

Stratford Holiday Park

Activity Management Plan 2006

Stratford District Council

Appendix G of LTCCP

Stratford Holiday Park Activity Management Plan

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1. Introduction

1.1 Background

Council owns and leases the Stratford Holiday Park (here within 'SHP') under the provisions of the Local Government Act 2002 and the Reserves Act 1977 (and their amendments). It meets the community outcomes of:

- A built environment that is attractive, safe and healthy.
- The leading rural trading centre that is attractive to residents, business and visitors alike.

The SHP is located on Page Street, and is situated within King Edward Park, a multi purpose Recreation Reserve owned and managed by Council. It has its historical link as the park 'campgrounds' dating back to as early as 1928.

From the 1950's Council developed the park with accommodation cabins and other facilities. Over this period other facilities have been added such as the ablution block in 1972 and the backpackers lodge in 1993. Other assets have undergone minor upgrades and general maintenance.

In 1987 the park officially changed its name from the King Edward Park Motor Camp to the Stratford Holiday Park.

Today the SHP is managed under a formal lease with the lessee responsible for the day to day management and operations of the facility and Council is responsible for capital and renewal investment, and major maintenance items. An annual rental is received by Council from the lessee.

Council has traditionally adopted the role of provider of the holiday park as there has been no alternative provider in the Stratford District.

1.2 LTCCP Community Outcomes

In preparing the first LTCCP Council has used both current and new information concerning community outcomes. To arrive at the Regional outcomes research was undertaken in conjunction with our two neighbouring Local Authorities, New Plymouth District Council and South Taranaki District Council and the Regional Authority, Taranaki Regional Council. The four Councils appointed AC Nielsen Ltd to identify community desired outcomes for the regional community; those desired outcomes that will add to or sustain the community's well-being.

The community was actively engaged in the process to identify what they considered important and which five outcomes they thought required most attention over the next five years. While the primary focus was on outcomes common to the regional community each district was required to identify any local preferences.

The Stratford community was directly consulted on key outcomes for the district and these have formed the basis for Councils LTCCP.

The Regional and Stratford community outcomes to which the SHP primarily contributes are addressed in Volume One, Chapter "Levels of Service/Performance Measures" of the LTCCP.

1.3 Stratford Holiday Park Goal and Principal Objectives

The SHP activity goal is:

“To support the provision of a well maintained attractive facility that will enable visitors and tourists to stay in the district and enjoy all the attractions that it offers”

and the principal objectives are:

- (a) To plan for, and forecast, the investment for the future maintenance and existing provision of the SHP and to anticipate trends that may effect this investment,
- (b) To ensure the that all facilities are maintained to meet adequate safety and service standards,
- (c) To provide the facility in a cost effective manner for the benefit of district ratepayers and visitors to the District.
- (d) To maintain an adequate management/lease system for all matters relating to the SHP, and
- (e) To provide for informed community consultation.

2. Levels of Service and Detailed Activities

The levels of service and performance measures are discussed in Volume One of the LTCCP under the chapter "Levels Of Service/Performance Measures".

2.1 Asset Maintained

The SHP is leased out and Council has no control over the day to day operations. The Council interest is to ensure that the asset is maintained to a high standard and that the reputation of the SHP and therefore the town and district is not compromised by a poorly presented facility. The lessee is responsible for day to day maintenance of the grounds and building and keeping the facilities to a high standard.

2.2 User Numbers

Numbers of patrons on an annual basis is useful for seasonal and annual comparisons. It will indicate growth or decline trends that may or not be associated with the SHP performance.

This information can also be useful in determining levels of investment in the SHP by community, private individuals and the Council.

3. The Existing Situation Described

3.1 The Facility

The SHP is located on 9,100m² site within King Edward Park. It consists of three self-contained units, seven tourist cabins, three standard cabins, a backpacker's lodge, toilet and ablution facilities, kitchen/lounge, office and manager's residence, camping areas, other ancillary buildings, roading and other basic improvements.

One self-contained unit and all chattels are owned by the lessee.

The site itself is nestled within King Edward Park and is framed by Paetahi Stream and the park gardens and walkways. It is in walking distance of the TSB pool, park playground and Stratford township.

