

Agenda Item No. 4(e)

DERBYSHIRE COUNTY COUNCIL

**CABINET MEMBER MEETING - HIGHWAYS, TRANSPORT AND
INFRASTRUCTURE**

25 July 2018

Report of the Strategic Director – Economy, Transport and Environment

ELVASTON CASTLE COUNTRY PARK CARAVAN SITE

(1) **Purpose of Report** To seek Cabinet Member approval to commence a procurement exercise for the lease of Elvaston Castle Country Park caravan site for a 25 year period.

(2) **Information and Analysis**

Introduction

Elvaston Castle Caravan Site was run as a popular site by the Caravan Club (now the Caravan and Motorhome Club) for many years from the late 1960's until March 2012 when the lease was surrendered by them. Following this, extensive repairs were carried out to the drainage system and the amenity block with a view to offering the site to a new tenant on terms more favourable to the Council than those offered previously, allowing for sharing losses, as well as profits claimed by the operators.

First Tender Exercise, 6 February 2018 to 6 March 2018

A tendering exercise was undertaken in February 2018. Initially, a term of 7 years with break clauses for the benefit of both parties was included.

In addition, the prospect of a potential extension to the existing site area was advised to potential tenderers, subject to the existing car park being relocated, thus freeing up a potential extension to the existing site (3.31 acres [1.34 hectares]) on the site of the current car park, a longer term possibility referred to in the Elvaston Castle & Estate Vision and Plan 2014-2024.

The tendering exercise (commenced 6 February 2018) failed to attract a single interested party (response confirmed 6 March 2018).

**Feedback from Interested Parties, March 2018 and Recommendations
Arising**

Further to this unsuccessful exercise, officers met with interested parties on site and, in other cases, elicited correspondence from them with a view to

establishing why they had declined the opportunity to tender. There was also a meeting of the Council/Elvaston Castle & Gardens Trust dedicated Tenancy Group to consider the various views expressed and offer further advice as necessary. The following findings were confirmed:

The proposed 7 year lease period was considered too short, with a minimum of 15-20 years (and ideally 25+) needed to allow recouping of necessary investment to establish and run a commercially sustainable site operation to modern standards (two experienced operators both advised separately this would be between £300,000 and £400,000 comprising new road, hardstandings, upgraded electrics, cosmetic improvements to the amenity block, etc.)

There was clearly an appetite to invest as above, provided a long lease was offered. Indeed most 'serious' potential operators advised that they would not be interested unless such levels of investment could be facilitated. There was also a suggestion that an inadequate lease term might attract 'amateurs' and the site fail before it started.

Nine operators have informally expressed a substantive interest in the opportunity including four national operators. The site is well known to caravan enthusiasts and it was clear from feedback received that this site was still considered viable by those inside the industry. This is despite the presence of two other sites nearby, both of which provide a somewhat different type of offer to that envisaged at Elvaston.

There is concern that the site is a little below the optimum size for a warden-operated location, but with the possible option of expanding the operation in the future should the existing car park be relocated as stated in the tender specification, it is hoped that operators, particularly the larger ones, will be encouraged to bid speculatively against this possibility.

A rent-free period at the outset of the new lease agreement was suggested to encourage parties to bid without fear of short-term cashflow pressures ahead of the site being redeveloped and let. This needed to be limited to prevent inertia setting in and it was proposed that a six-month, rent-free period from the date of completion of the lease would be appropriate.

Subject to Member agreement of the legal terms recommended below, advice can be updated in tender invitation documents to state that the potential expansion of the existing caravan site is now a medium term aim in the draft Master Plan which is currently out to public consultation. The draft Master Plan proposes the relocation of the car park, which will free up the existing site for caravan site expansion. This is an integral and pivotal part of phase one of the Elvaston Castle Master Plan and, as such, is likely to happen as soon as

any initial project funding bid is successful. Any expansion of the caravan site would be reflected in rent reviews which would take place every five years.

(3) **Financial Considerations** Tenderers are thought likely to bid cautiously to ensure that rental values do not further compromise the viability of the site given the levels of capital investment necessary to establish a commercially sustainable site operation, particularly initially. The potential financial value of the proposed lease is thus unclear, although an approximate figure of £7,000 per year has been suggested as realistic.

Other financial considerations are as contained in the body of the report.

Other Considerations

In preparing this report the relevance of the following factors have been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, social value and transport considerations.

(4) **Key Decision** No.

(5) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(6) **Background Papers** Held on file within the Economy, Transport and Environment Department. Officer contact details – Charles Heaney, extension 36288.

(7) **OFFICER'S RECOMMENDATION** That the Cabinet Member approves a procurement exercise for a 25 year lease term for the Elvaston Castle Caravan Site with a six-month, rent-free period from the date of the completion of the lease, and both parties to have the option to terminate the agreement at the end of year 15, subject to 2 years written notice.

Mike Ashworth
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