



KEMPSEY
Shire Council

DIRECTOR CORPORATE AND COMMUNITY SERVICES SUPPLEMENTARY REPORT

13th November 2007

DCCS11 SUPP	FUTURE MANAGEMENT OPTIONS FOR HORSESHOE BAY CARAVAN PARK FILE: LA5312 SJR
------------------------	--

SUMMARY:

Considerations for the future management options of the Horseshoe Bay Caravan Park.

◇◇◇◇◇◇

DESCRIPTION:

Council is responsible for the care, control and management of the Crown Reserve at Horseshoe Bay South West Rocks. The Horseshoe Bay Beach Park lease expires on 31 January 2009 and it is timely to give consideration to future options for management of the caravan park.

The caravan park contains 80 registered sites, of which a maximum of 12 are occupied by on-site vans provided by the lessee. Water and power are available to each site and four onsite vans have ensuite facilities. Internal roads are guttered and sealed. There are 2 brick veneer amenities blocks incorporating toilets, showers and laundries sufficient to meet licence requirements. A two bedroom brick and tile cottage with office and reception area and double garage is located on the site.

A 135m² kiosk of brick and tile construction, and a 70m² outdoor area for tables and chairs is located separately on an area to the north-east of the caravan park. This area is currently sub-leased by the Park Lessee's.

Council has previously deliberated on future options for our four holiday parks jointly operated under the marketing banner of 4 Shore Holiday Parks. Consideration was given to several options including: -

1. Operation of the parks by day labour whereby staff are employed for the management, cleaning, landscaping, repairs & maintenance, security and all other associated staffing requirements. This option has consistently been avoided by Council.
2. Assignment of Management Rights. Under this system day to day management of the parks is assigned to a tenderer by way of a broad based management contract from Council. Council fixes site fees and charges (in consultation with the Manager) and the Manager collects all the income from fees and charges generated by the caravan

parks. From the income collected the Manager meets all operational expenses (the responsibility of the Manager) and pays Council a monthly fee calculated as a % of gross revenue.

Council is responsible for some operational expenses (e.g. rates) and any money expended on improvement and capital works in the parks.

3. Contract Management. The Contractor is responsible for the provision of management and staff services and personnel to effectively carry out the operation of the caravan parks. Council fixes site fees and charges, receives all income and provides an operational budget which the Contractor works to. The Contract Manager shall be paid a fee for service and a commission based on gross revenue.

In this instance there is a further option to offer for tender a new commercial lease of the caravan park whereby the park is offered for a predetermined lease period ranging from 10 to 20 years. Under this arrangement the lessor would own the land and structural improvements and infrastructure whilst the lessee would own the plant and equipment.

An upfront premium could be required to be paid for the purchase of the lease, and an annual rental figure would be set.

Given the desirable location of the caravan park and consistently high occupancy rates the purchase fee for the lease could be quite significant. The annual rental figure and lease purchase figure tendered could be assessed by reference to Caravan Park Brokers or via a registered valuer.

The kiosk could be separated from the caravan park lease and offered separately for lease by Council to generate an income stream dedicated to the ongoing maintenance of the day reserve and upgrading of facilities and infrastructure.

One further option is to consider incorporating the Horseshoe Bay Caravan Park into the group of 4 Shore Holiday Parks to be more fully representative of the Macleay Valley Coast region. However, this would still necessitate entering into a tender process.

Council will recall the concerted efforts of locals and clients in late 2005 and early 2006 when the Minister for Lands directed Council to prepare a Plan of Management for the Horseshoe Bay Reserve. At a public meeting held at South West Rocks on 18 January 2006 to discuss the Horseshoe Bay Reserve Draft Plan of Management those present clearly expressed their wishes for the retention of the caravan park as it was, with no concession to future development of the park by way of increased cabins or reduction in the footprint of the caravan park. These restraints may be barriers to attaining a premium price for the park if put to tender.

A Draft Plan of Management for the Horseshoe Bay Reserve was prepared by Insite Landscape Design in October 2005 and revised in August 2006 and again in October 2006. The Draft has been forwarded to the Department of Lands (DoL) and has yet to be accepted by the Department of Lands.

