

Campaspe Shire Council

Realising the Port of Echuca Potential

- Consideration of options for the future management of the Port of Echuca Precinct

Report for Public Distribution

August 2020



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Our work in connection with this assignment is of a different nature to that of an audit. We have performed research and analysis using existing information sourced from Council and a review of publicly available information, which were available to us within the timeframe specified for preparation of the report, in order to provide you with information which may be relevant.

We have not independently verified, or accept any responsibility or liability for independently verifying any such information nor do we make any representation as to the accuracy or completeness of the information. We accept no liability for any loss or damage, which may result from your reliance on any research, analyses or information so supplied.



(Dr) David A Cochrane
Director
Cloudstreet Economics Pty Ltd

EXECUTIVE SUMMARY

Report for Public Distribution

While a detailed confidential report has been submitted to Council, this version of the report has been amended to exclude relevant commercial-in-confidence information. Specifically, detailed information in relation to the commercial operations, the disclosure of which would impact on competitive positioning, has been excluded. These adjustments have not resulted in there being any variation of the final conclusions and recommended actions along with the basis for these outcomes.

Echuca, the closest settlement on the Murray River to Melbourne, is an important part of the Shire of Campaspe (the Council), which is set within an irrigated pastoral and agricultural district on the Murray River, with agriculture and tourism now being Echuca's main industries. A key focus of the tourism offering is the heritage wharf and paddlesteamer history of Echuca with the Port of Echuca being a major tourist attraction. As well as the original wharf, this river port recreation area also features the Campaspe Shire Council operated Discovery Centre, a museum, historic buildings, equipment displays, demonstrations and cruises on authentic paddle steamers, with Echuca now being known as Australia's Paddlesteamer Capital. A visit to the wharf and a cruise on a paddlesteamer is now one of the iconic experiences when visiting Echuca with a number of Echuca events also centering around the Port of Echuca and the paddlesteamer experience.

The Council involvement in the Port of Echuca began from the need to encourage economic activity (tourism) and to ensure the preservation of nationally significant heritage. The Council is responsible for the management and operation of these major community and tourism assets, with this precinct encompassing the areas outlined in the following diagram and table.

Figure: PoEP Management Areas



No	Asset/Attraction	Description
1	Discovery Centre	Interpretive centre that provides ticketed access to the Wharf area and open-air museum.
2	Echuca Paddlesteamers (EPS)	Operation of the three Council owned paddle steamers being PS Pevensey, PS Adelaide, and PS Alexander Arbuthnot.
3	Echuca Wharf	The historic timber wharf (accessible via the Discovery Centre). This includes the Cargo Shed Museum & Strathmerton Carriage.
4	Riverboat Dock and Kiosk	Docking area where paddle steamers/riverboats arrive and depart.
5	Heritage Assets	Heritage assets across the Precinct, including the steam engine display and sawmill within the Wharf area and other Port artefacts
6	Aquatic Reserve	A public open space and bushland reserve area along the river.
7	Freehold Assets	All Council owned buildings on the western side of Murray Esplanade.
8	Streets/Open Spaces/Public Infrastructure	All public spaces, including streets, gardens/parks, retail precincts (e.g. Murray Esp, High Street).

The Council has completed a number of studies over the past 5 years considering the future of the PoEP including the preferred approach to management and operation and, as a result, now has a business model for Council activities in the PoEP that:

- Is segmented in that specific areas of activity are independently managed¹
- Segregates asset management from operational responsibility
- Does not provide full transparency over the cost of the PoEP to Council

where management is integrated into the Council structure and is subject to the resourcing and structural requirements and constraints of Council.

Council now wishes to:

- examine the potential for the PoEP to be operated as an Integrated Business covering the assets and business activities of the Precinct, and
- contrast that model with that proposed by the Urban Enterprise's 2020 report².

As a result, this report has been commissioned by the Council with the objective of completing a review of the identified potential future models for the management of the PoEP based on the following staged approach:

- Stage 1 – Develop an outline of the structure and scope of operations of the identified options
- Stage 2 – Review of Financial Viability - identify the potential financial implications of an integrated model to Council.
- Stage 3: Development of specification of the NFP Manager and PoEP Integrated Business Models
- Stage 4: Preferred Model Implementation Plan

This report provides the output required under Stages 1, 2 and 3.

