

REPORTS OF OFFICERS

Report Title:	Melrose Caravan & Tourist Park – Future Operations
Item No:	8.4
Date of Meeting:	20 July 2021
Author:	Sam Johnson, Chief Executive Officer
Attachments:	1. Evaluation Report Melrose Caravan & Tourist Park 2. Copy of Email from Crown Lands Department 3. Copy of email from Norman Waterhouse Lawyers – Advice 4. Sale Prospectus – Murray Fielder Caravan Park Broker

Confidentiality Clauses:

That Pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of Sam Johnson, Chief Executive Officer, Jacqui Kelleher, Manager Administrative Services, Craig Mudge, Manager Corporate Services, Brenton Daw, Manager Infrastructure and Regulatory Services, and Ebony Rodda, Manager Community and Economic Development be excluded from the meeting as Council considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Council will receive and consider a report containing information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting, or proposing to conduct, business or to prejudice the commercial position of the Council and would, on balance be contrary to the public interest.

(for resolution after consideration of the matter)

In accordance with Section 91(7) and (9) of the *Local Government Act 1999*, Council orders that this report item 8.4 - Melrose Caravan & Tourist Park – Future Operations, the attachments to this report and the discussion and minutes pertaining to this item having been considered in confidence under Section 90(2) and (3)(b) of the Act be kept confidential and not available for public inspection on the basis that it contains information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the Council and would, on balance, be contrary to the public interest. This order is to remain in force for a period of twelve (12) months notwithstanding that it will be reviewed annually in December of each year.

1. EXECUTIVE SUMMARY

This report seeks a decision of Council in relation to the future operations of the existing Melrose Caravan & Tourist Park (MCTP). This report is seeking a recommendation from Council in relation to proposed next steps for the potential future ownership and management of the Melrose Caravan & Tourist Park.

2. RECOMMENDATION

That Council:

1. receives and notes the report;
2. appoints Murray Fielder Caravan Park Broker as the agent for the sale of the leasehold of the Melrose Caravan & Tourist Park; and
3. authorises the Chief Executive Officer to enter in to an appropriate Sales Agency Agreement with the selected agent; and
4. approves a method of marketing the Melrose Caravan & Tourist Park as expressions of interest, with all received proposals to be presented to Council for further consideration; and
5. notes that subject to the outcomes of the expression of interests process, a public consultation process will be undertaken with respect to any proposed lease and any necessary modifications to the Council's Community Land Management Plan for the land in order to facilitate the entering in to of such a lease.

3. RELEVANT CORE STRATEGIES/POLICIES

DCMR Community Plan 2021-2031

3.3 Support Local Business & Industry

4.1 Partner with Tourism Stakeholders

4.2 Develop our District Tourism Proposition

4.3 Develop our Tourism Infrastructure

5.4 Improve the Efficiency and Effectiveness of Council Services

6.3 Enact Strong Governance

6.4 Provide Financial Sustainability

6.5 Develop Organisational Capability

4. BACKGROUND

In 2020 Council undertook a process to review the current operations, management and potential ownership of the MCTP.

5. DISCUSSION

The MCTP is presently a Council owned and run business operation. The overall management is contracted to a third party by an appropriate management agreement.

The MCTP provides great value to the township of Melrose, and the broader district by supporting tourism and economic growth.

Running a caravan park provides some operational and longer term capital investment challenges. For Council to consider the longer term management of such a strategic asset, Council will need to start providing adequate investment in to the asset, and particularly in identified areas as per the recent independent valuation of the MCTP.

By selling the leasehold of the MCTP will provide Council with a one off capital injection, being the sale price, along with an ongoing annual lease arrangements for a period as appropriately identified. Council should not be seeking to exceed lease arrangement beyond 42 years (Section 202 of the Local Government Act 1999).

Members should also note that recent borrowings of Council are attributed the MCTP, with an amount of \$480,000 borrowed through the Local Government Financing Authority (LGFA) for the establishment of the four (4) new cabins.