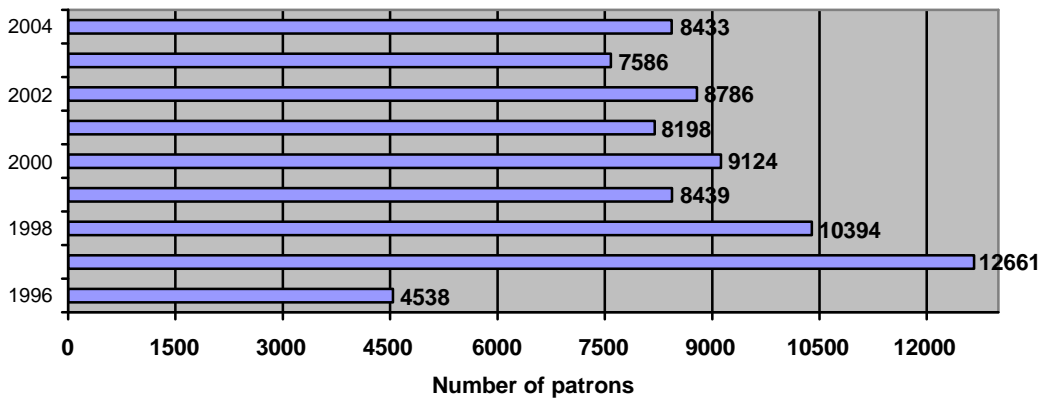
3.2 Current Use

Main users of the SHP are tourists who are typically families and backpackers. Many of the tourists are international and their visits are associated with activities on Mt Taranaki/Egmont.

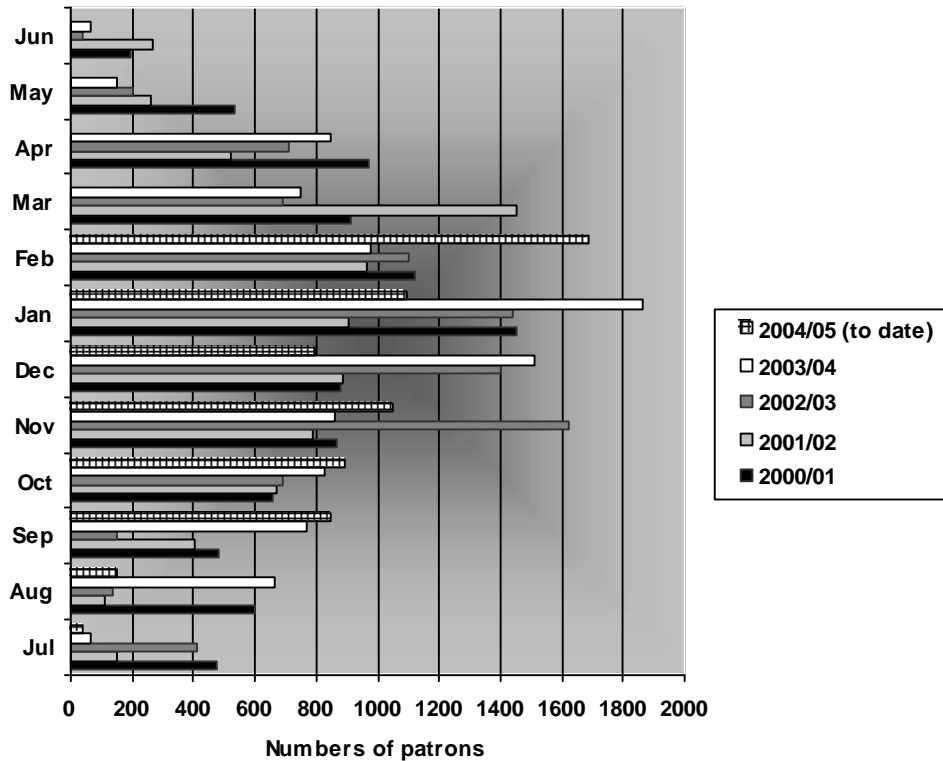
International tourists represent approximately 60% of the market and this is the market area with growth potential as recognised by regional tourism promoters.

Patronage numbers have been reasonably stable with an average of 8,250 annually over the last four years. Over the previous eight years the annual average was 9,202.

