

Feasibility analysis Levendale school social enterprise

Version 1

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Independent insight.



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TABLE OF CONTENTS

1	INTRODUCTION	2
1.1	Closure Levensdale Primary School	2
1.2	Opportunity to retain the school as a community asset	3
1.3	Feasibility analysis for uses	3
2	IDEAS AND SCREENING	4
2.1	Possible business activities for the Levensdale social enterprise	4
	Overnight accommodation	5
	Education in regenerative agriculture and sustainability	6
	Agricultural production by the community	7
	Lease of space to organisations	7
	Community garden Second Bite (similar to option 3)	9
	Kitchen hire	9
	Respite centre	10
	Day use destination with activity program	11
	Child care centre	12
	Ideas Shortlist	12
3	FINANCIAL VIABILITY ANALYSIS	13
3.1	Assumptions for social enterprise operations	13
	Capital costs	13
	Recurrent costs	13
3.2	Discounted cash flow model results	14
4	CONCLUSIONS	17
	Appendix: Forum Outcomes Report	18

1 INTRODUCTION

1.1 Closure Levendale Primary School

Levendale Primary School located in the Southern Midlands had a projected enrolment of approximately eight students for the 2014 school year, down from 20 in 2013. After thoughtful deliberation, the school community requested the Education Department initiate a transition process for the closure of the school at the conclusion of the school year in 2013.

Levendale is a small community roughly 60 kilometres from Hobart. The current population of the wider statistical area of Levendale, Runnymede and Woodsdale is 325, with 89 families present in the area (ABS, 2011). The area's median weekly household income (\$677) is lower than Tasmania's median of \$984 per week. Correspondingly there is also a larger percentage of housing stress present, with 14% of households in the Levendale area making mortgage repayments that are 30 per cent or more of their income (compared to 7.5% of all Tasmanian households). Unemployment is also high, with the Levendale areas' 11% unemployment rate nearly double that over wider Tasmania (6.4%) (ABS, 2011).

Despite the community's financial constraints, the Levendale, Runnymede and Woodsdale area possesses a skilled workforce. More than half (56%) of the population are in the working age cohort of 20-64 age group. The most prominent occupations are a mix of office and trade based professions with the highest percentages of community members being employed in:

- Technicians and trades roles 23%
- Manager roles 19%,
- Labourer roles 13%,
- Professional roles 12%, and
- Community and Personal Service roles 11% (ABS, 2011).

Using the skills already present in the community, the wider Levendale area is therefore well equipped to develop and maintain a social enterprise that works toward positive community outcomes.

The school site itself contains a number of assets that lends it to be further utilised by both the community of Levendale and the wider Tasmanian community. The site consists of:

- Two main buildings: the original school building and the newer building
- The newer building encompasses:
 - o A classroom with basic kitchen
 - o 3 Offices / smaller rooms
 - o A commercial kitchen (double kitchen with seating for approximately 15 students)
- The original school building encompasses:
 - o A class room
 - o Computer room
 - o Library/class room
 - o Sunroom
 - o Basic kitchen in large space
- Outdoor toilet and laundry

'The Levendale school was first opened in 1901 and the first teacher was William Duthie. Over the years the numbers waxed and waned with a peak of between 65-68 from 1958-1963. The 1967 Bushfires which burnt down the shop and several homes and farms is about the time Levendale started to decline.

This school has provided a learning facility for this community for 112 years and from this school ex-students have gone to places all over the world to live and work'.

- Excerpts text by Gerald Crawford, final assembly

Other features of the site include:

- Disability access to all spaces
- Children’s toilet facilities
- A playground
- A tennis court
- A sports field
- Open space along the creek (approximately 1 ha.) with scenic overlook
- Parking for 15- 20 cars
- Internet and land line phone connection
- Sheltered BBQ area
- Two storage sheds
- Water tanks

1.2 Opportunity to retain the school as a community asset

There is an opportunity for Southern Midlands Council to take over the school site and to allow the community to operate a social enterprise from the premises. Council has expressed the view it may be willing to take over the school under the strict condition that the site and its use does not result in a financial burden to Council. The community would be required to operate the social enterprise in at least a cost-neutral way.

Under the umbrella of the social enterprise a multitude of uses could be allocated and coordinated. Importantly, some of these uses or activities need to generate sufficient revenue to enable the social enterprise to operate in a financially viable way. In addition to these income generating uses, the community would then be able to use the school site for a range of social and community activities.

Key characteristics of social enterprises are that they:

- are not for profit
- aim to generate community or public benefits
- need to be driven by enthusiasm
- are businesses that generate an income and need to be financially viable.

1.3 Feasibility analysis for uses

SGS was commissioned to work with the community to raise business ideas for the social enterprise, to screen ideas on suitability (that is, the ideas must align with the key characteristics of a social enterprise) and to undertake a financial feasibility analysis of the short-listed ideas. After that, SGS was commissioned to work with enthusiastic and committed community members to develop a business plan for the social enterprise accompanied by a project report.

This document lists the findings of the community workshop, the screening of ideas and presents the preliminary financial feasibility analysis of ideas that could operate under the umbrella of the social enterprise.

2 IDEAS AND SCREENING

In May 2014, a community workshop was held to explore the future of the Levensdale School site and more precisely, to generate business ideas for a viable social enterprise and how to manage and coordinate uses and activities at the former school. The workshop was attended by 19 community members including three Councillors and the Mayor, plus Council's deputy General Manager.

During the workshop, each idea was explored in more detail by answering the following questions:

- How would it work?
- Who would attend/buy/need it?
- How often would the activity occur?
- What are the facilities needed?
- Who are the people / what are the skills needed?
- What would it cost?
- What would the revenue be?
- What are the risks and/or issues?

