

REPORTS OF OFFICERS

Report Title: Melrose Caravan & Tourist Park – Future Operations

Item No: 8.1

Date of Meeting: 17 January 2023

Author: Sam Johnson, Chief Executive Officer

Attachments:

1. Copy of Business Sale Agreement
2. Copy of Lease Agreement
3. Copies of feedback received through public consultation
4. Copy of purchaser history Mr M Fillery

Officer Direct or Indirect Conflict of Interest:
In accordance with Section 120 of the Local Government Act

Yes

No

Status:
Information classified confidential under Section 90(2) of the Local Government Act

Yes

No

Confidentiality Clause:

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), Brenton Daw (Director Infrastructure and Regulatory) and Jacqui Kelleher (Director Community & Corporate) 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 (namely, information regarding an expression of interest process related to the operation of the Melrose Caravan & Tourist Park which if made public could negatively impact the expression of interest process) and would, on balance be contrary to the public interest.

(for resolution after consideration of the matter)

1. In accordance with Section 91(7) and (9) of the *Local Government Act 1999*, Council orders that this report item 8.1 - Melrose Caravan & Tourist Park – Future Operations, the attachments to this report, discussion at the meeting and resolution 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 (namely, information regarding an expression of interest process related to the operation of the Melrose Caravan & Tourist Park which if made public could negatively impact the expression of interest process) and would, on balance, be contrary to the public interest.
2. This order is to remain in force until the satisfaction of all of the following events:

- a. the completion of the sale of the business; and ,
- b. the lease being fully executed by all parties; and
- c. the commencement of the lease,

noting also that the order will be reviewed at least annually in accordance with the *Local Government Act 1999*.

3. Pursuant to Section 91(9)(c) of *the Local Government Act 1999*, the Council delegates to the Chief Executive Officer the power to revoke this order and any other orders made by the Council under Section 91(7) in relation to the Melrose Caravan & Tourist Park – Future Operations in whole or part.

1. EXECUTIVE SUMMARY

This report seeks a decision of Council affecting the future operations of the Melrose Caravan & Tourist Park (MCTP) following a public 'expressions of interest' process which called for proposals for the sale of the MCTP business, including the grant of a lease of the MCTP land.

In March 2022 the previous Council considered two expressions of interest received at that time, and determined to accept an offer from a party which for personal reasons subsequently withdrew from the process. Since that time, Council's appointed Broker (Murray Fielder) has continued to seek further expressions of interest.

It should be noted that a public consultation was also undertaken during the previous exercise of considering the offers received from two previous interested parties, in regard to Council's *Community Land Management Plan – Melrose Caravan & Tourist Park* in order to facilitate any potential sale. As that body of work has been done and Council adopted the revised Plan at its Special Meeting on 24 March 2022, no further public consultation is required on the Plan when considering this new offer as presented.

The Park is currently managed by Council's Administration through the engagement of contracted services of relief managers through Caretakers Australia [Our Story - Caretakers – Do you need relief or permanent Managers? \(caretakersaustralia.com.au\)](https://www.caretakersaustralia.com.au).

2. RECOMMENDATION

That Council:

1. receives and notes this report;
2. approves the sale of the business of the Melrose Caravan and Tourist Park on terms as outlined within the attached Business Sale Agreement to Mark Edwin Fillery;
3. approves the lease of the Melrose Caravan and Tourist Park on terms as outlined within the attached Lease, between Council and Mark Edwin Fillery;
4. authorises the Chief Executive Officer to make any necessary changes to the Business Sale Agreement and/or the Lease, as deemed reasonably necessary by the Chief Executive Officer, after having consulted with the Mayor, to give effect to the transactions contemplated by Recommendations 2 and 3 and in accordance with this report; and
5. authorises the Mayor and the Chief Executive Officer to sign and affix the Common Seal of Council to the Business Sale Agreement and to the Lease with Mark Edwin

Fillery (and or nominee/s), as attached to this report (or otherwise amended in accordance with Recommendation 4) with respect to the Melrose Caravan & Tourist Park.