Annual Occupancy Rates 1996-2004



Monthly Occupancy Rates 2000 - 2005



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3.3 Financial Summary

Asset and Valuation Listing (Telfer Young Taranaki Ltd, 11 March 2005)

Asset Description	Estimated Replacement Value	Depreciated Value
U1 Cabin	25296	22000
U2 Cabin	12774	13000
Shop/Office to Managers Dwelling	31190	19500
Backpackers Lodge & Store	110114	55000
Storage Shed	13068	6500
Cabins S1-S3	43985	16500
Kitchen, Ablution Block & Laundry	234240	102500
Cabins T6 & T7	38945	24500
Small Toilet Block	27589	12000
Five Self Contained Units	77571	34000
Managers Dwelling	188701	43500
Roading and Paving	20,000	20000
Site Landscaping	10000	10000
Service Reticulation	21000	21000
Total	\$854,473	\$400,000

The current 10 Year budget projections are shown in the LTCCP.

3.4 Issues

(a) **Council Ownership**

The 2004 Long term Community Plan states that:

“Council will explore options for divesting itself of the Holiday Park, and will dispose of the improvements if it identifies a suitable opportunity to do so. In the meantime Council will retain its responsibilities for major repairs and renewals.”

The current lease commenced on 1 July 1996 for a term of 19 years and 364 days, and will terminate on 29 June 2016. Discussions are being held with the current lessee for consideration of sale of the Council owned improvements.

(b) **Expectations of Patrons**

Over recent years the current lessee has expressed concerns with regard to the standard of the SHP facilities. The majority of the facilities were constructed in the 1950's. Although they are reasonably maintained customers impressions are that they are 'outdated' and 'tired'.

Trends in customer expectations of accommodation units have changed over recent times. Patrons now expect a minimum standard of self contained units with their own bathroom and toilet and preferably cooking facilities. Of the fourteen accommodation facilities; cabins, units and backpackers lodge only the three self contained units have their own amenities.

The lessee has stated that the accommodation standard is negatively affecting the patronage levels.

Council regards the SHP as a private commercial enterprise with the main benefit being private. However Council accepts its responsibility to undertake major maintenance to keep the asset to an acceptable standard.

To achieve this Council programmed the progressive replacement of five cabins at a cost of \$70,000 and commencing in 2008/09. However Council preference would be to sell the asset before 2008 and let the new owner undertake any development.

(c) **Rate of Return on Investment**

The lease terms are based on an agreed capital value and an 8% return. Rental reviews are due 30 June 2006 for a five year period at 8% return on the then agreed capital value and again in 2011/12 to the end of the lease.

With the current levels of patronage and revenue, the existing lessee has stated some difficulty meeting these lease payments. It is anticipated with the new valuation, this situation will not improve.

(d) **Capital Investment**

The SHP requires capital investment to meet expectations of today's patrons. Without this investment the future viability of the camp is under threat, regardless of who owns it.

Council has currently decided that if it can not sell the current asset it will need to undertake renewal of at least five of the older cabins.

(e) **Top 10 Holiday Park Membership and Qualmark Rating**

In 2002 the lessee indicated to Council the desire to be part of the Top 10 Holiday Park national network system. Under the previous lessee the SHP had been a member but for a number of reasons, withdrew from this membership.

The benefits of membership to Top 10 involve reputation, brand recognition, recommendations, discount card, networking between members and collective marketing.

To become a member SHP had to improve certain facilities to meet the required standards. Council, through its renewal funding, approved a renewal works of \$23,200 in August 2002.

Since then the Qualmark rating, for quality of facilities and services, has been developed by the NZ Tourism Board. SHP is rated 4 star, which is required for the Top 10 Holiday Park membership.

Although SHP became a member of Top 10 this membership has recently been cancelled by Top 10.

4. Maintenance and Operating

4.1 Ownership

The 2004 Long term Community Plan states that:

“Council will explore options for divesting itself of the Holiday Park, and will dispose of the improvements if it identifies a suitable opportunity to do so. In the meantime Council will retain its responsibilities for major repairs and renewals”

4.2 Estimated Costs Over Next 10 Years

The estimated cost of operations and maintenance (including other overheads), for the next ten years are detailed in the LTCCP.

