenants, and management licence holders until 30 June 2020.

At the time of writing the previous report (14 April 2020), risk management measures had progressively been put in place by Officers as advice was provided by State and Federal Government. The City had already enforced closure of all community halls. This decision alone had forced 9x management licence holders to cease operations.

The same report indicated 18 of the 24 spaces (cannot include the residential properties) were already closed and that as the nation officially enters ‘complete lockdown’, it was likely that 23 of the 24 spaces would close at some point.

That assumption was almost correct, and except for space leased by the City of Subiaco and Kidz Galore, all facilities in which the City offers space under lease or management licence agreement were forced to close for some period of time.

**Effects of Council’s Decision**

Anecdotally, the effects of Council’s decision to grant such generous concessions have been extremely positive. At this stage, Officers discussions with tenants have shown that none of the City’s tenants have been forced to close permanently and the financial concessions offered were received with great thanks. For businesses like Shorehouse Restaurant and Annie’s Playschool, the relief was extremely valuable.

Financially, the concessions resulted in an $81,791.56 loss of revenue for the City as shown below.



The concessions also exceeded compliance with the mandated Code of Conduct for Commercial Agreements and the State Governments Commercial Tenancies (COVID-19 Response) Regulations 2020 which stated that at least a 50% reduction in rent was required until the end of the ‘emergency period’ (currently 30 September 2020\*).

*\*Note: Should the ‘emergency period’ be extended by the State Government, a subsequent report to Council will be required in relation to commercial lease agreements and the ongoing rent relief that would be required under the Regulations.*

**Ongoing Implications of the COVID-19 Pandemic**

With most human movement and interaction restrictions being lifted as part of the State Governments movement into Phase 4 on 27 June 2020, the State is currently in a very good position in its ongoing battle with the virus. As part of the easing of restrictions, all City tenancies have now resumed operations.

The Hardship Provisions Policy states that the Policy will apply until for as long as the Council determines it is needed.

Given the above, it is recommended by Administration that the City resume ‘normal’ management of the City’s Tenancy Portfolio in line with obligations under each agreement, including charging rent as of 1 July 2020 and the amendment of the Hardship Provisions Policy to reflect the change.

The removal of Clauses 3, 5(c) & 5(d) of the Hardship Provisions Policy (see attachment 1) would be sufficient for this change.

**Potential for ‘second-wave’ of Infection**

As seen in recently in Victoria, the effects of a ‘second-wave’ of infection can be dire. It is likely that if Western Australia were to be subject to a significant ‘second-wave’, then human movement and interaction restrictions would need to be re-tightened.

As the City has maintained a flexible approach throughout the pandemic, it is recommended by Administration that should Western Australia suffer the effects of a ‘second-wave’ of infection and government restrictions on human movement and interaction are re-tightened a further report to Council would be required.

**Legislative Requirements**

All agreements of tenure have been entered into pursuant to Section 3.58 of the *Local Government Act 1995* and the conditions therein.

Section 6.12 of the *Local Government Act 1995* allows a local government to waive or grant concessions in relation to any amount of money which is owed. This is an absolute majority decision of Council.

All concessions agreed to by Council comply with the Commercial Tenancies (COVID-19 Response) Regulations 2020

**Key Relevant Previous Council Decisions:**

All minutes as noted at Special Council Meeting 14 April 2020 which was held for the purpose of a COVID-19 response.

**Consultation**

As the COVID-19 Pandemic has evolved, Officers have been continually consulting with tenants as new information has come to hand.

**Strategic Implications**

**How well does it fit with our strategic direction?**

City’s Strategic Community Plan 2018-2028 lists eight values that it will strive to abide by. Council’s decision to offer rental relief will fit the following values:

* Great Governance and Civic Leadership; and
* Great Communities; and
* Great for Business.

The recommendations contained in the previous report provided support to those Businesses and Community groups operating from City premises when it was required

**Who benefits?**

This had a direct benefit to the tenants and the community they serve

**Does it involve a tolerable risk?**

The recommendations contained in this report have minimal risk as all City tenancies are now operational under the State Governments Phase 4 restrictions. However, should the restrictions change in the event of a ‘second-wave’, Council would need to remain flexible with timely decision making.

**Do we have the information we need?**

All information available has been presented to Council.