The workshop participants were asked to identify what ideas best fitted within a social enterprise framework that would manage and coordinate uses and activities at the former school.

The ideas have been screened against the following criteria:

1. They generate a community or public benefit
2. They complement other activities and other assets in the community (i.e. does not compete with other activities in the Levensdale area or other assets in the community in particular the adjacent community hall)
3. They are likely to contribute to a viable social enterprise.

This section describes the ideas that were generated by the community and will screen them against the three abovementioned criteria. A more detailed financial viability analysis of those ideas that at least meet criteria 1 and 2 is presented in the next section.

2.1 Possible business activities for the Levensdale social enterprise

Nine potentially viable business activities for the former Levensdale School were identified during the community forum. Some of these uses could be merged as will be identified.

The nine potentially viable ideas are:

1. Overnight accommodation
2. Education in regenerative agriculture and sustainability
3. Agricultural production
4. Lease of space to organisations
5. Community garden
6. Kitchen hire
7. Respite centre
8. Day use destination with activity program
9. Child care centre

Overnight accommodation

The school site could be used to offer multiple day activity programs for groups including and not limited to:

- Schools
- Scouts
- Community groups
- Community members with disabilities, disadvantaged people and carers
- (family) groups
- People attending course or training
- Retreats

The location of the site links with farming activities and is away from the hustle and bustle of urban areas. There is no mobile phone reception, enabling a true ‘retreat’ experience. The grounds offer space for a range of outdoor activities. Programs could be developed and offered as well as excursions to nearby farms.

The school site would need to be adjusted to offer overnight accommodation including sleeping facilities and showers. There appears to be sufficient space for bunk beds to accommodate 30 (up to 40) people. Four showers would likely be sufficient to accommodate such a group of people. The kitchen, toilets and spaces of the old school house would be used as accommodation facilities. The class room in the newer building could be used for groups to have their meals depending on the weather. The accommodation and facilities offered would be basic and affordable. There would be a need to install about four shower facilities in a new wet area and some toilets would need to be replaced with adult size toilets (\$18,000). These costs along with fitting out the rooms with fifteen bunk beds and curtains (\$12,000) and allowing for some minimal works in the interior (\$5,000) would result in total capital costs of approximately \$35,000.

The facility would be rented to groups of 10 or more people on an as needs basis. A flat fee of \$100 per night plus \$25 per person per night (minimum of 10 people) would generate an income of between \$350 (ten people) and \$850 (30 people) per night. On a for fee basis meals could be provided as well although the kitchen facilities would be available for the groups to use. If the facility was able to attract five two day camps (say 30 people) and other groups (say 10 people) for two days a month, the annual revenue would be \$16,900. Over time the usage of accommodation may increase as the facility builds a name.

This business option would require administration, cleaning, ground keeping, marketing, promotion and support services.

While there is an overall shortage of affordable accommodation in the region, the demand for this idea would need to be substantiated among target audiences (schools, education department, organisations offering courses and retreats, community care and health care providers) to ascertain whether the facilities would meet expectations.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, it offers affordable accommodation for a wide range of groups, and likely to contribute to a viable social enterprise
Complementary to other uses and facilities	Yes, there are no other (group) accommodation providers in the area. Other activities could be catered for on different days.
Likely to be viable¹	Yes, likely. The possible revenue is significant and

¹ See next section for more detailed feasibility analysis

	could outweigh the costs.
Overall	To be further assessed in financial feasibility

Education in regenerative agriculture and sustainability

The school site is well located and suited to be used by NRM as a training facility for farmers, hobby farmers, garden enthusiasts and general community members on regenerative farming and sustainability.

NRM South ran such a program quite successfully for about three to four years until the person running the program left. This suggests the program could be run again with similar success. This program would operate on approximately one day per month.

The facilities of the school require no refurbishment for this option. The location allows for farm visits as part of the curriculum. For this option to work there would need to be commitment and involvement from NRM South to gain funding, undertake the administration and marketing and to run the program.

Revenue of the program relies on external funding and student fees. The revenue for the Levendale School social enterprise would consist of a lease arrangement, preferably a longer term arrangement that contributes to the longer term viability of the social enterprise. Additional revenue could be generated by offering meals and refreshments.

The lease arrangement would most likely just involve the classroom in the newer building. Lease of the premises for one day could be \$150 with lunch and morning tea provided for \$100, or \$250 total including lunch and morning tea. The total annual revenue would be in the order of \$3,000. The costs would mainly involve administration, cleaning and coordination which are costs included in the overall operation of the social enterprise. The costs of serving morning tea and lunch would be around \$60 per day, or \$720 per annum.

As part of the business plan it would be important to confirm commitment by NRM South and establish how likely it is for NRM South to gain funding for such a program. It should be noted that NRM funding has been cut in the recent federal budget proposals.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, it offers an opportunity to learn about environmental sustainability
Complementary to other uses and facilities	Mostly. Arguably, courses could also be run from the adjacent hall although the school site is likely better suited for education activities.
Likely to be viable²	Yes likely, although the total contribution would not be decisive for the overall viability of the social enterprise. This option is best merged with option 4.
Overall	To be further assessed in financial feasibility. Can be regarded as part of option 4.

² See next section for more detailed feasibility analysis

Agricultural production by the community

The land along the creek could be used for agricultural production for wholesale and retail. The kitchen facilities could be used for associated processing of produce. Community members and possible people in 'working for the dole' programs could be attracted to volunteer and to share and learn skills.

The land area is approximately 1 hectare and could be used for crops such as berries and vegetables and as a nursery. The cost for the fencing is likely in the order of \$32,000.

