

JAPARA NEIGHBOURHOOD HOUSE SUPPORT AND REVIEW

Report Author: Executive Officer Partnership & Community Building
Responsible Officer: Director Communities
Ward(s) affected: Walling;

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

SUMMARY

Japara Neighbourhood House Inc (JNH) is a not-for-profit organisation in Kilsyth that is funded by Council to deliver Neighbourhood House activities and to manage the day to day running of the Council owned facility.

JNH's Executive reports that their business model has been challenged by a significant downturn in income due to the impact of the pandemic and reduction in facility use, leaving the organisation and its services vulnerable to financial failure.

JNH's Executive also report a proposed Council funding reduction, efficiency savings requirements and ongoing asset management responsibility pose an operational threat to JNH due to their current financial circumstances.

Following discussions between the JNH Executive and Officers, this report outlines and considers the issues raised by JNH and seeks approval from Council to maintain current levels of Council funding to JNH for the 2022-23 financial year, and to undertake a review of Yarra Ranges Council's (YRC) financial, operational and relational agreements and interactions with JNH, user groups and community groups.

The review would provide recommendations to ensure clarity of responsibility and communication between the two entities, and for the ongoing viability of JNH and the services it provides to the community.

RECOMMENDATION

That Council

- 1. Provide Japara Neighbourhood House Inc with a one-off stay of the funding reduction of \$4,579, proposed as part of the 2022 – 2026 Neighbourhood House Partnership Grant equalisation of funding process for all Neighbourhood Houses. This would maintain the Japara Neighbourhood House funding for Neighbourhood House activities at \$41,255 for the 2022-23 financial year.***
- 2. Provide Japara Neighbourhood House Inc with a one-off stay of funding reduction of \$2,500 outlined in the Hub Management Partnership Funding Agreement (1 July 2018 – 30 June 2023), maintaining funding for 2022-23 financial year at \$70,000.***
- 3. Undertake a review of Yarra Ranges Council's financial, operational, and all relational agreements and interactions with Japara Neighbourhood House to provide recommendations that support the ongoing viability of JNH and the services it provides to the community.***

RELATED COUNCIL DECISIONS

At the 13 September 2016 Council meeting the following motion was carried unanimously:

That Council:

1. Endorse the provision of an operational management fee of \$90,000 in 2016/17 and \$80,000 in 2017/18 to Japara Neighbourhood House for the ongoing management of Japara Living & Learning Centre; and
2. Acknowledge that a review will be undertaken that explores how Council can support U3As throughout the municipality in an equitable and transparent manner.

At the 8 May 2018 Council meeting the following motion was carried unanimously:

That Council:

1. Endorse an extension of its financial support to Japara Neighbourhood House for five years commencing with a contribution of \$77,500 in 2018/19 with an incremental decrease of \$2,500 per annum concluding with \$67,500 in 2022/23; and
2. Support Council Officers meeting with Japara Neighbourhood House on a six monthly basis to monitor the agreement and ongoing financial viability.

DISCUSSION

Purpose and Background

Japara Neighbourhood House (JNH) is a not-for-profit organisation in Kilsyth that is funded by Council to deliver Neighbourhood House activities and to manage the day to day running of this Council owned 'Hub.' JNH also receives funding from the Department of Families Fairness and Housing. The facility also houses Japara Children and Family Services, Kilsyth Senior Citizens Club and the Yarra Ranges U3A group.

JNH report that the Neighbourhood House comprises approximately one third of JNH's business, while one third of its business is occasional care and one third is the centre/facility management.

Council and JNH have been in partnership for many years with formal agreements dating back to 1994. There is a solid, enduring partnership foundation between Council and JNH with strong alignment of priorities and aims in ensuring quality service provision, a responsive and sustainable service model and facility, that ultimately focuses on the delivery of positive community outcomes.

JNH has reported that its business model has been challenged by a significant downturn in income due to the impact of the pandemic and a reduction in facility use, including by Council, after its new Civic Centre opening, leaving the organisation and its services vulnerable to financial failure.

At a meeting in September 2021 and more recently in June 2022, the JNH Executive raised concerns with Council about their challenging financial situation and the factors contributing to this.