**Budget/Financial Implications**

Nil. Should Council adopt the Officers recommendation, the City’s Rental Revenue will remain as budgeted for 2020/21, unless the state is subject to a ‘second-wave’ of infection and further concessions are required.

**Can we afford it?**

N/A

**How does the option impact upon rates?**

N/A

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| **CPS20.20 Review of Point Resolution Child Care Centre** |

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| **Committee** | 8 September2020 |
| **Council** | 22 September2020 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. PRCC Profit and Loss Statements
2. Map of Surrounding Childcare Businesses
 |
| **Confidential Attachments** | Nil. |

**Executive Summary**

As part of the Annual Budget 2020/21 approval, Council requested the Chief Executive Officer (‘CEO’) undertake various tasks. Two of which included targeted savings in employee costs and the commencement of a review into the Point Resolution Child Care Centre Service.

Point Resolution Child Care Centre is a City operated childcare service with a dedicated team of Early Childhood Educators (6.5 FTE) and casuals as required, to provide high quality care and programs. The service uses the facility at 53 Jutland Parade, Dalkeith which is located on land owned by the State of WA and is vested for control, management, and care to the City via Management Order.

In December 2013, Council agreed that the City was to continue the childcare service at the site on a cost-neutral basis. Since 2018, Council have regularly been briefed on the viability of the service to ensure it is aware of the level of subsidisation from the City’s ratepayers. Administration have previously advised that the direction of Council to operate the service at a cost neutral basis is unachievable even with 100% occupancy and that the service has been returning an operational loss for a number of years and is forecast to continue to do so in 2020/21. The City does not benefit from specialisation and economies as a childcare service provider.

This recommendation comes to Council on the basis of the following;

* Council’s instruction to the CEO at the SCM of 30th June 2020 to
	+ “Target savings in employee costs that are equivalent to budget request of $422,000 for new positions.”
* Council’s 2020/21 Key Result Areas of the CEO to reduce employee numbers.
* Inability for the Service to ‘breakeven’ as per Council’s direction in 2013
* And apparent lack of ‘harmony’ with the LG Act, particularly 3.18 (3) (b)

Should Council accept this recommendation, the CEO will satisfy in part the Key Result Areas (KRAs) set for him in 2020/21, if the recommendation is not accepted the CEO will be limited in his ability to deliver upon all of the Key Result Areas set for 2020/21 and may need to renegotiate the KRAs at a later date.

**Recommendation to Committee**

**Council:**

1. **with respect to current City childcare services;**
2. **agrees to cease operations of the Point Resolution Child Care Centre at 53 Jutland Parade, Dalkeith at the earliest opportunity within the 2020/21 financial year;**
3. **instructs the CEO to commence the transitional arrangements for Point Resolution Child Care Centre staff; and**
4. **approves an increase to the budget for the Point Resolution Child Care Centre Employee Costs by $85,000 of municipal funds. The funds will be required to enable the payment of the due transitional costs;**
5. **instructs the CEO to seek a valuation of the Point Resolution Child Care Centre service for the purposes of valuation of the service as a business;**
6. **approves the CEO to call for Expressions of Interest (EOI) for an external childcare provider to undertake childcare services at 53 Jutland Parade, Dalkeith for a term of up to 21-years in accordance with the Management Order, with proviso that current staff and the currently registered children are included in the transition of the service; and**
7. **instructs the CEO to initiate the requirements for the disposal of the land (leasehold) subject to Section 3.58 of the Local Government Act 1995; and**
8. **notes that the resolutions above in part satisfy Council’s instruction to the CEO to reduce employee numbers and staff costs, though the reduction in staff costs will not be realised until the next financial year; and**
9. **notes that the disposition of thePoint Resolution Child Care Centre service may realise a financial return for the City.**

**Discussion/Overview**

Point Resolution Child Care Centre (‘PRCC’) was established in 1983 to provide occasional care services (‘Service’) to residents and ratepayers of the City of Nedlands, at a time when there were minimal options for the community. PRCC has provided a much loved and valued service to the Nedlands community since its establishment and has a loyal and dedicated team. During this time, there have been many licensing and legislative changes requiring the centre to comply with National Standards, as well as increased pressure to compete with commercial childcare providers to attract clients. As a business unit, PRCC has struggled to meet the requirement to be cost-neutral and ratepayers of Nedlands are effectively subsidising the cost of the Service for the families who utilise the Service.