For this option to be successful there is a need to fence the entire area and to acquire equipment to work on the land. The cost of acquiring or leasing such equipment and maintaining is likely to be high and uneconomical for 1 hectare of land.

Revenue would come from the sales of produce. Assuming the activity would operate as efficient as on a standard farm (which it will not), a broad and optimistic estimate based on average production yield data by ABARE³ suggests the average production of vegetables (average of various crops) is about 25 tonne per hectare per annum. The average farm price per tonne is \$312 and the average cost of production \$246 per tonne. The labour share in the cost is 8.7% in Tasmania. So, when relying on volunteer labour the cost of production would be approximately \$ 227 per tonne. The total cost of production (including allowances for equipment) would be \$5,700 per annum and the revenue \$7,800 per annum. The net result would be \$2,100 per annum.

An obvious concern is how this option could be complementary to the activities of nearby farmers. The program would also rely on significant input from volunteers. Since the program would rely on volunteering, this business idea would result in unfair competition with farmers.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, people could learn farming skills
Complementary to other uses and facilities	No, the activities would compete with farming activities. The scale is such that it would likely have a small impact.
Likely to be viable⁴	No, significant upfront costs for fencing make it unlikely to be a viable option. In addition, the options would rely on significant volunteer input for skills, coordination, training and administration.
Overall	Not to be considered as part of social enterprise.

Lease of space to organisations

The facilities of the school could be used by a range of service providers, practitioners and professionals to provide their services locally to the wider Levensdale community. This will especially benefit those community members who are less mobile. It would reduce the number of car trips required and would therefore also be an environmentally sustainable model of service delivery.

The following (types of) parties may be interested:

- UTAS for education and research activities
- Tasmanian Institute of Agriculture
- Life without barriers
- Hairdressers
- Rural health practitioners

³ General Paper on Pricing, cost structures and profitability

⁴ See next section for more detailed feasibility analysis

- Massage therapists
- Podiatry therapists
- Physiotherapists
- Nutritionists
- Mental health carers
- Legal aid advisers
- accountants

Each of these service providers may require operating from the school site once a month to service the local population.

The existing facilities would generally meet what would be required for an office or for a classroom. Internet, land line phone and utilities are all present as well as disability access.

To enable and support the lease of the facilities there is a need for marketing, administration, coordination, cleaning and ground keeping. Some legal advice would be required for setting up the lease contracts, and is assumed a standard contract may be provided by Council. Marketing would involve both attracting local practitioners to use the facilities and making the community aware of what services are available, and when.

Longer term leases would be preferred as they contribute to the longer term viability of the social enterprise. Demand is most plausible for the Tasmanian Institute of Agriculture, a hairdresser, a rural health practitioner, a massage therapist and a physiotherapist. Other users may be less frequent. Based on that, the assumption is that about five practitioners/organisations would use the facilities one day per month. The daily fee for leasing a room is assumed to be \$40 per day which is comparable to fees charged in other regional areas. The annual revenue would be around \$2,400 per annum.

As part of the business plan the likely demand among the target market would need to be established, best including expressions of interest.

The costs associated with this option include administration, coordination, cleaning and ground keeping and all these activities form part of the general operation of the social enterprise.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, it offers the local community members, especially those who are less mobile, the opportunity to access services locally. It would reduce the total kilometres travelled to access services.
Complementary to other uses and facilities	Yes, there are no other office facilities nearby and would offer services previously not available locally
Likely to be viable⁵	Yes likely, although the demand for such facilities would need to be established including expected price levels. The total contribution would not be decisive for the overall viability of the social enterprise.
Overall	To be further assessed in financial feasibility

⁵ See next section for more detailed feasibility analysis

Community garden Second Bite (similar to option 3)

The organisation is developing a plan to set up a community garden project in five councils in Southern Tasmania to develop a community garden in each municipality. One of these gardens could be developed and maintained at the Levendale School site. Second Bite would organise the distribution and sales of the produce. Any surplus would be distributed by second bite to those community members in need.

The program would rely on volunteers and possibly 'work for the dole' programs to undertake the work, supported by a horticulturist and coordination provided by the external organisation.

The land and water would be available (from the creek and rain). There would be a need to fence the area of approximately 1 hectare. Compared to option 3, this idea has the benefits that an external party would provide:

- Distribution and sales
- Horticultural expertise
- Coordination
- Possibly access to volunteers and/or 'work for the dole program'

Equipment would also be required.

For this option it is fair to conclude it could potentially compete with the operations of existing farmers, although this idea appears to be tailored to also provide produce for low prices or for free to community members in need.

The costs for fencing are likely to be significant and prohibitively high without external funding.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, people could learn farming skills and community members in need would benefit from low priced fresh produce.
Complementary to other uses and facilities	Possibly, as long as the produce is intended for those less well off (i.e. as a community service). The scale is such that it would likely have a small impact on farmers.
Likely to be viable⁶	Not unless upfront costs for fencing can be covered by external funding.
Overall	Only to be considered if operated as a community service and assuming external funding for fencing would be secured. Not to be considered as part of financial feasibility analysis.

Kitchen hire

This idea involves hiring out the kitchen facilities to groups and users preparing products for sales. It is similar to idea 4 except it involves the use of the kitchen facilities specifically.

The kitchen would be made available to the community members that wish to hire the kitchen. Uses could be for cooking classes, or for food preparation that requires the use of a commercial kitchen. There may be an opportunity to run a monthly cooking school.

⁶ See next section for more detailed feasibility analysis

The facilities largely meet the standards as was established by Council (inspection report 29 April 2014). Some minor adjustments may be required. Costs involve coordination, cleaning and maintenance which are all costs covered by the general operation of the social enterprise.

