

PERTH AND KINROSS COUNCIL**Environment Committee – 7 November 2012****REVIEW OF ABERFELDY CARAVAN PARK****Report by Executive Director (Environment)**

This report outlines the potential options open to the Council with regard to Aberfeldy Caravan Park. Following a review, the report recommends that advertising the site for lease is the best option, and that the Council put in place arrangements for its disposal through a lease by referring the matter to the Head of Planning and Regeneration.

1. RECOMMENDATION

The Committee is asked to agree:

- i) To advertise the Aberfeldy Caravan Park for lease on the open market.
- ii) To refer the matter to the Head of Planning and Regeneration to make the necessary arrangements for advertising the property
- iii) That, if a suitable lease cannot be arranged, management of the site should remain with the Council.

2. BACKGROUND

- 2.1 A budget saving of £6,000 for Aberfeldy Caravan Park was accepted for 2013/14 by the Council, through a review of the Caravan Park Options. The saving did not stipulate closure of the site.
- 2.2 The caravan park is bounded on the north side by the River Tay and on the south by the main road into Aberfeldy. Adjacent uses are a barytes processing plant, industrial units, a football field and sewage treatment works. There have been flooding issues with the site in the past, which have required investment for repairs. The last flood event in 2007 required over £100,000 of repairs.
- 2.3 The site for Aberfeldy Caravan Park was originally acquired for use by the former Burgh Council for the provision of a sewage treatment plant with part of the site converted to a caravan park in the 1950s. The cost of forming the caravan park at this time was met from the Common Good Fund and, until 1974, all income from the park accrued to this Fund. Following local government reorganisation in 1975, the operating surplus was shared between the Common Good Fund and Perth and Kinross District Council in proportion to their respective capital investments in the park. In 1988 extensive improvements to the park were made at a cost of £250,000. The Common Good Fund did not have the resources to make a meaningful

contribution, therefore the District Council funded this work. Prior to this major investment by the District Council, the Common Good Fund had invested £7,600 in the caravan park and £12,100 had come from the Leisure and Recreation Account.

- 2.4 It was noted at this time that, if the profits from the caravan park continued to be divided according to the capital invested and a further £250,000 was invested from the District Council's Leisure and Recreation Account, the Common Good Fund would be entitled to 3% of the profit, a sum of about £285 per annum. However, as the Common Good Fund's original capital investment in the park still had significant residual value, a sum of approximately £4000 per annum was allocated to the Common Good Fund in recognition of this. Records indicate that this sum was paid from April 1988, currently a sum of £4,500 per annum being paid into the Fund.
- 2.5 The view of Legal Services is that the land occupied by the caravan site is not a Common Good asset.
- 2.6 The caravan park is important for the local Aberfeldy area's economy by providing 50% of the bed nights in the town. The site does not have a shop or café, and so most of the money spent by visitors is directly in Aberfeldy itself or the surrounding area.
- 2.7 The site has 138 caravan pitches in total of which between 75 and 85 are let on a seasonal basis. The site also has capacity for 37 tents.

Staffing

- 2.8 Legal advice is that permanent staff in post at the time of disposal would be subject to transfer under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) if the site was still to be used as a caravan park by another party.

Finance

- 2.9 The income and expenditure in relation to the caravan park for 2006/7 to 2010/11 is shown in the table in Appendix 1, excluding the support service recharge. The outcomes are highly variable, however overall the site has made a net deficit over the last 5 years of £21,784 (approximately £4,500 per annum on average). The variability is primarily due to fluctuations in income, but also significant differences in property costs, depending on the need for essential works on site.
- 2.10 Income essentially comes from two sources, the sale of seasonal stances and the sale of touring and tent pitches. The number of seasonal stances has been limited in the past to allow the caravan park to provide accommodation for touring caravans and tents as the demand for seasonal stances has reduced.

Future Investment Requirements

- 2.11 The site has been subject to sporadic flood events. Future investment is required in relation to caravan hardstandings and the urinals. In addition the electricity supply to the park requires to be improved, and Scottish and Southern Energy has advised that a new transformer would be the best way of improving this.

Valuation

- 2.12 The Estates team instructed valuers, Jones Lang LaSalle (JLL), to undertake a valuation of the caravan park to help inform a future option in relation to marketing the site. The key issues from the report have been reflected in section 3, and Appendix 2. The detailed information is that the report would help inform the Head of Planning and Regeneration, should disposal of the site (including disposal by lease) be considered as the appropriate way ahead.

3. PROPOSALS

- 3.1 Four potential future options for Aberfeldy Caravan Park were identified and assessed against the information provided in the background section. The options that are considered in this report are:

1. Retain the Caravan Park in-house and secure operational savings
2. Disposal by Sale to the private sector
3. Lease of the site to the private sector
4. Lease of the site to a community venture

- 3.2 The relative advantages and disadvantages of each of these options can be seen in Appendix 2 with a summary of the findings found below.