Anecdotal evidence suggests that other childcare operators can achieve cost efficiencies due to their size and business models which often allows them to move staff from one centre to another as daily requirements change. Additionally, the provision of childcare is not a core business of the City, and specialist providers are able to tailor their organisation to the needs of childcare more successfully than the City.

PRCC is currently licensed for 24 children per day and caters for those aged from 8 months to 6 years of age. In order to meet expectations of parents, the centre provides care from 7.30am to 5.30pm on Mondays to Fridays and provides all meals to children.

In December 2013. Council agreed that the City was to continue the Service at the site on a cost-neutral basis. Since 2018, Council have regularly been briefed on the viability of the service to ensure it is aware of the level of subsidisation from the City’s ratepayers. The dates of briefings over the past two years are 3 July 2018, 19 March 2019 & 19 November 2019.

In financial year 2019/20, as a business unit, the Profit and Loss Statement for PRCC as shown in Attachment 1 showed a loss of $85,445. Since 2013/14, the ratepayer has subsidised the Service by a total of $449,535 which equates to on average $64,219 per year.

PRCC continued to provide services throughout COVID-19 and attendance figures remained high. However, the impact of the Federal Government’s decision to make childcare free for all children from 6 April to 13 July 2020, resulted in an estimated $60,000 loss in revenue.

The following graphs show the year by year Income and Expenditure for the Business Unit and the ongoing ratepayer subsidised deficit of the Service.



Income Expenditure



When Council considered the options for the continuation of providing childcare services in 2012/13, the PRCC operating budget was $402,230. The approved operating budget for 2020/21 is $727,812 + $60,000 for building maintenance and garden maintenance costs - an increase of almost 100% in eight years. Although the revenue has also increased by 40% during that time, it is still insufficient to provide a cost-neutral service.

Recently, as part of the Annual Budget 2020/21 process, Council tasked the CEO with ensuring employee cost efficiencies where possible, but also specifically to a minimum amount of $422,000 which would cover the budget request for new positions.

Should Council choose to discontinue the Service, there is a financial impact of undertaking due transitional requirements for current staff. At the time of writing this report and based on a cease of service date being 31 December 2020, it is estimated the City would be liable for approximately $200,000 in transitional costs, of which $85,000 is unbudgeted.

Although the transitional costs are considerable, this would be offset by the ongoing savings to the City. Based on the 2020/21 budget, in 2021/22 alone, it is estimated the City would save approximately $70,000 and could potentially generate an additional $40- $45,000 in rental revenue.

In 2018/19, the City allocated $81,600 in its Annual Budget to a Laundry Extension and Common Room upgrades. The upgrade was important to keep the centre compliant with audits conducted by the Education and Care Regulatory Unit who assess education and care services against the National Quality Standard by conducting site visits. At the time, the works were paused by the Director Technical Services, pending the future of the Service. It is estimated by the City’s Building Maintenance Team that should the works be completed today; the costs would be closer to $100,000.

It is also worth noting to Council at this point that Section 3.18 of the *Local Government Act 1995* describes how a Local Government Authority must perform its executive functions, which includes the provision of services and facilities – see below excerpt.



Noting there are currently 14 identified childcare providers operating within, or just outside, the City’s boundary (see attachment 2), it could be argued that the City of Nedlands is currently providing a service that could otherwise be operated by a private entity.

**Future Options**

Council are requested to consider whether the Service be continued at a cost to the ratepayer or discontinue the Service and utilise the facility in alternate ways. The future options are listed below;

Continue to Subsidise the Service

Should Council choose to continue the Service, a negative impact to ratepayers through subsidisation of the Service is almost certain and the opportunity to ensure employee cost efficiencies as directed in the Annual Budget 2020/21 would be lost. There would also be a requirement for the City to invest approximately $100,000 in the near future to comply with current standards set by the Education and Care Regulatory Unit. However, the provision of service would be secured for the community and the current staff would also have the security of guaranteed employment.

Should the Service be discontinued, the facility could be viewed as a ‘wealth generator’ for the City by being utilised either as a hirable space for the community or via Lease Agreement as a disposal of property. As the facility is located on land not owned by the City, the facility cannot be sold.