The revenue for this idea would be the rental income derived from hiring the kitchen facilities. The hourly rate for renting the facilities would be around \$20 (ex GST, in line with fees charged at PCYC in Huonville) or \$160 per day. Assuming a monthly cooking class and two community groups using the kitchen on a monthly basis for half a day at a time to prepare produce for monthly markets, the kitchen would be rented out 24 days per annum. The total revenue would be \$3,840 per annum. Over time the usage and revenue of the kitchen facilities may increase.

As part of the business plan it would be important to gain a firm understanding of likely levels of demand, and include a marketing approach to ensure the target market is aware of the facilities.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, community members could learn extra skills locally, and local businesses have the opportunity to use local facilities.
Complementary to other uses and facilities	Yes, there is no commercial kitchen in the community.
Likely to be viable ⁷	Yes, if sufficient demand can be attracted.
Overall	To be considered as part of the financial feasibility analysis.

Respite centre

The school facilities could operate as a respite centre on an as needs basis. Southern Eastern Community Care (SECC) aims to open another respite centre. If demand in the area is sufficient, Levendale could be considered.

SECC would lease part of the premises for possibly one day a week to meet the venue requirements of various groups including elderly and the young disabled.

The facilities required are disability access and kitchen facilities which are both available. Respite care would be provided by SECC. The income for the social enterprise would consist of a lease fee. Costs would include administration, coordination, ground keeping and cleaning which are all part of the overall operations of the social enterprise.

As part of the latest federal budget a reduction in funding for respite care has been proposed. There are likely other communities with more demand for these services than Levendale. Any funding available is likely to be channelled to those communities with the highest needs.

It is unlikely there is demand for this particular use, unless otherwise can be established by the business plan. As part of the business plan further conversations with SECC are recommended.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, community members requiring respite care could benefit from a local service.

⁷ See next section for more detailed feasibility analysis

Complementary to other uses and facilities	Yes, there is currently no respite centre in the community.
Likely to be viable⁸	No unlikely, unless it can be demonstrated there is likely demand and an opportunity for funding.
Overall	Only to be considered if there is evident demand and opportunity for funding. Not included in financial feasibility analysis.

Day use destination with activity program

The former school grounds could be used for day use activity programs for a range of user groups, including:

- Tourists (cruise day trips)
- Scouts
- Camp quality
- Schools
- others

The success of this social enterprise idea depends on the ability to offer an attractive program which would probably have a farming theme. Visitor groups could for instance experience sheep shearing. A compelling program would likely include the involvement of local farmers and other community members with particular (traditional) skills.

Groups would generally spend a few hours or half a day at the school site and the experience would include morning/afternoon tea and/or lunch. Revenue would come from a fee charged for use of the facilities and participation in a program. The revenue would be about \$20 per person (including one light meal). Assuming groups would comprise of 20 people and there would be 16 groups visiting per year (say 6 cruises a year and another 10 groups), the total revenue would be \$6,400 ex GST.

The costs would include marketing, administration, coordination, cleaning and ground keeping which would all fall under the overall operations of the social enterprise. Lunch and morning/afternoon tea would be provided at a cost of \$5 per person per meal, and \$8 per person for the program. The total cost of the program (excluding overheads) would be around \$4,160. The net result of the business idea would be \$2,240 per annum if the abovementioned assumptions are being met.

As part of the business plan, there is a need to demonstrate a demand for these activities including the outline of a program that would appeal to the market.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, program would showcase rural way of life
Complementary to other uses and facilities	Yes, a similar program with facilities is currently not being offered in the area.
Likely to be viable⁹	Yes possibly, if it can be demonstrated there is likely demand and an appealing program could be delivered.
Overall	To be considered as part of the financial feasibility analysis

⁸ See next section for more detailed feasibility analysis

⁹ See next section for more detailed feasibility analysis

Child care centre

The school facilities would be well suited to run a childcare facility for local children. The centre would target children to the age of 5 years old, and could run several days a week. There would be a need to obtain a license for this purpose, although if it is run as a family day care, the administrative burden would be much lower.

The school grounds require no additional refurbishment. Revenue would come from child care fees from parents and government support.

The costs would include administration, cleaning, some legal support and wages for carers. Alternatively, the facilities could be rented out to a family day carer which would avoid license costs, carer wages, administration and legal fees.

It is highly unlikely there is sufficient demand in the community. Also, a family day care could just as well be run from a private home, although the school provides for a large and fairly attractive area for children with a playground.

Assessment against the three criteria

Criteria	Assessment
Community or public benefit	Yes, local child care services for the community
Complementary to other uses and facilities	Possibly, as there is no current child care facility in the community.
Likely to be viable¹⁰	No unlikely, unless it can be demonstrated there is sufficient demand for a child care centre.
Overall	Not to be considered as part of the financial feasibility analysis

Ideas Shortlist

The following ideas have been shortlisted and included in the financial feasibility analysis:

- Nr. 1. Overnight accommodation
- Nr. 2. Education in regenerative agriculture and sustainability
- Nr. 4. Lease of space to organisations
- Nr. 6. Kitchen hire
- Nr. 8. Day use destination with activity program

¹⁰ See next section for more detailed feasibility analysis

3 FINANCIAL VIABILITY ANALYSIS

This section describes the results of the financial feasibility analysis. For the financial analysis we have construed a discounted cash flow model, which shows the expected cash flows for the social enterprise and its screened ideas over a ten year period. The total results are expressed in current day dollar values and the future cash flows are discounted to express the time value of money. The discount rate is set at 5% to allow for inflation and risk. A 5% discount rate is fairly low and is regularly applied for investment projects that are of a not for profit nature.