At the June 2022 meeting attended by JNH Executive and Senior Officers the concerns communicated included:

- The negative impact of the annual reduction in Hub Management Partnership funding to operate the facility;
- A proposed reduction in neighbourhood house activity funding communicated at short notice without adequate consultation;
- The matter of 'gifting' of assets to JNH at the commencement of their lease, and the impact of the depreciation of these assets on their financial reporting;
- A limited capacity to service the terms of their standard lease with Council without additional Council assistance; and
- Council had not managed the relationship with JNH that fostered a collaborative partnership.

KEY ISSUES

Hub Management Partnership Funding

The Hub Management Partnership Agreement between Council and JNH (1 July 2018 – 30 June 2023) outlines an annual decrease of \$2,500 in funding from \$77,500 in 2018 to \$67,500 in 2022. This incremental decrease is based on the pre-pandemic assumption that Japara's revenue would increase as the facility became established over the course of the five-year agreement (approved by Council 8 May 2018). JNH report that due to the pandemic, this has not eventuated.

Neighbourhood House activity funding

2016 Neighbourhood House Partnership Review:

A 2016 consultant review of Council's Neighbourhood House Partnership agreements identified inequity in the funding model based on historic agreements. The review recommended that a Base + Loading model be adopted with Transition Loading to be implemented over the course of the next agreement, to bring Council's Neighbourhood House funding into parity. The 2018 – 2022 Neighbourhood House Partnership Agreements reflected this loading.

2018 – 2022 Neighbourhood House Partnership Agreement:

JNH is funded by Council to deliver community development activities via a three-year Partnership Agreement (1 July 2018 – 30 June 2021). This was extended by 12 months to 30 June 2022. This agreement outlined a gradual, annual decrease in funding from \$49,807 in 2018 to \$40,807 in 2021 to accommodate the Transition Loading.

The extension offered to all Houses for the 2021-22 year maintained the same level of funding for the extension year of the agreement. The implementation of the model to bring parity to all Houses reduced the funding gap substantially, however it did not result in full equalisation amongst all the Houses. JNH still received the highest level of funding at \$41,255.88 in 2021-22 with four other Neighbourhood Houses receiving \$33,717.86.

2022 – 2026 Neighbourhood House Partnership Agreement:

The key inclusion proposed for the new agreement is to implement the final step of the 2016 review recommendation to transition Houses to equalise funding.

At a Neighbourhood House Network meeting in May 2022, the Network voted to support the proposal to equalise funding for Houses.

Other Council related Neighbourhood House activity:

There is a Memorandum of Understanding between JNH and YRC Maternal and Child Health Service (M&CHS) in place for the use of the Maternal Child Health space at the Japara Early Years Building. Council leases the service back from JNH and pays an annual fee which includes cleaning and utilities and also contributes to any additional costs such as steam cleaning. Payments have ranged from just under \$11,000 in previous years to a reduced most recent payment of \$6,340 (due to pandemic impacts having less activity and therefore lower costs incurred).

Council provides annual funding of approximately \$3,500 to JNH to cover the costs of hosting Kilsyth Senior Citizens Club and for administrative support.

Gifting of Assets

At practical completion of the facility on 5 December 2014, assets including a range of office furniture, shelving and a fridge were handed over to JNH. Handing over assets to the entity following completion of works at a facility is standard practice when council owned facilities are managed by external organisations.

In March 2018, JNH brought to Council's attention their concerns about the 'gifting' of assets to JNH and the impact this had on their financial reporting of depreciation of these assets. This was raised again at the meeting in June 2022. JNH reported that the inclusion of a depreciation schedule had a negative effect on their financial position. JNH therefore requested to have the 'gifting' of assets rescinded.

Following further discussion and advice received regarding this request, this matter has now been resolved and the request is no longer being pursued.

Lease requirements

Lease Agreement and Memorandum of Understanding:

A Memorandum of Understanding (MOU) established between JNH and Council in 2010, prior to the construction of the facility, identifies the responsibility for maintenance and repair of building structures and equipment by JNH.

JNH commenced a lease agreement from 1 January 2015 for an initial 3 year term with two 3 year options. The current lease expires on 31 December 2023. The maintenance schedule attached to the lease agreement outlines responsibility for maintenance and replacement of assets.

JNH Executive have indicated that the Hub Management Partnership Funding is not sufficient to meet the obligations of the lease for maintenance of the facility and that even if the funding was adequate, they do not have the expertise or equipment to perform the ongoing works. Council has provided ad hoc ongoing additional assistance outside of the terms of the lease.