Hire

In this instance, like other community facilities, the City would be responsible for the ongoing annual maintenance of the site, and hirers would be charged an hourly rate for use.

The management of the casual and regular hirers would be undertaken by the City’s Customer Service Team and they have estimated that community use of this type of facility would be similar to that of the City’s three Playgroups – approximately 10-hours per week. In line with the City’s current Schedule of Fees and Charges, a hirer would be charged a rate of $28 per hour. Therefore, it is expected an estimated revenue of $14,560 per annum could be realised.

However, based on the 2019/20 actual building maintenance costs of other City owned facilities of this type, and when considering the average use of those facilities, an estimated annual budget of approximately $18,200 for would be required

Should Council choose to make the facility available for hire to the community, it is anticipated that some costs for ongoing annual maintenance could be recouped, but not all and although minimal, there would still be a cost to the ratepayer.

Lease

In this instance, like other leasehold facilities under a commercial arrangement, the Lessee would be responsible for the ongoing annual maintenance and would also pay an agreed annual rental rate. There would be no cost to the ratepayer.

In accordance with Section 3.58 of the *Local Government Act 1995* before disposing of property a local government must give local public notice of the proposed disposition:

* describing the property concerned;
* giving details of the proposed disposition; and
* inviting submissions to be made to the local government before a date to be specified in the notice, being a date not less than 2 weeks after the notice is first given.

The local government must then consider any submissions and record the reasons for any decisions it makes in the meeting at which the decision was made.

During this process, Council could maintain some control of the outcome by instructing the CEO to call for Expressions of Interest (‘EOI’) for an external childcare provider to undertake childcare services at the site. As part of the call, incorporation of the current staff and children could be included as a condition. This would ensure both the ongoing service for the community and the continuance of employment for the staff.

As the facility is located on land owned by the State of WA, consent from the Minister for Lands would also be required. However, Officers do not anticipate any issues with this as the current Management Order notes a Power to Lease with an approved purpose of ‘Child Care Centre’. It is yet to be determined whether the State Government would seek a portion of the lease yield, given the land is Crown property.

Considering the above options, Administration recommend that the cessation of the City operated Service, combined with a call for EOI for an external childcare provider to undertake childcare services at the site is the best option. It allows Council to make a sound and sustainable financial decision, which then meets its goals as set in the Annual Budget 2020/21. Should an external childcare provider be secured, it would also ensure the ongoing service for the community and the continuance of employment for the staff.

**Key Relevant Previous Council Decisions:**

CM09.13 - On 10 December 2013, Council agreed to continue to operate Point Resolution Child Care at 53 Jutland Parade, Dalkeith on a cost-neutral basis.

**Consultation**

To date, for confidentiality reasons, there has been no external consultation required, however, the CEO has briefed the current staff on this review.

If Council resolve to progress a disposition of its asset at 53 Jutland Parade, Dalkeith, the CEO will arrange commencement of significant consultation with both current staff and the users of the Service about the process for transition.

To comply with Section 3.58 of the Local Government Act, there will also be a public process involving notice and submission as noted previously in this report.

**Strategic Implications**

**How well does it fit with our strategic direction?**

The cessation of service in combination with the disposal of property via leasehold would align with the Strategic Community Plans Key Focus Area of ‘Governance and Civic Leadership’ through high quality decision making whilst maintaining a sound and sustainable financial position.

**Who benefits?**

The City’s ratepayers benefit from the sound and sustainable financial position.

**Does it involve a tolerable risk?**

With the cease of any operation there is some reputational risk, in this instance the staff and customers of the Service will be affected. However, it is recommended that Council consider the options which allow for the least amount of risk through the Expressions of Interest process as detailed in this report.

**Do we have the information we need?**

All required information has been provided to Council.

**Budget/Financial Implications**

**Can we afford it?**

Although the initial cost of an additional $85,000 for staff transitions represents a considerable one-off investment, the costs would be offset by the ongoing $70,000+ annual saving which would have been spent to subsidise the Service.

With the additional potential to dispose of the facility via Leasehold arrangement, it is likely future revenue can also be achieved.

**How does the option impact upon rates?**

An additional cost of $85,000 represents approximately a -0.37% impact on rates.

However, the ongoing savings of $70,000 plus estimated rental revenue ($45,000) show an estimated 0.5% easing of rate revenue.