Council resolved at the meeting of 14 February 2006:-

- “1. That the Director of Shire Services, when reporting on the submissions received as a result of the exhibition of the draft Horseshoe Bay Plan of Management, provide recommendations for improvements to the caravan park that DO NOT substantially alter the spirit of the current design.***
- 2. That it be noted that the Mayor advises that the Minister has been made aware of the strength of the opposition to the proposed changes to the area at Horseshoe Bay.***
- 3. That the Department of Lands be requested to review the proposal of a possible timetable for the removal of the caravan park at Horseshoe Bay Reserve as indicated by letter dated 20 May 2004 i.e.***
 - a. that part of the park occupied by sites immediately north of Livingstone Street be programmed for removal upon completion of the current management lease in January 2009.***
 - b. the remainder of the foreshore occupied by the park to be progressively returned to public open space over the following 5 years.***
- 4. That it be recommended to the Department of Lands the function of Horseshoe Bay Reserve subject of a lease as a Caravan Park, be continued for a further ten (10) years from 31 January 2009 with an option of an additional ten (10) years at the discretion of Council, be the subject of a new lease arrangement.***
- 5. That the proceeds received by Council from the lease agreement be allocated to the implementation of the program of works identified within the Plan of Management for overall foreshore precincts.”***

Following Council's letter of advice to DoL acknowledgment was received stating *“In relation to the retention of the existing caravan park design, that the department has had a chance to consider Council's position and is more or less reconciled with the points raised and the reasons behind Council's decisions”*.

In a visit to Kempsey on 22 June 2006, the Minister for Lands, the Hon Tony Kelly, advised that the current arrangement of the caravan park at Horseshoe Bay in regard to camping and cabins would be retained. A subsequent meeting on 3 July 2006 with Craig Barnes and Richard Dunning representing DoL agreed that all options for the future management of the caravan park be explored including: -

- Calling for expressions of interest for a new lease arrangement;
- Calling for expressions of interest for contract management of the caravan park; and
- In-house management of the caravan park.

The DoL noted that further discussion will be required to ensure that returns to Council and the Department are appropriate.

The Strategy and Action Plan contained within the Draft Plan of Management for Horseshoe Bay Reserve, attached at [\(Appendix C – Page 3\)](#) contains several actions identified as the responsibility of the current caravan park lessee and Council. To date no budget has been set for the implementation of these strategies and given the remaining short tenure of the current lessee of the caravan park and the likely disruption to their business, it would prove difficult to impose these requirements on them. These strategies should be incorporated as a condition of lease or contract when selecting the future operating options for the caravan park.

The Draft Plan of Management for Horseshoe Bay Reserve recommends that the caravan park be retained for another lease period of a further ten years from 31st January 2009 with an option for an additional ten years at the discretion of Council.

It is proposed to convene a meeting with representatives from DoL to clarify their requirement of ensuring appropriate returns to Council and the Department prior to preparing and advertising tender documents for: -

- Commercial Leasing
- Management Rights, and
- Contract Management

REPORT IMPLICATIONS:

▪ *Environmental*

No implications

▪ *Social*

The Horseshoe Bay Reserve is a well loved and valued asset by both the community and the many tourists who frequent the area.

▪ *Economic (Financial)*

If a registered valuer was engaged to provide a valuation of the Caravan Park the indicative fee for this valuation would be in the vicinity of \$5,000.

▪ *Policy or Statutory*

The Department of Lands would require a separate Lot and DP Identifier if Council were to enter into a new lease over the Caravan Park. This would require the park to be surveyed and have a plan registered.

▪ *Directors Review*

The operation of the Horseshoe Bay Caravan Park provides Council with a non-rate revenue stream, however there are many inherent restrictions as a result of Council, Departmental, and Plan of Management conditions which affect the operation and financial return.

RECOMMENDATION:

1. That Council call for tenders for the future management of the Horseshoe Bay Caravan Park for a term of 10 years, including the three options being -
 - Commercial Leasing
 - Management Rights
 - Contract Management

2. That Council call for tenders for a three (3) year lease with a three (3) year option of the kiosk within the Horseshoe Bay Reserve.

.....

G B Snape

DIRECTOR CORPORATE & COMMUNITY SERVICES