

## **CYGNET MEDICAL CENTRE BACKGROUND INFORMATION**

The Huon Valley Council does not currently provide medical services at the Cygnet Medical Centre at 14 George Street, Cygnet but it still owns the land and building. The Council has made the decision to sell the land and building if a medical practice is able to buy it. The background information below details the information supporting the Council's decision which aims to achieve the best outcome for long term stability and sustainability of medical services for Cygnet and surrounding areas.

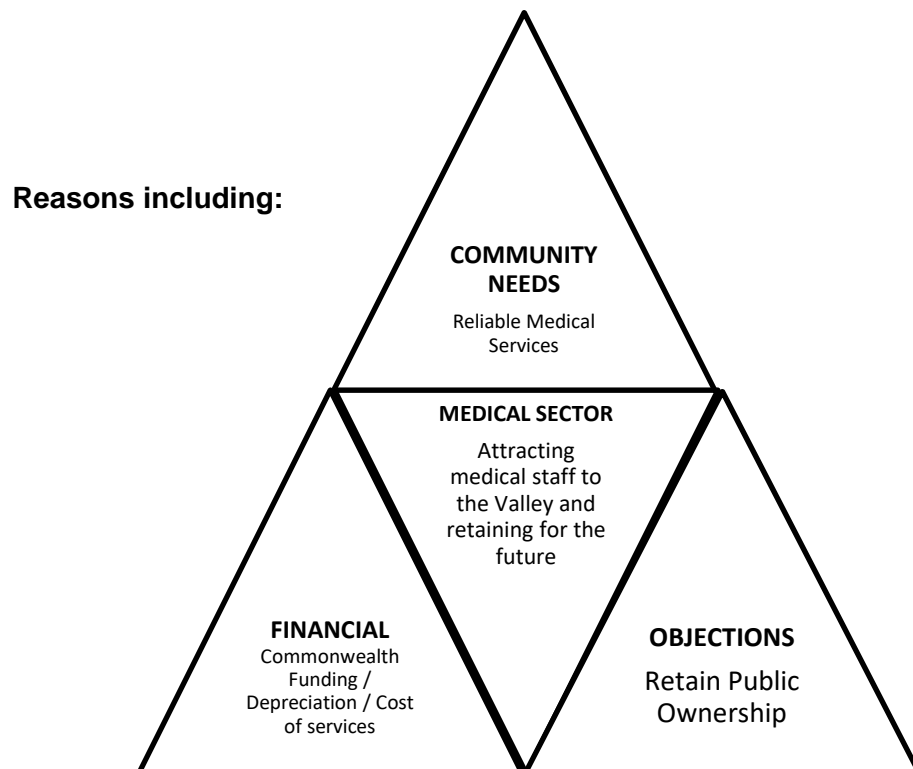
### **BACKGROUND**

- The Cygnet Medical Centre was developed by Council in 2012.
- At the time there was a need for medical services in the Cygnet area that was not met by private practices.
- The centre was developed with funding from the Commonwealth under the Health and Hospitals Fund.
- The Council operated the centre as the Cygnet Medical Services between February 2013 and then ceased the Council operation on around February 2017 after it was leased.
- Council was finding it difficult to attract and retain Doctors during that time with a reliance on locums which had an impact upon consistent patient care.
- Interest from private medical services providers was received in relation to the operation of Cygnet Medical Services.
- Based on this interest, Council requested expressions of interest from medical services providers in late 2016 to determine if a medical practice was able to lease and operate the Centre.
- Following the EOI process, Council entered into a lease with Huon Valley Health Pty Ltd to operate medical services at the medical centre.
- Huon Valley Health Pty Ltd has been operating the centre at George Street since February 2017 and providing services in accordance with the requirements of the Funding Agreement.
- The Council received a petition with 144 signatures opposed to the proposed sale and also received 13 written objections/submissions during the formal objection period. The opposition and objections to the sale are on the basis that the Medical Centre building and land should be retained in Public Ownership.
- Objectors have appealed to the Council's decision to sell the Centre and the decision is currently under the consideration of the Resource Management and Planning Appeals Tribunal.