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| **CPS21.20 Sale of 64-66 Melvista Avenue, Dalkeith** |

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| **Committee** | 8 September2020 |
| **Council** | 22 September2020 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Valuation of 64-66 Melvista Avenue, Dalkeith – 23 October 2019;
2. Updated Valuation of 64-66 Melvista Avenue, Dalkeith – 10 August 2020; and
3. Excerpt of Section 3.58 and 3.59 of the *Local Government Action 1995.*
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| **Confidential Attachments** | 1. Kidz Galore Confidential Proposal
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**Executive Summary**

The 64-66 Melvista Avenue, Dalkeith site is made up of two freehold parcels of land which sit within the City’s land asset portfolio. The site is currently leased to Kidz Galore Pty Ltd who operate childcare services on a commercial basis for the local community.

As part of the City’s Annual Budget 2020/21, the site has been identified for potential disposal subject to a sound business case being developed and final approval by Council. The proceeds of the disposition are to be placed in the Major Projects Reserve (75%) and Underground Power Reserve (25%) for the purposes intended by those Reserves.

Options for disposal are discussed within this report and Council are now asked to consider those options.

**Recommendation to Committee**

**Council:**

1. **agrees to proceed with the sale of its property at 64-66 Melvista Avenue, Dalkeith via public tender method, based on existing zoning and current planning uses, and in accordance with the requirements of the Local Government Act 1995;**
2. **requires Administration to report back to Council once terms of a draft agreement for the sale of 64-66 Melvista Avenue, Dalkeith have been reached with the most appropriate purchaser, for review and approval; and**
3. **requests the Chief Executive Officer to prepare a business plan for the sale of the property, give public notice of the business plan and provide the submissions to Council so that it may decide whether to proceed with the undertaking as proposed or so that it is not significantly different from what is proposed, in accordance with s3.59 of the Local Government Act 1995.**

**Discussion/Overview**

**Background**

The City of Nedlands owns two freehold lots of land at 64-66 Melvista Avenue, Dalkeith (‘the Property’). Each lot is 1012m2 in area being a total of 2024m2. Currently zoned R10, the two lots are adjacent large regular shaped lots located on Melvista Avenue, a thoroughfare road within Dalkeith. The Property is located opposite Mason Gardens on the corner of Melvista Avenue and Hackett Road. The Property includes a circa 1970’s constructed building which previously served as the Melvista Pre-School, a facility then leased to and operated by the Department of Education. The Department surrendered the lease on 24 September 2012.

In 2013, the City reviewed its provision of childcare services and moved to conduct a public process inviting submissions for the provision of childcare services and associated leases of the property at 64-66 Melvista Avenue, Dalkeith. In this process seven submissions were received and Kidz Galore were the successful respondent.

Kidz Galore commenced in lease of the Property on 20 December 2013. The lease arrangement is for a term of 10 years, expiring on 19 December 2023 (‘the Lease’).

As part of the City’s Annual Budget process 2020/21, Council agreed that the site be investigated for potential disposal subject to a sound business case being developed and final approval by Council. The proceeds of the disposition were to be placed in the Major Projects Reserve (75%) and Underground Power Reserve (25%) for the purposes intended by those Reserves.

In order for the City to meet its goal within the Annual Budget 2020/21, the sale of the City’s asset is required to release funds currently tied up in the ownership of the land. To ensure compliance with the *Local Government Act 1995* (see attachment 3), the below options for sale are available for Council to consider.

**Disposition Options**

1. Public Auction

This would involve an open and transparent form of sale of the Property in that the auction would be open to all interested members of the public able to attend and bid for the Property. The highest bid would secure ownership of the Property assuming the reserve value was met. The Auction may bring about a competitive environment assuming several parties are interested in the Property but the City would also have less control on who becomes the purchaser.

Any Auction conducted prior to the expiration of Kidz Galore’s current lease would take into consideration the lease in place and it is highly likely a lower purchase price would reflect this encumbrance on the property.

1. Public Tender

This would involve an open and transparent form of sale of the Property where tender submissions are received and reviewed to select the purchaser. In this process the best submission may not necessarily be the highest value as the City could assume some control over the outcome by setting conditions of sale requiring the purchaser to continue to operate a childcare centre onsite (if the City considered this a priority for the community and the land’s use).