With regards to operational savings, Council presently pays for all appropriate and associated costs with the running of the MCTP. Currently Council has a management agreement in place with the current MCTP managers. Should Council lease the park costs such as the following will be immediate savings;

- Wages
- Utilities
- Depreciation
- Maintenance
- Capital Investment
- Cleaning
- Insurance
- Administration and Operational Support

Whilst savings will be achieved in annual expenditure, Council presently received an annual income against the MCTP. Previously as reported to Council, the costs have outweighed the income. However, in the post Covid-19 environment and the spike in regional tourism, Council is currently witnessing unprecedented income and profits at the MCTP. This may or may not continue in to the future, however Council now holds updated financial information that would be considered more palatable to the private market in a potential sale process.

The independent valuation (**Attachment 1** – Operational & Management Report by Dale Wood, Park (Australia) Business Consultants) as recently received by Council is based on prior trading figures 2020/2021, and prior to the installation of the new four (4) cabins. With this, it would seem appropriate for the declared capital sale amount to be higher, along with the calculated annual expected annual lease payment.

The report identifies three options for Council to consider for ongoing and future ownership/management of the MCTP:

a) Sell the Freehold: in order for Council to achieve this an independent land valuation will be required to make application to the State Government for approval to purchase the land in which Council has only as care and control over. This is all of the existing land, with the exclusion of a small parcel of land in which the recently newly established cabins are located on which Council owns the freehold parcel. This would require an additional capital allocation from Council, and should this option be the preferred, once sold to a third party the asset is entirely removed Council.

Appropriate steps would need to be taken to adequately address the current community land status, and approval would still be required from the State Government for the sale of such land. Council would still be responsible for the appropriate public land areas, primarily Joes Road and the monument which are not included within the MCTP.

- b) Sell the Leasehold:** this option allows for Council to keep land tenure as is, with the land remaining as dedicated to Council from the State Government under care and control. The freehold parcel of land in which Council owns being the section in which the newly established cabins are located on, would be leased to the purchaser from Council. All assets located on the site, being physical structures, would form part of the business sale and Council would seek to obtain a capital return on such. The attached evaluation does provide an estimated sale amount for such, noting it does not include the four (4) new cabins and improvements which Council recently expended some \$480,000. Part of a leasehold sale, Council would receive an annual lease payment in line with business performance, and an estimated amount has been provided within the attached evaluation report. Presently this estimated amount (which does not include the four (4) new cabins, is close to the amount Council is seeking to make in the coming 2020/21 financial year as an annual profit.
- c) Council Ownership:** presently this is the structure in which Council is operating. A contractor (manager) is appointed and Council holds full responsibility to both the ownership and operational management of the park. This model as previously reported to Council not always provided the greatest financial return to Council. Whilst it is an important and strategic asset in regards to the town of Melrose, and the broader tourism objectives to the Council district, Council should be mindful of its core business and overall fiscal responsibilities. In a post Covid environment, and with some change in management agreements and operational costs, the financial return of the park to Council has improved. The park does however, and as highlighted within the attached evaluation report, require significant capital investment in the short and medium term. Members would be aware that the 2021/22 budget has no allocation for any capital upgrades to the park. Should this be a preferred option (Council ownership and management), members will have to consider potentially increased borrowings in the coming years to make the appropriate investments as required within the park to ensure the park maintains in attractiveness to the market, and an ability to provide stable returns on investment.

Land Ownership

The land at present is owned by the State Government, with only the section in which the newly established cabins are located being the freehold ownership of Council.

Discussions have been held with Crown Lands Department within the State Government to establish an appetite with government about Council being able to sell the leasehold, resulting in a third party becoming a lease holder to the land in which Council has dedicated care & control over. A representative of Crown Lands has advised this is common across regional Councils, and would in principle be supportive of such taking place (**Attachment 2**).

As the land is currently declared community land, and listed within Council's current Community Land Management Plan, should Council wish to revoke the community land status, Council would need to undertake an appropriate process in accordance with Section 194 of the Local Government Act 1999. This process will need to ensure a series of appropriate steps are taken, including the preparation of a publicly available report detailing the proposed revocation and purpose inviting submissions from the public. Upon receipt of any submissions, the publicly available report along with copies of all submissions are required to be sent to the appropriate Minister for approval for

revocation of community land. Upon such approval from the Minister, Council would then be required to via way of formal resolution to revoke the community land classification status.