## THE COUNCIL DECISION

- The Huon Valley Council has resolved to sell the portion of land at 14 George Street, Cygnet that contains the Cygnet Medical Centre.
- The Council is undertaking an expression of interest process for the sale of the land and the Cygnet Medical Centre. This is currently under assessment.
- Sale of the land is subject to:
  - Completion of the Expression of Interest and a suitable provider selected by Council, and
  - If a suitable provider is selected, any transfer is subject to agreement between the Council, the Commonwealth and the selected provider securing medical and allied health services until at least 2032.
- If these conditions cannot be met then the Council will need to reconsider its position.

## REASONING AND RISKS



- A lessee medical practice provides medical services from the Cygnet Medical Centre. At any point prior to 2032 if Council is unable to find a lessee willing to provide services then the Council would need to respond to the issues associated with a vacated medical centre that is no longer providing services to the community.

- There is a general risk associated with Council continuing its ownership of the medical centre including specific risks of:
  - In the event that the Centre is vacated:
    - Having to provide the medical services including doctor and employee recruitment and establishment of a patient list on a full cost attribution basis competing with the existing high demands for Doctors across the State and Nation, or
    - Pay the apportioned funding money back to the Commonwealth.
  - Doctors may not be attracted to provide services in a practice limited by a building owned by the Council, requiring the centre to be run with locums.
  - Council may be required to fund losses sustained from operating the centre or develop a scheme of differential rating for the Cygnet and surrounding areas for unnecessary services.
  - Council's ongoing ownership of the centre results in instability for the services at the centre through change in lessees or going back and forth with Council provided services.
- The sale of the Cygnet Medical Centre would remove these risks from the Council and Huon Valley Ratepayers.
- In the past there has been community dissatisfaction with Council's provision of medical services in Cygnet.
- Council would need to use resources to develop a strategy to manage the ongoing issues for Council to maintain ownership of the Centre.
- There is no need for the Council to own the Centre and compete with other private practices in the future.

## FINANCIALS

The table below summarises the financial information for the Council's operation of the Medical Centre up to 30 June 2017.

Financial Year (ending June 30)	Income	Expenditure	Loss/Surplus	
2012/2013 Practice set up costs	\$138,169	\$233,097 Recruitment \$18,000 New Staff travel/accommodation \$4,000 Practice Accreditation \$4,000 Total Set Up: \$26,000	-\$94,928 (incl. practice establishment costs)	July 2013-2017 -\$226,855
2013/2014	\$336,284	\$401,932	-\$65,647	
2014/2015	\$615,413	\$585,651	\$29,762	
2015/2016	\$643,621	\$675,886	-\$32,264	
2016/2017 Practice wind up costs	\$326,713	\$485,419 Salaries \$29,000 Legal Expenses \$1,500 Postage \$2,600 Total Wind Up: \$33,100	-\$158,706 (incl. practice wind up costs)	
		<b>Total</b>	<b>-\$321,783</b>	

## FUNDING AGREEMENT

- Funding was received from the Commonwealth in the amount of \$1,160,000.
- To receive the funding, the Commonwealth required an agreement to provide services from the medical centre for a period of 20 years until 2032.
- As part of the Funding Agreement there is a caveat over the land to prevent any land dealings which would affect the operation of the medical centre without the approval from the Commonwealth.
- For any sale to go ahead, Council's obligations under the Funding Agreement to provide medical services at the centre would need to be transferred to an approved purchaser.
- If the Council continues to own the centre and is unable to lease the centre to a medical practice or provide medical services before 2032, the Council would need to pay a portion of the funding money back to the Commonwealth.

## GEORGE STREET LAND DEVELOPMENT

- The land to be sold is currently part of a larger portion of land owned by the Council in that area which includes the former Cygnet Depot and adjoining vacant land and other vacant land fronting George Street. The Cygnet community has a strong interest in the development of this land.
- The area of land to be sold is approximately 2050 square metres subject to subdivision approval and final survey. Below is an outline of the area to be sold.



- The Council intends to retain the land surrounding the medical centre subject to a development plan and community engagement. To do so the current title is to be subdivided, to create a separate title for the land upon which the centre is located upon including provision for future expansion opportunity.
- The caveat currently affects the larger land title at George Street and the Council's intention is to transfer this to the smaller subdivided title to free up development of that land at a later date.
- The subdivision will occur irrespective of whether the Council sells the land and building or not.