Any Tender conducted prior to the expiration of Kidz Galore’s current lease would take into consideration the lease in place and the purchase price would reflect this encumbrance on the property.

1. Advertisement of a Negotiated Sale

Under the Act, Council can also advertise a pre-negotiated sale. To ensure this process is open and transparent, there is a requirement the City give public notice with specific details of the proposed transaction (market price, sales price, name of purchaser) and invite submissions from the public, giving at least two (2) weeks for submissions to be received. The City would then need to consider the submissions before any sale is completed.

As Council are aware, representatives from Kidz Galore briefed Council on 16 July 2019 about the possibility of securing the premises through negotiated sale or long-term lease. This offer was not formally progressed. Further details about this option and their subsequent proposal are discussed in CONFIDENTIAL Attachment 1.

**Major Land Transaction**

A major land transaction for Local Governments is described as any transaction that is the lesser of $10 million or greater than 10% of the operational expenditure incurred by the Local Government in the last completed financial year.

Administration has had two (2) Valuations completed on the Property recently (see attachments 1 & 2). Valuation 1 (attachment 1) was completed in November 2019 and showed an ‘as-is’ encumbered value of $2,280,000. Valuation 2 (attachment 2) was completed in August 2020 and showed an ‘as-is’ encumbered value of $3,350,000. Given the time which has passed and new sales evidence, Valuer 1 has since acknowledged that the value could potentially have increased.

At the time of writing this report, the 2019/20 total operating expenditure by the City was $30,099,381 meaning the qualifying threshold is $3,009,938. Therefore, it is highly likely Section 3.59 of the Act needs to be considered as part of this project.

Section 3.59 of the Act requires that before a local government enters into a major land transaction the local government is to prepare a business plan and make available that plan for public inspection; inviting and considering any submissions received. The prescribed amount for a land transaction to qualify as a “major land transaction” is defined in the Reg. 8A of the *Local Government (Functions and General) Regulations 1996* and as follows:





**Conclusion**

Although each method of sale has its own benefits, Administration recommends the disposition take place via method of Public Tender. This method allows for adequate transparency for the ratepayer, allows for some control by the City as to who purchases the property (by aligning with the community needs and the lands future use) and also allows Kidz Galore to submit its own tender.

**Key Relevant Previous Council Decisions:**

On 26 March 2013, in Confidential Item 17.1, Council considered City provided childcare service and resolved to call for expressions of interest for an external provider to run a childcare service at 64-66 Melvista Avenue, Dalkeith and/ or PRCC.

On 22 October 2013, in Item 13.5, Council considered the ‘Provision of Child Care Services’ and resolved to approve the lease of 64-66 Melvista Avenue, Dalkeith to Kidz Galore for the purpose of a child care service and authorised administration to conduct a thorough investigation into PRCC regarding increasing the fees in order for the service to break even.

On 30 June 2020, Council approved the Annual Budget 2020/21 with provision to include the asset disposition of this site.

**Consultation**

To date, there has been no consultation required, however if Council resolve to progress a disposition of its asset at 64-66 Melvista Avenue, Dalkeith, there will be required a public process involving notice and submission as noted previously in this report.

**Strategic Implications**

**How well does it fit with our strategic direction?**

The sale of the Property would align with the Strategic Community Plans Key Focus Area of ‘Governance and Civic Leadership’ through high quality decision making whilst maintaining a sound and sustainable financial position.

**Who benefits?**

The City’s ratepayers benefit from the sound and sustainable financial position.

**Does it involve a tolerable risk?**

With any sale of a land asset, there is a risk of losing future capital gain, however, the potential to use the liquidated funds to invest in alternative assets with a higher yield is likely.

**Do we have the information we need?**

All required information has been provided to Council.

**Budget/Financial Implications**

**Can we afford it?**

Assuming a property value of $3,350,000, the current rate of rental of $60,000 pa represents a 1.79% return on investment, without considering City management outgoings. It is expected that a rate return on investment above 1.79% is achievable through investment in alternate assets and so Council would be prudent to consider the sale of the Property.

**How does the option impact upon rates?**

The Sale of the Property would align with the Long-Term Financial Plan and future planned projects to the City. The sale would relieve the burden on ratepayers to fund underground power projects by approx. $800,000 which equates to approximately 3.5% of rates revenue