It should be noted that the financial analysis assumes the conditions as detailed in the previous section are being met. This means among other things, that there would be activities at the Levensdale School site 86 days per annum, excluding the lease of office space which would add another 60 days¹¹.

3.1 Assumptions for social enterprise operations

The previous section detailed the costs and revenue assumptions by business idea. These assumptions have been incorporated in the discounted cash flow model. In addition, there are costs for running the social enterprise. These costs and underlying assumptions are detailed in this sub section.

Capital costs

According to the inspection report of the facilities undertaken by an officer from Southern Midlands Council, the facilities are generally in a good condition. Contrary to what the report mentions, there is disability access to both buildings, except for the toilets. Some minor works would be required including disability access to the toilet (assumed \$1,000), widening of the fence (assumed \$1,000), and some minimal works to the kitchen (assumed \$500).

According to the Department of Education the facilities need to be painted within the next two years. While there was a quote to the Department of Education (2010) to undertake painting works at \$5,000, subsequent advice from Council suggests costs would be significantly higher between \$16,000 and \$20,000. A cost of \$16,000 was assumed.

Recurrent costs

Recurrent costs firstly include salaries for a part time marketing, administration and coordination role, and a part time cleaning and grounds keeping role. In addition to that, it is assumed significant volunteering will be involved in delivering programs and ancillary services. With the facility operating at least 86 days per annum, it is conservatively assumed both part time roles would involve two days a week. The labour costs are assumed to be \$18,000 per annum for coordination/marketing/administration and \$16,000 per annum for grounds keeping and cleaning¹². Over time the labour costs may increase if activity levels in the facility grow.

¹¹ Which are activities that could partially run concurrently with some other uses/activities

¹² FTE of \$45,000 and \$40,000 respectively

Other recurrent costs include:

- Marketing and promotion materials: assumed to be \$500 per annum
- Utilities (electricity and phone/fax/internet): \$8,900 per annum at 100% utilisation. It is assumed utilisation will be 70% (\$6,230) over first six years and then increase to 80% (\$7,120) to year 10.
- Building and grounds maintenance: \$5,000 per annum in line with Department of Education data
- Materials for cleaning, catering and miscellaneous: \$ 1,000 per annum
- Rates and insurances: \$1,200 per annum (Council rates while insurance is assumed to be included in Council's fixed fee at no cost)
- Water: \$1,098 according to Tas Water estimates, equivalent to usage of two standard households

3.2 Discounted cash flow model results

Plausible scenario

The table on the next page (Table 1) the discounted cash flow analysis results for the social enterprise including the school facilities and grounds.

Assuming the social enterprise is able to reach the levels of activity as detailed in the earlier sections, the enterprise would run on an operational loss (not considering the upfront capital costs) of approximately \$-17,000 per annum on average. Including the capital works the annual deficit would be around \$-28,000 per annum on average over the first five years.

The total net loss over a ten year period would be approximately \$-210,000, or \$-140,000 over the first five years. According to this scenario, the social enterprise would operate no single year with an operational surplus. In year ten, the annual deficit would still be \$-14,000.

The net present value of the social enterprise including the school facilities would be \$-182,000 at a discount rate of 5% (10 year period). Since there are no years with an operational surplus there is no internal rate of return to the investment.

Optimistic scenario

The annual labour costs play an important role in the equation. If it is assumed that half of the paid work would be undertaken by volunteers, the picture looks somewhat more optimistic, though still resulting in a net operational loss (excluding capital costs) over the first five years of \$-56 per annum on average. Including the upfront capital costs, the annual average deficit would be -\$-11,000 over the first five years. The total net loss over a ten year period would be approximately \$-30,000 and over the first five years \$-54,000.

The social enterprise would start operating at an operational surplus from year three onwards. The operational surplus in year ten would be approximately \$4,360.

The net present value of the investment would be \$-37,000 at a discount rate of 5%. The internal rate of return (IRR) would be -11%. Generally speaking, an IRR of 5% to 10% for not for profit organisations is reasonable.

TABLE 1 DISCOUNTED CASH FLOW ANALYSIS – PLAUSIBLE SCENARIO

Year	2014 to 2023	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023
Capital Costs											
- outside painting	(16,000)	-	(16,000)								
- minimal works	(2,500)	(1,500)	(1,000)								
	-										
Overnight accommodation facilities	(35,000)	(35,000)									
Regenerative agriculture and sustaina	-										
Lease of spaces	-										
Kitchen hire	-										
Day use destination	-										
	-										
Subtotal	(53,500)	(36,500)	(17,000)	-	-	-	-	-	-	-	-
Recurrent Costs											
Salaries & on-costs:	(359,040)	(34,000)	(34,000)	(34,000)	(35,700)	(35,700)	(35,700)	(37,485)	(37,485)	(37,485)	(37,485)
Marketing & promotions materials	(5,000)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Utilities	(89,000)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)
Building maintenance	(50,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Other (rates, insurances)	(22,000)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)
Water	(10,980)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)
Overnight accommodation facilities											
Regenerative agriculture and sustainability training		(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Lease of spaces											
Kitchen hire											
Day use destination		(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)
	-	-	-	-	-	-	-	-	-	-	-
Subtotal	(583,620)	(56,458)	(56,458)	(56,458)	(58,158)	(58,158)	(58,158)	(59,943)	(59,943)	(59,943)	(59,943)
Total Costs	(637,120)	(92,958)	(73,458)	(56,458)	(58,158)	(58,158)	(58,158)	(59,943)	(59,943)	(59,943)	(59,943)
Recurrent Revenues											
			-	-	-	-	-	-	-	-	-
Overnight accommodation facilities	245,300	16,900	19,300	21,700	24,100	25,800	27,500	27,500	27,500	27,500	27,500
Regenerative agriculture and sustaina	30,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Lease of spaces	24,000	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Kitchen hire	40,960	3,840	3,200	3,520	3,840	4,160	4,480	4,480	4,480	4,480	4,480
Day use destination	64,000	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	404,260	32,540	34,300	37,020	39,740	41,760	43,780	43,780	43,780	43,780	43,780
Net Surplus/ (Deficit)	(232,860)	(60,418)	(39,158)	(19,438)	(18,418)	(16,398)	(14,378)	(16,163)	(16,163)	(16,163)	(16,163)
NPV of Marginal Surplus/ (Deficit)											
discount rate 5%	\$ (200,915)										
discount rate 6%	\$ (195,708)										
discount rate 8%	\$ (186,234)										