Option 1 – Retain the Caravan Park in-house and Secure Operational Savings

- 3.3 The amount of saving required by the Council from the caravan park is £6k. This budget saving target could be achieved by a combination of cost savings, whilst retaining the Service in house.
- 3.4 By retaining the caravan park in-house, the risks identified are uncertainty of future income, flood risk and the fact that investment in the site would remain with the Council. Retaining the caravan park within Council control means that a capital receipt or rental income cannot be achieved. There is also a question over whether it is core business for the Council to be the operator of a commercial caravan site.

Option 2 - Disposal by Sale to the private sector

- 3.5 Advice from Estates is that an outright sale of the site would obtain the best price, but would result in the Council relinquishing all control of the site's

continued use, other than through the planning system. The likely capital receipt for the site may be quite small as it currently runs at a loss, and the new owner would have to take on the risks detailed in section 3.4 above.

Option 3 - Lease of the site to the private sector

- 3.6 A lease would provide the Council with a certain amount of control as landlord but it may be difficult to impose restrictive conditions. At best, a lease would ensure that the land could only be used for a caravan/camping site. It would not, however, ensure that it continued to operate fully as a caravan site, as it is at present (i.e the new lessee may reduce the number of pitches, or alter the opening periods if the business is not profitable).
- 3.7 Leasing the site would also enable the Council to take the site back in house if the lessee failed to abide by the terms of the lease, however that is not a straightforward process. If a lease was to be the preferred option for disposal then advice from Estates is that a grassum (lump sum capital payment) with a low level annual rent is likely to be more attractive to an operator, than payment of an annual lease. The lease would be on a full repairing basis with the leaseholder responsible for the maintenance of the site.

Option 4 - Lease of the site to a Community Venture

- 3.8 A suitable local community group could take on the operation of the site. This fits with the Scottish Government's vision for strengthening communities, (as articulated in the recent consultation on the proposed Community Empowerment and Renewal Bill), with the goal of increasing locally driven, enterprising community development, as a step to achieving sustainable economic growth. In addition a community group may be able to access funding sources for investment in the site which the Council would not be able to use.
- 3.9 In terms of current requirements, the Local Government in Scotland Act 2003 imposes a statutory duty on local authorities to secure best value in the performance of their functions. Aspects of the duty to secure best value which are relevant to the disposal of land would include:
- Making the best use of land and property
 - Being open and transparent in transactions
 - Ensuring sound financial controls are in place to minimise the risk of fraud and error
 - Assessing the full financial consequences of decisions at an appropriate level before major financial decisions are taken or commitments entered into
 - Demonstrating responsiveness to the needs of communities, citizens, customers and other stakeholders, where relevant.

- 3.10 The Disposal of Land by Local Authorities (Scotland) Regulations 2010 set down the procedure to follow and circumstances which allow local authorities to dispose of land for a consideration less than the best that can be reasonably obtained. These are that the local authority is satisfied that the disposal for that consideration is reasonable; and that the disposal is likely to contribute to the promotion or improvement of:
- (a) economic development or regeneration;
 - (b) health;
 - (c) social well-being; or
 - (d) environmental well-being
- 3.11 It is therefore possible that a case could be made for the disposal of the caravan park to a suitable community venture for less than best consideration. However it would also be open to community groups to compete for the lease of the site, with private sector bidders, if the Council was to market the site.

Preferred Option

- 3.12 Given the question over whether or not operation of a Caravan Park is core Council business and the likelihood of significant financial investment required in the future, disposal of the caravan park is preferred, although the need for the site to continue in its current role is important.
- 3.13 As it is anticipated that the capital receipt from an outright sale will be low and that a sale limits future control over the future use of the site, it is considered that leasing the site on a long term basis is the most appropriate way forward. If the site is advertised for lease on the open market both commercial operators and community ventures will be able to make bids. Leasing the site is also considered the best value option for the Council.
- 3.14 The JLL report noted that there is no certainty that a suitable lessee may come forward. If a lease cannot be arranged, it is recommended that the site revert to Council management.
- 3.15 It is proposed to remit the disposal of the site to the Head of Planning and Regeneration, with a recommendation that expressions of interest be requested by a defined timescale, with bidders given a 6-9 month period to develop a bid and Business Case. This will give both business and community bidders an opportunity to develop their submissions. It is therefore likely that the conclusion of this issue will not take place until the end of the 2013/14 season.

4. CONSULTATION

- 4.1 The Head of Finance, Head Legal Services and the Head of Democratic Services have been consulted in the preparation of this report.

5. RESOURCE IMPLICATIONS

- 5.1 The budgeted saving for this site can be achieved, whatever option is selected. The preferred option would be the most financially advantageous to the Council as it would realise a rental income, and mitigate the risk to the Council from further expensive property maintenance costs.

6. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

- 6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (iii) A Prosperous, Sustainable and Inclusive Economy

7. EQUALITIES IMPACT ASSESSMENT (EqIA)

- 7.1 An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 7.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome and was assessed as not relevant for the purposes of EqIA.