4.3 Issues

(a) **Lessee Responsibility**

Under the terms of the lease the lessee is responsible for all general maintenance, including painting and grounds maintenance.

(b) **Council Provision**

Council is responsible for major maintenance, all structural maintenance and replacement of assets. The current operation and maintenance provision made by Council is according to the conditions of the lease. Insurance and general maintenance equates to around \$5,000 per annum.

5. Future Demand

5.1 Future Demand Predictions

a) **Tourism Trends**

External reporting of regional tourist trends indicates a growth in tourist numbers over recent years and predicts this to continue (Venture Taranaki Annual Report). The tourist component in Taranaki includes a high percentage of backpacker types and families that utilise low cost quality accommodation.

The SHP is predominantly utilised by overseas tourists (60% of patrons). Mt Taranaki/Egmont is the main attraction and SHP's location is ideal for this purpose. Event tourism is also growing and along with the visiting of families and friends is the draw for the domestic tourist market.

b) **Facility Demand**

As discussed in 3.5b, there is an increasing demand from patrons for capital improvements in the facilities and this is reflected in the Council programme if it does not succeed in selling before 2008/09.

c) **Population**

Stratford District Council has set a target for population to grow by 33% to 12,000. This desire is reflective of the outcomes from the LTCCP. There is no defining timeframe for this growth and no provision has been made for this possible growth. If a population increase is to occur it is anticipated that it will be a progressive trend happening over a number of years. When population trends start to show a significant increase strategies will be developed to accommodate the impact of this growth on the SHP provide Council still owns the facilities at this point in time.

6. Capital Expenditure

6.1 Lease Conditions

Under the current lease conditions Council does not provide for Capital investment. However it does have an obligation to keep the asset at an acceptable standard. To achieve this Council has programmed the replacement of five cabins commencing 2008/09 unless in the meantime it is able to sell the asset.

Council is not in the business of investing in a commercial activity with direct private gain.

7. Renewals and Depreciation

7.1 Future Renewals Needs

Council has decided not to fund the depreciation on buildings based on the expectation that these buildings will not be replaced when they eventually meet their life's end. However when the present cabins are at their life's end Council has made provision in 2008/09, 2009/10, 2011/12, 2013/14 and 2015/16 for \$70,000 in each of these years to replace them with tourist flats. Tourist flats are considered to be a more appropriate form of accommodation to meet the needs of today's travelling public. The funding for the tourist flats is to be from rates. As the buildings are not being depreciated any essentials needed to maintain the asset at the current level of service cannot be funded from the asset renewals reserve but is classified as R & M Major Works and is funded directly from rates.

The following are the major items ie. have costing \$5,000 or more, for R & M Major Works at the Stratford Holiday Park. Details of these and other items of R & M Major Works are contained in the LTCCP.

2009/10	Ablution Roof	\$10,000
2009/10	Ablution Block Flooring	\$7,000
2010/11	Flat 1 Roof	\$5,000
2012/13	Backpackers Lodge Roof	\$10,000

In the renewals budget and to be funded directly from rates is the replacement of the five tourist flats. These are spread over the years commencing 2008/09 to 2015/16 at \$70,000 each or a total of \$350,000.

8. Funding

8.1 10 Year Financial Plan

Councils Stratford Holiday Park activity 10 Year financial summary has been shown in the LTCCP. All values are based on today's figures and an allowance is made for inflation.

The 10 Year programme is based on maintaining a flat level of funding requirement with no capital investment and minimal renewal and operations investment. Council wishes to minimise any impacts on the rate payers of the district. The 10 Year plan may be influenced by the determination of the future of the Holiday Park.

8.2 Funding Policy

Activity: Stratford Holiday Park

Description of Activity:

Supporting the provision of a well maintained attractive facility that will enable visitors and tourists to stay in the district and enjoy all the attractions that it offers.

Reason Why Activity is Engaged in: See clause 1.1

Benefits Accrued:

- Direct Private commercial benefits,
- Community well-being, and
- Commercial business sector.

