

ITEM NO:	19.2
MEETING DATE:	15 December 2016
SUBJECT:	Streaky Bay Kiosk Purchase – CONFIDENTIAL
RECORD NUMBER:	R16/12331
AUTHOR:	Manager Corporate Services, Kristen Clark
ATTACHMENT (S):	None

THIS REPORT IMPACTS ON:

Asset Management		Long term financial plan	X
Budget/Annual Business Plan	X	Financial Key Performance Indicators	
Legal/Statutory/Policies		Community engagement	
Risk analysis/management	X	Service standards	
Environment		Legal advice	
Economic growth		Social	

BACKGROUND:

Council is currently in the process of completing a new management agreement for the caravan park. Council has a separate lease for the kiosk, located at the caravan park which completes in November 2019 or November 2024 if the lessee takes up the renewal.

Council would like to maximise the return from the caravan park management agreement, and being able to include the kiosk as part of the agreement would add substantial value.

The current “value” of the lease agreement to the kiosk owner is
 (8 years x 52 weeks) x \$500 = \$208,000 over 8 years (value of sub lease)
 Less rent paid to council
 (8 years x 52 weeks) x \$199 = \$82,784 over 8 years
 Equals
 \$125,216 over 8 years (or roughly \$15,652 per year)

Council asked the kiosk how much it would cost to buy them out, their response was \$150,000.

Council counteroffered with \$10,000, which was not accepted.

Being able to include the kiosk as part of the management agreement would produce the following “value” for council;

- Potentially upgrade the kiosk building as part of a total kiosk/reception revamp
- Longer opening hours
- Greater range and depth of stock lines
- Regain control of the physical location and operation of this area of the Park
- Seamlessly works in with the new multi-million dollar management agreement

- For each 1% extra revenue that Council is able to keep under the new management agreement due to being able to include the Kiosk as part of the package, conservatively the 1% represents an extra \$160,000 to Council *each year* for the life of the new agreements 15 year term.

It is anticipated that a transformation of the kiosk will provide Council with a greater share of revenue generated by the Caravan Park, increase the total amount of revenue generated and provide an improved service to the Streaky Bay community.

Council has a number of options if it is interested in gaining control of the kiosk

1. More stringently enforce the current conditions of the lease agreement. For example demand and enforce longer opening hours. There are other similar levers. However this approach is not seen as having the desired result in the short to medium term (ie to allow inclusion in the new management agreement) and would require extended close council attention.
2. As part of the new management agreement / EOI process, build an integrated Caravan Park Kiosk to be run in direct competition of the existing Kiosk. This could be established in the short to medium term, allowing inclusion in the new agreement and the benefits outlined above to Council. Potential downside is the "old" Kiosk would remain in operation on site, confusion why there are two Kiosks and potential community views of competing against a family run business.
3. Make a second offer to break the lease with the existing kiosk. It is believed the current owners would be in favour of getting out of the lease, an amount in the vicinity of \$80,000 (or an amount the CEO/Mayor could negotiate to) may be enough to allow Council to include the existing kiosk with the new agreement and the current owners to exit by 30 June 2017. Consider that the "value" to Council in the first year could equate to \$160,000.

Recommendation

1. That Council resolve:
 - (a) Pursuant to Section 90(2) of the Local Government Act, 1999, the Council orders that all persons with the exception of the MJ Hentschke (Chief Executive Officer), JL Brewis (Manager, Regulatory Services) RC Nottle (Acting Manager, District Services), K Clark (Corporate Service Manager), and JA Childs (Executive Assistants & Governance Officer/ /Minute Taker) to be exclude from attendance at the meeting for agenda item 19.2, relating to “Streaky Bay Park Kiosk”.
 - (b) The Council is satisfied pursuant to Sections 90 (3)(d) of the Act, the information to be received, discussed or considered in relation to this agenda item is related to “commercial information of a confidential nature (not being a trade secret) the disclosure of which:
 - a. Could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
 - b. Would, on balance, be contrary to the public interest.
 - (c) The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances.
2. That Council resolve to receive and note the Report of the Manager, Corporate Services.
3. That Council make a second offer to break the lease with the existing kiosk. Allow the Chief Executive Officer and Mayor to negotiate an amount up to \$xxx to allow Council to include the kiosk with the new agreement and the existing owners to exit by 30 June 2017.
4. That having considered the agenda item 19.2 relating to “Streaky Bay Park Kiosk” in confidence under Section 90(2) and (3)(d) of the Local Government Act, pursuant to Section 91(7) of the Act orders that the report considered and discussed in relation to agenda item 19.2 be retained in confidence and not be available for public inspection until negotiations have concluded.