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 8.2 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

9. CONCLUSION

- 9.1 Based on the report received from JLL if a suitable lessee can be found for the site, then it would be in the best interest of the Council to dispose of the site to limit the risk of future deficits by means of a lease. If a suitable lease cannot be arranged, the site should be operated under the Council's management.

**BARBARA RENTON
DEPUTE DIRECTOR (ENVIRONMENT)**

Note:

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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Appendix 1

Summary of Income and Expenditure

Aberfeldy Caravan Park	2006/7	2007/8	2008/9	2009/10	2010/11
Staff costs	45,112	40,821	43,372	42,903	42,971
Property costs	39,780	37,864	84,836	66,914	74,927
Supplies and Services	14,080	9,781	11,285	9,525	18,386
Transport	299	40	178	131	576
3 rd party payments	8,665	13,484	4,488	13,634	11,715
Capital Financing	38,000	215	0	0	0
Total Expenditure	145,936	102,205	144,159	133,107	148,575
Income	135,303	120,418	180,841	113,265	151,211
Net Expenditure	10,633	(18,213)	(36,682)	19,842	(2,636)

Notes:

- The staffing costs do not include the amount of staff time in managing the facility (est. 5% of one post)
- Property and capital financing costs include substantial expenditure in the last few years in upgrading the electrics on site.
- No expenditure is included for rent as the site is Council owned.
- Excludes Support Services costs

Appendix 2

Options Appraisal

Retain the Caravan Park in-house and Secure Operational Savings	
Advantages	Disadvantages
<ul style="list-style-type: none"> Saving could be achieved, even with the cost of the play area moving to the caravan park account, by no longer making a payment to the Common Good Fund and reducing operating costs. 	<ul style="list-style-type: none"> Savings actually achieved will vary dependant upon expenditure required on the property (for example the electrical supply upgrading) and the income received (this current year income has reduced due to the poor weather).
	<ul style="list-style-type: none"> The caravan park generally makes a small loss when looking at the overall budget over a 5 year time span. By retaining the caravan park in-house, the risk remains with the Council.
	<ul style="list-style-type: none"> It is not considered that the operation of a caravan park is core Council business.
	<ul style="list-style-type: none"> Retaining the caravan park within Council control means that a capital receipt or rental income cannot be achieved.

Disposal by Sale to the private sector	
Advantages	Disadvantages
<ul style="list-style-type: none"> Advice from Estates is that an outright sale of the site would obtain the best price 	<ul style="list-style-type: none"> An outright sale of the site would result in the Council relinquishing all control of the site's continued use other than through the planning system.
	<ul style="list-style-type: none"> The likely receipt for the site may be quite small as it currently runs at a loss.

Lease of the site to the private sector	
Advantages	Disadvantages
<ul style="list-style-type: none"> • A lease would provide the Council with a certain amount of control as landlord 	<ul style="list-style-type: none"> • Difficult to impose restrictive conditions such as over the number of different types of pitches, charges or the operation of a shop for example
<ul style="list-style-type: none"> • Lease would ensure that the land could only be used for a caravan/camping site. 	<ul style="list-style-type: none"> • The landlord cannot ensure its ongoing continuation as a caravan site to the same extent as the present provision.
<ul style="list-style-type: none"> • Leasing the site would also enable the Council to take the site back in house if the lessee failed to abide by the terms of the lease 	<ul style="list-style-type: none"> • It is not easy to terminate a lease, and it may not be easy to take the property back if the tenant does not comply.
<ul style="list-style-type: none"> • Option that the lessee can pay a grassum (one off capital payment) rather than payment of an annual lease. Therefore there is an income to the Council. 	

Lease of the site to a suitable Community Group	
Advantages	Disadvantages
<ul style="list-style-type: none"> • A lease would provide the Council with a certain amount of control as landlord 	<ul style="list-style-type: none"> • Difficult to impose restrictive conditions such as over the number of different types of pitches, charge or the operation of a shop for example
<ul style="list-style-type: none"> • Lease would ensure that the land could only be used for a caravan/camping site. 	<ul style="list-style-type: none"> • It is not easy to terminate a lease, and it may not be easy to take the property back if the tenant does not comply.
<ul style="list-style-type: none"> • Leasing the site would also enable the Council to take the site back in house if the lessee failed to abide by the terms of the lease 	<ul style="list-style-type: none"> • There might be issues about the ability of a Community Group to run the caravan park successfully. Such a Group is likely to look to the Council for support and, if the venture failed, the Council might

	be under pressure to step in.
<ul style="list-style-type: none"> Option that the lessee can pay a grassum (one off capital payment) rather than payment of an annual lease 	<ul style="list-style-type: none"> Likely that Community Group would expect to be granted a lease for less than best consideration, if a case could be made for this, so the receipt would be lower than with other options referred to.
<ul style="list-style-type: none"> A lease would provide the Council with a certain amount of control as landlord 	