Funding Sources and Mechanisms

Desired Benefits		Modified Benefits		Funding Mechanism	
Public	Private	Public	Private	Public	Private
	100%	20%	80%	General Rates	Rental

In 2005/06 the main costs to the SHP are overheads at \$16,700 and depreciation of \$27,000. The actual operating costs are \$5,200 out of a total operating expenditure of \$48,900.

The main source of funds over the next 10 years are rentals which are returned by the lessee and rates which fund major maintenance, insurance and overheads.

(a) Source of Funds for next 10 years.

8.3 Schedule of Fees and Charges

The current 2005/2006 annual lease charge for the SHP is \$18,600 per annum. This is to be reviewed in 2006 in accordance with the lease conditions and a new valuation.

9. Significant Negative Effects

9.1 Potential Negative Effects Caused by the SHP

The main areas of potential negative effect are on the reputation of the District by visitors and the Districts' ability to service the needs of the visitor.

If the SHP is to continue to operate with its current standard of a facilities it is likely that patronage numbers will fall and its viability be threatened. This not only affects the SHP but will effect the reputation of Stratford, and the community sectors that benefit from the presence and expenditure of the visiting tourists.

This may also cause Stratford to miss out on the potential tourist growth to Taranaki predicted by the regional tourist promoters.

Socially and economically this would not be a positive situation for the district. To minimise the potential of this happening a solution has to be found that enables the future viability of the SHP and minimises Council's and rate payers' involvement in investing in private business.

10. Significant Forecasting Assumptions, Uncertainties, Risk Management

10.1 Assumptions and Uncertainties

General Assumptions and General Assumptions and Uncertainties	
Depreciation	Based on 2006 valuations and no forward depreciation allowance have been made for future capital. Not fully funded as older costly assets may not be replaced and therefore their maintenance only is managed.
Financial Values	All at today's 2006 values.
Funding allocations	All funding is based on expenditure predictions and as at May 2006.
GST	Not included in financial forecasts.
Historic assumptions	Up to now Council has operated on historic assumptions and has managed the district according to the level the district can afford. The LTCCP process will determine its future approach to many areas of its asset management
Inflation	An allowances has been made for inflation in forecasts.
Interest on investments	5%
Interest rate on loans	9%
Knowledge	No commitment or contingencies that Council is aware of has been excluded.
Population Growth	Assumed constant at 9,000.
Service Levels	Unless stated are remaining constant.
Valuations	Current valuations are based on 2006 figures.

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Activity Assumptions and Uncertainties	
Investment	Council will not invest in the SHP further than its current provision.
Ownership	Council is investigating options for the future ownership of the SHP which may include complete sale by Council.
User Numbers	Patronage numbers are based on what the lessee's over time, have supplied Council. No independent source of information is available.
Visitor Satisfaction	Visitor satisfaction is monitored historically by feedback received directly to Council and reported from the Lessees. In future, if Council is to use this information for performance indicators, formal research methodology has to be adopted.

10.2 Risk Management

No formal risk assessment on the SHP has been undertaken. This area is not seen as of significant asset risk potential other than sanitary standards that are monitored elsewhere by Council.

11. Plan Review/Public Consultation

11.1 Reference to the Public Consultation Undertaken

Council has consulted the community to establish funding levels and agreed community outcomes as discussed in the introduction of this plan.

In addition Council continues other practices such as:

- specific project or issue consultation
- community surveys
- annual plan submissions

Council will continue to consult with the community as it further develops its LTCCP and undertakes its normal business practices.

11.2 When the Plan is Intended to be Next Reviewed

The plan will be reviewed on an annual basis by 30 June. Any changes and development will be expressed through the annual plan and LTCCP process. This could be affected by the determination of Council's future relationship with the SHP.

12. Conclusion

This activity plan is the first for the SHP. As such it will be improved as more asset information, planning and analysis are developed.

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Appendix 1

Improvement Plan

Note: OM = Operations Manager, CE= Chief Executive

Item	Task	2006/07				2007/08				2008/09				Responsibility
		Quarters				Quarters				Quarters				
		1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	
Future Position	Determine Council's position on its future relationship with the SHP and act accordingly.													OM/CE
Goals and Purpose	Review the Goals and Purpose as expressed in the LTCCP.													OM/CE