Source: SGS (2014), based on several sources

TABLE 2 DISCOUNTED CASH FLOW ANALYSIS – OPTIMISTIC SCENARIO

		1	2	3	4	5	6	7	8	9	10
Year	2014 to 2023	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital Costs											
- outside painting	(16,000)	-	(16,000)								
- minimal works	(2,500)	(1,500)	(1,000)								
	-										
Overnight accommodation facilities	(35,000)	(35,000)									
Regenerative agriculture and sustainability training	-										
Lease of spaces	-										
Kitchen hire	-										
Day use destination	-										
	-										
Subtotal	(53,500)	(36,500)	(17,000)	-	-	-	-	-	-	-	-
Recurrent Costs											
Salaries & on-costs	(179,520)	(17,000)	(17,000)	(17,000)	(17,850)	(17,850)	(17,850)	(18,743)	(18,743)	(18,743)	(18,743)
Marketing & promotions materials	(5,000)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Utilities	(89,000)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)	(8,900)
Building maintenance	(50,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Other (rates, insurances)	(22,000)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)
Water	(10,980)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)	(1,098)
Overnight accommodation facilities											
Regenerative agriculture and sustainability training		(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Lease of spaces											
Kitchen hire											
Day use destination		(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)
	-	-	-	-	-	-	-	-	-	-	-
Subtotal	(404,100)	(39,458)	(39,458)	(39,458)	(40,308)	(40,308)	(40,308)	(41,201)	(41,201)	(41,201)	(41,201)
Total Costs	(457,600)	(75,958)	(56,458)	(39,458)	(40,308)	(40,308)	(40,308)	(41,201)	(41,201)	(41,201)	(41,201)
Recurrent Revenues											
			-	-	-	-	-	-	-	-	-
Overnight accommodation facilities	245,300	16,900	19,300	21,700	24,100	25,800	27,500	27,500	27,500	27,500	27,500
Regenerative agriculture and sustainability training	30,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Lease of spaces	24,000	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Kitchen hire	40,960	3,840	3,200	3,520	3,840	4,160	4,480	4,480	4,480	4,480	4,480
Day use destination	64,000	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	404,260	32,540	34,300	37,020	39,740	41,760	43,780	43,780	43,780	43,780	43,780
Net Surplus/ (Deficit)	(53,340)	(43,418)	(22,158)	(2,438)	(568)	1,452	3,472	2,580	2,580	2,580	2,580
NPV of Marginal Surplus/ (Deficit)											
discount rate 5%	\$ (56,141)										
discount rate 6%	\$ (56,545)										
discount rate 8%	\$ (57,231)										
IRR	-21%										

Source: SGS (2014), based on several sources

4 CONCLUSIONS

Since it became evident the Levendale Primary School would be closed, the Levendale community has been eager to explore ways to retain this facility where so many people have fond childhood memories of, as a community hub. Southern Midlands Council, together with the State Government, have provided funding towards a business plan for an organisation that would operate the school assets and grounds in a financially viable manner and for the community to use and benefit from.

The discounted cash flow analysis of the short listed ideas does not return a neutral or positive operating result. The plausible scenario is based on a number of assumptions that in reality are quite aspirational: the levels of activity required at the former school site are significant. There would be activities at the former school for 86 days per annum plus 60 days of use of facilities (mostly office) through lease arrangements. Also, running programs and catering would require volunteers to be involved.

In addition, as part of the screening of ideas, our analysis has established for a number of ideas that market demand is uncertain and would need to be further explored as part of a business planning exercise. The research into the business plan may quite likely establish that the expected levels of demand are insufficient to sustain such levels of activity.

Only in case of the optimistic scenario there is the opportunity for the social enterprise to operate at a break-even level if the upfront capital investment is not considered. This scenario relies on significant levels of volunteer involvement. It is uncertain whether the community is able to commit to such a significant task which would require volunteers to take on much of the management, administration, marketing and cleaning of the site and facilities. Such a big task may be beyond the enthusiasm and commitment one could ask from dedicated community members.

Appendix: Forum Outcomes Report

Forum Context

With the closure of the Levendale Primary school an opportunity for the community to retain the school as an important focus of activity and enterprise has arisen.

In discussion with local residents in late 2013, there was a clear indication from the Levendale residents that the school should be retained as a community resource. People suggested a number of options for the site, and a working group was quickly established with the purpose of exploring these options.

Already, the concept of a social enterprise delivering sustainability education experiences and other complimentary activities has been developed by the Levendale Working Group. The site lends itself to a number of co-located activities. Southern Midlands Council is extremely supportive of the efforts of the Community in exploring and developing activities at the Levendale School site, however is mindful of the financial and physical implications of taking on additional significant property based assets. Any development of the site by the Community that requires a Council or other third party contribution needs to be based on sound business and asset management principles, underpinned by the identification of significant Community support as well as projected sustainability.