Other works in the precinct and further initiatives

At the meeting in June, JNH raised further requests regarding outstanding works required on buildings. Officers have investigated these matters and plans are in progress to address this work. Officers have since visited and removed waste from construction works in the precinct. Other initiatives identified, planned or underway include grant opportunities for a community garden and employment related projects.

Council have assisted JNH to transition to the power purchase agreement through the Victorian Energy Collaboration, a collective Local Governments procuring 100% renewable energy which will result in a reduction of 20% in electricity costs. Commencing in 2023-24, JNH will also benefit from the Climate Resilient Buildings program with funding for energy efficient upgrades at the facility.

Options considered

Upholding the terms of the signed Lease and Hub Management Partnership Agreements including the efficiency dividend reduction of \$2,500 from funding provided to operate the facility and reduce JNH funding in line with proposed parity measures to bring in line with all Neighbourhood Houses by \$4,579. This would place more pressure on JNH whilst they are facing financial and operational challenges.

Recommended option and justification

Some of the challenges faced by JNH have come about in response to the impact of the pandemic. A review of key Council Hubs, including JNH which had been proposed in late 2019 was not undertaken due other priorities arising from the pandemic.

The immediate risk that JNH now faces will be mitigated by providing bridging support while its current circumstances are reviewed. It is therefore recommended that Council:

- Provide JNH with a one-off stay of the funding reduction proposed as part of the 2022 – 2026 Neighbourhood House Partnership Grant funding equalisation process, to the value of \$4,579;
- Provide JNH with a one-off stay of funding reduction outlined in their Hub Management Partnership Funding Agreement (1 July 2018 – 30 June 2023), maintaining funding for 22/23 financial year at \$70,000;
- Conduct a review of YRC's financial, operational, and relational agreements and interactions with JNH as well as community participation to provide recommendations for the ongoing viability of JNH and the services it provides the community; and
- Utilise the review to inform a wider review of all Council Hubs in a future financial year.

FINANCIAL ANALYSIS

This recommendation considers an investment to support an important community organisation and facility to build resilience in the current circumstances and review its ongoing viability.

WHAT	FREQUENCY	AMOUNT
Stay of Neighbourhood House funding reduction	One off	\$4,579
Stay of Hub Management Partnership funding	One off	\$2,500
Consultant review fee	One off	\$20,000
		\$27,079

APPLICABLE PLANS AND POLICIES

This report contributes to the following strategic objective(s) in the Council Plan:

Connected and Healthy Communities

Communities are safe, resilient, healthy, inclusive, and socially well connected. Quality services are accessible to everyone.

Quality Infrastructure and Liveable Places

Quality facilities and infrastructure meets current and future needs. Places are well planned and are hubs of activity that foster wellbeing, creativity, and innovation.

Activities that Neighbourhood Houses deliver are place based and responsive.

Other Council strategies and policies that are addressed in JNH programming and activities include the:

- Health and Wellbeing Strategy;
- Creative Communities Strategy;
- Equity, Access and Inclusion Strategy;
- Child and Youth Strategy;
- Healthy and Active Aging Plan; and
- Cultural Diversity Policy

RELEVANT LAW

The proposed Review is considered to have a direct and significant impact on the Yarra Ranges community, so a gender impact assessment will be undertaken as part of this undertaking as per the requirements of the Gender Equality Act 2020.

Economic Implications

Ongoing economic implications for Council and JNH will be determined via a review.

Social Implications

Should JNH have to cease operation, this would have a social impact on the local community with the removal of these services.

Environmental Implications

There are no known environmental impacts arising from the recommendation in this report.

COMMUNITY ENGAGEMENT

The proposed Review outlines appropriate stakeholder and community engagement.

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

The information within this report is based on discussions with the JNH Executive.

RISK ASSESSMENT

Risk	Mitigation
Financial viability of Japara Neighbourhood House	<ul style="list-style-type: none">• Bridging funds provided to ensure ongoing service provision• Review undertaken and recommendations implemented• Consolidation of actual Council support for the organisation and facility within a broader Hubs policy• Introduction of Executive Officer Partnerships & Community Building role to oversee management of partnership with JNH
Impact on community of underperforming poorly run facilities	<ul style="list-style-type: none">• Bridging funds provided to ensure ongoing service provision• Review undertaken and recommendations implemented• Consolidation of actual Council support for the organisation and facility within a broader Hubs policy• Improved accountability to Council for the funding and support received• Introduction of Executive Officer Partnerships & Community Building role to oversee management of partnership with JNH

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

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