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

Community Land Management Plan – Melrose Caravan & Tourist Park – [Caravan-Parks.pdf \(mtr.sa.gov.au\)](#)

Community Consultation Policy https://www.mtr.sa.gov.au/data/assets/pdf_file/0032/174686/04.21-Public-Consultation-Policy.pdf.

Local Government Act 1999

Section 38

Section 50

Chapter 11, Division 4

4. BACKGROUND

In 2020/2021 Council reviewed the current operations, management and potential ownership of the MCTP. Following consideration of the review, in July 2021 Council resolved to appoint caravan park broker (Murray Fielder) to manage an expressions of interest process for the sale of the leasehold business of the MCTP.

On 16 November 2022, Members received a confidential briefing on the background to this matter. This report provides Members will information regarding an offer received from an interested party (Mr Mark E Fillery and Julieanne Ramsey). A copy of the offer received is provided at Attachment 1 to this report.

Following a report to the November Council meeting, Council resolved to undertake a public consultation process consistent with Council policy, plans and legislation.

The public consultation resulted in four (4) formal submissions being received. Copies of the feedback received have been attached to this report for Members consideration.

5. DISCUSSION

The proposed sale of the MCTP business and lease of the MCTP land will provide operational savings to Council as well as providing a one off capital injection through the sale price and ongoing income associated with the lease fee.

The proposal received outlines the details of the offer as well as the experience and management capabilities of the Interested Party (Mr Mark E Fillery and Julieanne Ramsey) as summarised below:

Interested Party:	Mark Fillery and Julieanne Ramsey A couple who are residents in Mildura. Mark operates a building company, Julieanne is a bank manager. They will operate the business as owner operators.
Price Offered:	\$1,200,000, increased by negotiation from \$1,150,000.
Deposit Payable:	\$60,000 (5%) payable after full signing of the Sale Agreement.
Proposed Settlement / Lease Commencement Date:	February 28, 2023 or other date as mutually agreed.
Rent Payable:	\$80,000 plus GST in Year 1. Payable monthly in advance.
Rent Review:	CPI annually and Market Review at commencement of each term.
Lease Term Request:	35 years
Initial Term & Rights of Renewal:	Initial Term 5 years Renewal: 6 x 5 years.
Conditions Precedent to sale:	Subject to Finance and signing a suitable lease agreement.
Capacity to Finance:	Yes. Purchasers have a substantial property asset base. Yes, they are experienced business operators, albeit not a caravan park. They have close relatives who are very experienced operators and keen to assist.
Experience to Operate:	
Other Matters:	14 day training/handover period Discussion re power supply into the park. We await a response from SAPN. This is a recent question. Discussion re rubbish bin collection. This is a recent question

Requirement for Public Consultation on Sale of Lease

Council resolved at the December 2022 Council meeting to accept the offer of the Interested Party as presented. Such sale of the MCTP business and proposed lease tenure is subject to community consultation in accordance with Council's public consultation policy, and associated legislation. Public consultation that took place as a result of Council's decision included:

- advertisement in the Plains Producer (occurring in week 2 of the consultation phase due to timings of the newspaper production deadlines) and a copy of the advertisement will be placed on Council's website and promoted via email communications to all community groups and other relevant parties via Council databases; and
- Facebook posts (2 per week).

Following the 21 day public consultation period, Council received four (4) submissions. All submissions have been attached to this report for Members' consideration.

Future Direction

Council has now formally received and considered an offer (December 2022 Council meeting), and undertaken a public consultation process based on the proposed offer. The proposed purchasers are ready to proceed with the offer as presented, and a decision of Council is now required to formalise the offer, progressing to settlement for the sale of the leasehold and entering a formal long term lease arrangement.

