

## 9.7 Riverside Caravan Park

REPORT BY THE CHIEF FINANCIAL OFFICER  
TO 19 APRIL 2023 ORDINARY MEETING  
GOV400103, COM100008, 233911

### RECOMMENDATION

#### That Council:

1. receive the report by the Chief Financial Officer on the Riverside Caravan Park;
2. agree to purchase the chattels identified in Attachment 2 to this report for \$1,300,000 and ensure completion of the purchase occurs before the expiration of the current lease on 27 September 2023;
3. agree to undertake the operation of the business as a going concern from the settlement date of the contract;
4. authorise the General Manager to finalise negotiations and execute the completion of the purchase, including signing all relevant documents; and
5. amend the 2022/23 budget as follows:
  - 5.1 allocate \$1,400,000 to the purchase of Riverside Caravan Park, including legals and minor repairs, to be funded from unrestricted cash;
  - 5.2 allocate an operating budget, as detailed in the report with a net operating surplus of \$50,000 (unrestricted cash)
  - 5.3 reduce rental income by \$22,500 (unrestricted cash)
6. amend the 2023/24, 2024/25 and 2025/26 budget as follows:
  - 6.1 allocate an operating budget, as detailed in the report and attachment 1, with a net operating surplus of \$440,000 per annum (unrestricted cash)
  - 6.2 reduce rental income by \$110,000 net per annum (unrestricted cash)

---

### Executive summary

The purpose of this report is to present a business case assessment to Council for consideration of a commercial opportunity to purchase the chattels at the Riverside Caravan Park (the Park) and to undertake the operation of the Park as a going concern before the current lease expires on 27 September 2023.

### Disclosure of Interest

Nil

### Detailed report

A Business Case for the purchase of the Park's chattels and the ongoing operation of the site as a caravan park is appended to this report as Attachment 1. It provides a detailed overview of the

Park and the options available to Council to increase its returns from commercial property activities.

A market appraisal of the chattels has been completed indicating the total value of the inventory is about \$1.3 million excl. GST. The market appraisal is appended as Attachment 2.

### Existing Approvals and Assets

The site of the business known as Mudgee Riverside Caravan and Tourist Park at 16-22 Short Street is currently being operated on Allotments 1/256730, 4 & 5/25A/758721 by the lessee. The 2.915ha site is owned by Council and is classified as *Operational* land.

The Approval to Operate a Caravan Park and Camping Ground (ATO) under s68 Part F2 of the Local Government Act is currently being reconsidered for compliance by Council's Building Services.

The Park has a total of 114 sites, consisting of:

- 44 Long Term Sites
- 30 Short Term Sites
- 40 Camp Sites

The majority of the chattels at the Park are owned by the lessee, except for those listed in Attachment 2, which are owned by Council.

The rent due to Council for the period 27/9/2022 to 26/9/2023 is \$135,389 excl. GST.

### Expected Commercial Returns

The commercial investment in the Park has been considered under three scenarios: current occupancy levels maintained, reduced occupancy, and increased occupancy.

In the short term, the proposal is to operate the Park in the same manner and under the same conditions as prior to the expiry of the lease. This is to allow staff the opportunity to observe the day-to-day operations of the business prior to making recommendations regarding Park improvements and to consider the best long-term options for future development.

### Funding Sources

With current occupancy rates maintained, and operating costs in line with our own commercial caravan park requirements, net operating profit is anticipated to be about \$440,000. Details of the operating costs and income anticipated are included in confidential attachment 1 (commercial in confidence).

## Community Plan implications

<b>Theme</b>	<b>Building a Strong Local Economy</b>
Goal	An attractive business and economic environment
Strategy	Provide leadership on economic development initiatives and identify resources and infrastructure required to drive investment and economic growth in the region

## Strategic implications

### Council Strategies

The *Mid-Western Community Plan Towards 2040* includes a strategy to prudently manage risks associated with all Council activities. The *Delivery Program 2022/23-2025/26* includes an action

under this strategy that is focussed on providing long-term financial sustainability through sound financial management; this includes identifying opportunities to increase revenue from property related investments.

A key focus of local government *Fit for the Future* reform process was for councils to identify alternate ways of raising revenue to ensure long-term financial sustainability. An action included in Council's Improvement Action Plan was to examine opportunities to raise additional revenue through maintaining a strong commercial property portfolio.

The operation of the Park is consistent with the strategies included in the *Mid-Western Community Plan Towards 2040*, the *Delivery Program 2022/23-2025/26* and *Fit for Future Improvement Action Plan*. It provides an opportunity to increase own source revenue through property related investments and helps achieve the objective of long-term financial sustainability.

**Council Policies**

Procurement Policy

**Legislation**

Local Government Act 1993

Financial implications

Budget variation has been recommended in this report as follows; all amounts are excluding GST:

- Purchase of business chattels: \$1,300,000
- Immediate repairs and make safe allowance \$95,000
- Legals \$5,000

Total purchase allocation \$1,400,000. This amount is considered capital and will not impact operating performance, but will impact building and infrastructure renewals. It is recommended to fund the purchase from surplus unrestricted cash.

Operating budgets for Riverside Caravan Park are detailed in attachment 1, but the summarised results are listed below:

- Park Revenue: \$840,000
- Operating costs: \$400,000
- Net Trading Profit: \$440,000
- Rent foregone: \$110,000 (net surplus)
- Surplus: \$330,000 *increase to unrestricted cash per annum*

Budget Year	Operating Performance Ratio	Own Source Revenue	Building & Infrastructure Renewal
2022/23	✓	✓	✗
Future Years	✓	✓	✗

## Associated Risks

The proposed operation of the Park will have normal commercial risks associated with operating a caravan park. The key risk will be any downturn in occupancy levels.

The business case has been prepared based on a set of key assumptions, which may or may not be fully realised over the payback period. Assumptions were made about immediate repair costs, occupancy rates, fixed/variable costs, usage types, staffing requirements and local economic conditions. Whilst these assumptions were considered reasonable at the time of undertaking the business case, there is no guarantee that issues beyond Council's control will not materially impact these assumptions. This is a commercial risk that Council must accept in making the decision to proceed with the project.

LEONIE JOHNSON

CHIEF FINANCIAL OFFICER

5 December 2022

*Attachments:* 1. Riverside Caravan Park Business Case. (Late Attachment)  
2. Valuation of Business & Chattels. (Confidential - separately attached)

APPROVED FOR SUBMISSION:

BRAD CAM  
GENERAL MANAGER