Noting the above community land revocation process, Council may not be required to formally revoke the community land status, and in fact maintain the community land status under a proposed lease arrangement. The granting of any lease will be subject to statutory requirements, including the outcome of appropriate consultation. I refer members to the advice received from Norman Waterhouse in relation to this matter for further details (**Attachment 3**).

Appointment of Agent

Council undertook a request for quote process in accordance with Councils procurement policy. Three companies were approached to provide a proposal including associated fees and charges for the marketing and sale of the Melrose Caravan & Tourist Park. Of the three agents approached, one failed to provide an appropriate prospectus, one provided a copy of a sales agency agreement which included appropriate fees and charges payable, and the other provided a prospectus as per the requested details sent to all parties.

On the basis of submissions received, against the criteria sought (marketing and sales prospects), it is recommended that Council engage Murray Fielder, Caravan Park Broker. A copy of the prospectus from Murray Fielder outlines appropriate details (refer Attachment 4).

Current Management Agreement

The current management agreement as recently entered in to is for a period of 12 months with the current park managers. Should the agreement require to be terminated earlier, there are existing provisions allowing such to occur. It is anticipated however, that an appropriate process for sale including public consultation for revocation of community land statue will take some time. It is on this basis that a possibility may exist for the current management agreement to be extended accordingly and as appropriate.

6. ANALYSIS OF OPTIONS

Option 1:

That Council:

1. receives and notes the report;
2. appoints Murray Fielder Caravan Park Broker as the agent for the sale of the leasehold of the Melrose Caravan & Tourist Park;
3. authorises the Chief Executive Officer to enter in to an appropriate Sales Agency Agreement with the selected agent; and

4. approves a method of marketing the Melrose Caravan & Tourist Park as expressions of interest, with all received proposals to be presented to Council for further consideration; and
5. notes that subject to the outcomes of the expression of interests process, a public consultation process will be undertaken with respect to any proposed lease and any necessary modifications to the Council's Community Land Management Plan for the land in order to facilitate the entering in to of such a lease.

Option one (1) allows Council to appoint a suitably qualified agent to conduct the appropriate marketing process of the MCTP. An open expressions of interest process will allow interest parties to detail a proposal to Council for further consideration. At the conclusion of the process, Council would be presented with all submissions as received allowing Council to determine any appropriate next steps. At this point, should Council wish to consider accepting a proposal or further negotiation, a determination will be made in relation to an appropriate public consultation process noting the current community land status.

Option 2:

That Council receives and notes the report.

This option allows Council to receive and note the report and the information as presented, but does not proceed with any sale options for the Melrose Caravan & Tourist Park.

7. RECOMMENDED OPTION

Option 1 is the recommended option.

8. POLICY IMPLICATIONS

8.1 Financial/Budget

Agent Fees (Murray Fielder);

- \$4,400 one off listing fee including GST
- 5.50% commission including GST of the gross sale price

The fees noted above are the fees as quoted by Murray Fielder Caravan Park Broker. The comparative submission received from Caravan Park Brokers Australia are stated as;

- Marketing Fee \$5,500.00 Including GST
- Freehold Fee 4.40% Gross Selling Price (Including GST)
- Business Fee 6.60% Gross Selling Price (Including GST)
- Minimum Fee \$25,000 Including GST

Council's current Disposal of Land & Other Assets Policy will be applicable in the event of a proposed sale, along with Council's Public Consultation Policy.

8.2 Legislative/Risk Management

Local Government Act 1999

8.3 Staffing/Work Plans

Staff will be required to assist the appropriate agent in the sale process. Staff will be required to fulfil the requirements of Section 194 of the Local Government Act 1999.

8.4 Environmental/Social/Economic

There are potential economic impacts to the broader district and the community. Should the caravan park

8.5 Stakeholder Engagement

Noting the confidential nature of this report, stakeholder engagement has been limited to Council Leadership Team only.

9. REPORT CONSULTATION

Discussions were held with Council's Leadership Team.

10. REPORT AUTHORISERS

Sam Johnson	Chief Executive Officer
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