Should Council resolve to support the offer after considering the feedback from the recent public consultation process, Council will need to resolve the authorisation for both the Mayor and Chief Executive Officer to sign the official business sale agreement, and

lease documents. The documents are proposed to have affixed the Common Seal of Council, and thus requiring Council approval in addition.

In approving the next steps, this provides a contractually binding arrangement between all parties. Once the deposit has been paid, and all conditions precedent to the Business Sale Agreement have been satisfied, the Business Sale Agreement becomes unconditional and legally binding. Settlement would take effect on a date proposed late February 2023, but could change for reasons not yet known.

The lease will be signed upon settlement, with the lease to be formally registered and protection for the interests of all parties.

Upon settlement, the lease will then be a legally binding agreement which Council will manage, with third party assistance as required (rent reviews etc.). The cash received from settlement will be placed in to Council's investment accounts, providing Council with an amount of circa \$1m in additional cash reserves. There is no planned expenditure at this time for these funds, and will likely form part of future budget deliberation processes.

After settlement, Council administration will work through a process of removing the necessary arrangements from Council with respect to the Melrose Caravan & Tourist Park (such as insurance, electricity account, depreciation schedule, etc.).

Should Council resolve to not progress with the sale as recommended, Council will need to give due consideration to the future arrangements (both operational management resourcing, and capital requirements), for the Melrose Caravan & Tourist Park. These items have been expressed in previous reports, and information briefing sessions.

6. ANALYSIS OF OPTIONS

Option 1:

That Council:

1. receives and notes this report;
2. approves the sale of the business of the Melrose Caravan and Tourist Park on terms as outlined within the attached Business Sale Agreement to Mark Edwin Fillery;
3. approves the lease of the Melrose Caravan and Tourist Park on terms as outlined within the attached Lease, between Council and Mark Edwin Fillery;
4. authorises the Chief Executive Officer to make any necessary changes the Business Sale Agreement and/or the Lease, as deemed reasonably necessary by the Chief Executive Officer, after having consulted with the Mayor, to give effect to the transactions contemplated by Recommendations 2 and 3 and in accordance with this report; and
5. authorises the Mayor and the Chief Executive Officer to sign and affix the Common Seal of Council to the Business Sale and to the Lease with Mark Edwin Fillery (and or nominee/s), as attached to this report (or otherwise amended in accordance with Recommendation 4) with respect to the Melrose Caravan & Tourist Park.

This option allows Council to proceed with the sale and lease of the Melrose Caravan & Tourist Park.

Option 2:

That Council receives and notes the report.

This option does not bring into effect proceeding with the offer received from Mr ME Ellery and Julianne Ramsey for the sale of lease of the MCTP.

7. RECOMMENDED OPTION

Option 1 is the recommended option.

8. POLICY IMPLICATIONS

8.1 Financial/Budget

Broker fees (5% GST) plus preparation of legal / lease documents. These costs will be taken from the disbursements at settlement, and not from Council's existing operational budget. This is likely to provide Council with circa \$1m in cash at settlement, which will be placed in to Council's cash investment account.

8.2 Legislative/Risk Management

Primary Risk Type	Financial		
Inherent Risk	Likelihood	Consequence	Rating
	Medium	Medium	Medium
Controls	Broker and Administration has reviewed contractual arrangements.		
Residual Risk	Low	Low	Low

8.3 Staffing/Work Plans

Accommodated within existing work plans of the Director Community & Corporate and the CEO.

8.4 Environmental/Social/Economic

Positive economic impacts to the broader district and the community are anticipated through the sale of the lease as outlined within the proposal received. A significant investment in the business and assets is being proposed by the Purchaser which will translate into greater visitor experience.

8.5 Stakeholder Engagement

Not applicable – noting confidentiality provisions.

9. REPORT CONSULTATION

Members received an overview of this matter at a confidential briefing held on 16 November 2022, as well as a report at the December 2022 Ordinary Council meeting.

10. REPORT AUTHORISERS

Sam Johnson	Chief Executive Officer
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