In order to assess the viability and sustainability of the project it was necessary to engage an expert to develop a robust business case. Without such an assessment it would be extremely difficult to progress any plans for community ownership of the Levendale Primary School site. As such, Southern Midlands Council commissioned SGS Economics and Planning to develop a tangible business plan that articulates the viability and sustainability of any social enterprise that is core to the school site.

The first step of this business plan was to create of an extensive list of enterprise ideas through a facilitated brainstorming process, involving the Working Group, the majority of Community members and other interested stakeholders. Community members were therefore invited to take part in this process by means of a community forum. The objective of the forum was to generate ideas for one or multiple social enterprises that:

- Demonstrate clear community benefit
- Compliment other activities and assets
- Contribute to a viable social enterprise.

The forum was facilitated by SGS Economics and Planning, with a total of 20 community and Council members present. To ensure maximum participation and inclusion of the community at the forum, Council took the following action:

- Delivered 145 personal letters to ratepayers in the Levendale, Woodsdale and Runnymede districts inviting them to attend the forum.
- Sent 80 electronic invitations different web addresses through the Levendale Community News.
- Submitted an advertisement in Tasmanian Country a week before the Forum.
- Forwarded an invitation in the TasCOSS newsletter for members to attend.
- Took part in an interview with Diana Langley on 97.1 FM Community Radio.

The remainder of this document outlines the forum agenda and attendance list, along with the ideas that were generated throughout the day by the community members. Also included is the list of community members that volunteered to be involved in the project post forum, and the project's next steps.

Forum Agenda

Date: 10th May 2014

Schedule:

9:30- 10:00 Morning Tea

- 10:00- 10:10 Mayor Tony Bisdee OAM Opened the Forum
- 10:10- 10:40 Presentation by SGS Economics and Planning
- 10:40- 12:00 Forum Part 1: Collection of ideas.
- 12:00- 1:00 BBQ Lunch
- 1:00- 2:00 Forum Part 2: Discussion of ideas and voting for preferred options

FIGURE 1. MAYOR TONY BISDEE OAM OPENING THE FORUM



Source: Andrew Benson, Southern Midlands Council

Attendance List

Community Members

- Janice McConnon
- Diane Free
- Carolyn Birch
- Lois Green
- Pat Burton
- Aaron Kropf
- Bronwyn King
- David Kettle
- Kate Coad
- Terry Higgs
- Jan Newton
- Sally Tame
- Kerry Gearman
- Cynthia Wilson
- Daniel Free

Southern Midlands Council

- Mayor Tony Bisdee OAM
- Cr Alex Green
- Cr Don Fish
- Cr Bob Campbell
- Andrew Benson

Apologies

- Michael Polley
- Rebecca White MP
- Hon Rene Hidding MP
- Georgina Laing
- Kristina Szymanski
- Ricky Birch
- Bill Free
- Tom McConnon

Registered but did not attend

- Tom McConnon
- Rachel Treasure
- Prue Cotton
- Valintine Smith
- Bill Free
- Helen Scott
- Ricky Birch
- Kristina Szymanski

SGS Economics and Planning

- Ellen Witte
- Tara Bailey

Forum Outcomes

Nine potentially viable options for the former Levendale School were developed during the community forum. A further five community uses were identified as complimentary activities that could occur on the site. For each idea, each small group attempted to answer the following questions:

- How would it work?
- Who would attend/buy/need it?
- How often would the activity occur?
- What are the facilities needed?
- Who are the people / what are the skills needed?
- What would it cost?
- What would the revenue be?
- What are the risks and/or issues?

After the ideas were generated within two working groups, they were collectively voted on by means of stickers. Each forum participant was given four stickers, which they could choose to vote for one idea or multiple. The ideas generated by the forum outlined below have been ranked by voting points attributed by the community.

FIGURE 2. WORKSHOP SESSIONS



Source: Andrew Benson, Southern Midlands Council

Idea 1: Overnight accommodation facilities

Voting Points: 16

- What? Overnight facilities to provide for the following user groups:
- Schools
- Scouts
- Community members with disabilities, disadvantaged groups
- Affordable family accommodation
- Training sessions
- Business leadership sessions
- Private booking retreats
- Wedding accommodation
- What makes this location attractive is that it has linkages with farming activities, that it is away from the hustle and bustle from urban areas and it has no mobile phone reception, enabling a true retreat experience.
- Who? Coordination, cleaners.
- How often? As rented.
- Facilities needed? Kitchen, bedrooms.
- People/ skills needed? Cleaning, admin, marketing, grounds keeping.
- Cost? Shower and bedroom fitout. Utilities, insurance, cleaning, advertising, marketing, coordinator costs.
- Revenue? From rental plus ancillary services such as catering, activities program and usage of additional facilities
- Risks/ Issues. Would need to build strong partnerships with Dept of Education, DoE, CosMos, scout groups and other potential partners to ensure regular hire, and possibly longer term contracts for frequent hire. Would also be dependent on good marketing. No mobile phone access is seen as a draw card.

Idea 2: Regenerative agriculture/ sustainability training

Voting Points: 10

- What? Training for community members and professionals on how to restore the health of agricultural land. To be marketed to farmers, hobby farmers, garden enthusiasts, education.
- Who? NRM south have gained funding and run this program before for 3 to 4 years with successful results. It ceased due to the person running the program leaving. It could be easily started again.
- How often? 1 day a month.
- Facilities needed? No capital needs. The facilities are adequate as they are.
- People/ skills needed? NRM South educator. Marketing, cleaning, admin and ground keeping
- Cost? NRM south educator, coordination, marketing.
- Revenue? From funding and students. This idea has the opportunity to establish a longer term arrangement with NRM South which contributes to the longer term sustainability.
- Risks/ Issues: demand. Past demand has been ok according to anecdotal evidence. Good marketing is a means to manage the risk.

Idea 3: Agricultural production (nursery/berries/other plants)

Voting Points: 8

- What? Crop growing on Levendale site for wholesale and retail. The processing of production with availability of the kitchen is a logical add on (see Idea 6)
- Who? One coordinator, people to work in the garden (wwoofers, community members involved in 'work for the dole' program.
- How often? Garden work would occur as often as required.
- Facilities needed? Some equipment
- People/ skills needed? The school grounds, water, fencing. Horticulture knowledge could come from school teachers/ other community members with knowledge in the area.
- Cost? Coordinator cost, water, fencing.

- Revenue? To come from the selling of the produce
- Risks/ Issues? Would have to be mindful of local growers.

Idea 4: Longer term contracts for sublease of (office) space

Voting Points: 7

- What? Use of offices/spaces from services such as
- UTAS
- TIA
- Life without barriers
- Hairdressing
- Rural health
- Massage
- Podiatry
- Physio
- Nutritionist
- Mental health
- Legal aid
- Centrelink
- accountancy
- Who? Hirers, coordinator
- How often? As required, 1 day per month for each service?
- Facilities needed? Internet, utilities, phone
- People/ skills needed? Admin, legal, coordinator, cleaning, ground keeping
- Cost? Cleaning, Maintenance, utilities, coordination, advertising, marketing, insurance
- Revenue? From lease; best longer term contracts to contribute to longer term sustainability
- Risks/ Issues: demand, longevity of sublease, insecurity.

Idea 5: Community Garden (joint social enterprise with second bite and 5 councils. Preliminary scoping of second bite idea)

Voting points: 5

- What? Five councils would work together with the community and second bite to develop five community gardens, one to be developed and maintained at the Levensdale school site. Each community garden would have a specific crop or crops. When the crops were harvested, first bite would organise the distribution of the crops between the communities for purchase at local markets/ wholesalers. Any surplus would be distributed by first bite to those community members in need.
- Who? The five involved councils, second bite, one horticulturalist, people to work in the garden (woofers, community members involved in 'work for the dole' program). Most costs would be assumed to be covered by second bite
- How often? Garden work would occur as often as required. Horticulturalist would attend each garden one day per week.
- Facilities needed? The school grounds and water which are both available, fencing (needs investment).
- People/ skills needed? Horticulturalist (through second bite)
- Cost? 1/5 of horticulturalist fee, water, fencing.
- Revenue? To come from the selling of the produce
- Risks/ Issues? Would have to be mindful of local growers. This idea heavily relies on relationships being developed between second bite and all 5 councils. Very much in its initial stages. Could be developed once Idea 2 was up and running.

Idea 6: Kitchen Hire

Voting Points: 5

- What? Kitchen to be made available to the community that wish to hire the kitchen. Uses could be for cooking classes, or for food preparation that requires the use of a commercial kitchen.

- Who? Community members, cooking class students, associations such as the CWA.
- How often? Cooking school could be run monthly, rental as required.
- Facilities needed? Kitchen. Ready to use.
- People/ skills needed? Coordinator
- Cost? Utilities, any additional equipment for the kitchen, cleaning, maintenance.
- Revenue? Rental hire
- Risks/ Issues: each person using kitchen would require own insurance.

Idea 7: Respite centre

Voting Points: 3

- What? Respite primarily for the elderly and the young disabled, but also possible respite for carers themselves.
- Who? Southern Eastern Community Care, community members requiring respite.
- How often? As needed, possibly 1 day per week but could have different days for different community groups ie women, men, young people.
- Facilities needed? Disability access to all spaces, commercial kitchen.
- People/ skills needed? SECC carers.
- Cost? Coordinator fee, disability access
- Revenue? Rental hire paid by SECC
- Risks/ Issues: funding available to SECC to acquire another space, demand in the area would need to be explored.

Idea 8: Day use facility

Voting Points: 3

- What? Day use of the facility by the following user groups:
- Tourists (cruise day trips) (expressed demand)
- Scouts
- Camp quality
- Schools
- others
- Who? Coordinator, hirer
- How often? As required
- Facilities needed? School as it is, morning/afternoon tea, lunches, farming activities
- People/ skills needed? Marketing, coordinator, 2 + people to run any programs e.g. agricultural learning. Cleaning and ground keeping. The programs offer a farming experience and showcase farm activities including sheep shearing. Local farmers would participate to offer the programs.
- Cost? Wages of coordinator, program wages/costs
- Revenue? From hire and ancillary services
- Risks/ Issues. This could be run concurrently with the overnight use if developed or as a standalone service. Could link into day trip tourism from Hobart.

Idea 9: Childcare

Voting Points: 0

- What? Childcare for local children
- Who? Carers, children
- How often? 1-2 days a week depending on demand
- Facilities needed? School buildings require no extra facilities
- People/ skills needed? Carers, Admin, legal, cleaning
- Cost? License
- Revenue? Day care fees from parents.
- Risks/ Issues. A lot of regulation- family day care may be a better option. It is unclear whether there is sufficient demand

Other complimentary activities (not income generating but positive social outcomes):

- Camping/ motorhome use of grounds
 - Charge fee per night (low)
 - Competition in Tunnack recreation ground.
 - Offer just basic facilities without showers, however if accommodation idea was developed these facilities could be shared and improve the offer.
 - Area flood prone?
 - No road? Is there an issue?
- Men's shed
- Adult education classes for:
 - Technology
 - Workforce training
- Community library
- Bi- monthly farmers market

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