¹ The 1 July 2020 Council restructure has improved the integration of activities in the PoEP, with further integration in the future being possible.

² Urban Enterprise, *Port of Echuca Precinct: Review of Management and Operational Models*, March 2020

The agreed business models to be considered are:

Table: Identified Management Model Scenarios

Scenario	Description
Base Case	Current situation for all services with overheads allocated on an avoided cost basis
NFP Manager (Urban Enterprise Preferred Model)	<p>The NFP Manager represents the model identified as the preferred model in the Urban Enterprise March 2020 report. Under this model:</p> <ul style="list-style-type: none"> An Independent NFP organisation would be appointed as the manager of Precinct services and assets The entity is responsible for the management of the Tourism Assets and services. <p>Council would retain ownership of all assets with a number of services continuing to be managed by Council including:</p> <ul style="list-style-type: none"> Echuca Paddlesteamers Port berthing and mooring services Commercial and artisan/community leases. <p>Council continues to be responsible for the use and maintenance of public spaces and would retain Committee of Management responsibility over the areas of Crown Land.</p>
PoEP Integrated Manager	<p>The PoEP Integrated Manager will be a separate entity owned by Council with it responsible for:</p> <ul style="list-style-type: none"> The management of the Tourism Assets and services The management and operation of Echuca Paddlesteamers The management and operation of Port berthing and mooring services Management of the commercial and artisan/community leases Activation of the total Precinct including the Public Spaces. <p>Council would continue to be responsible for the maintenance of public spaces and retain Committee of Management responsibility over the areas of Crown Land.</p>

▪ **Areas of Activity**

The variation in areas of activity is summarised in the table below:

Table: Key Differences across Activity Areas across the Port Manager Models

Key Activity Areas	Base Case	NFP Model	Integrated PoEP Model
Tourism Services	Council	Manager	Manager
Paddlesteamer Services	Council	Council	Manager
Leases and Licences	Council	Council	Manager
Mooring and Marina Services	Council	Council	Manager
Marketing - Precinct	Council	Manager	Manager
Marketing – wider role	Council	Council	Manager
Event Management and Activation	Council	Mgr & Council	Manager
Public Space Maintenance	Council	Council	Council
Committee of Management responsibilities	Council	Council	Council
Corporate/Council Support Services	Council	Mgr & Council	Manager
Asset Ownership – Crown Land	Council	Council	Council
Asset Ownership - Freehold	Council	Council	Manager
Asset Ownership - Paddlesteamers	Council	Council	Manager

▪ **Proposed Legal and Governance Framework**

It is anticipated that the features of the Legal and Governance framework under each scenario will be as follows.

Area	NFP Manager Model	PoEP Manager Model
Legal Structure	<ul style="list-style-type: none"> ▪ NFP Incorporated Association or Corporation 	<ul style="list-style-type: none"> ▪ Beneficial Enterprise under Sect 110 of the <i>Local Government Act 2020</i>.
Entity owner/shareholder	<ul style="list-style-type: none"> ▪ NFP Members. 	<ul style="list-style-type: none"> ▪ Council.
Board of Directors Appointment and Structure	<ul style="list-style-type: none"> ▪ Independent skills-based Board (remunerated) of 8-10 Non-Executive Directors ▪ Director appointments controlled by the members 	<ul style="list-style-type: none"> ▪ Independent skills-based Board (remunerated) of 6-8 Non-Executive Director ▪ Director appointments controlled by Council (as shareholder)
Role and accountability of the Board	<ul style="list-style-type: none"> • The Board is responsible for: <ul style="list-style-type: none"> ○ Setting strategic direction ○ Monitoring performance ○ Business development ○ Delivering services in accordance with the agreement with Council • The Board is accountable to the members. 	<ul style="list-style-type: none"> • The Board is responsible for: <ul style="list-style-type: none"> ○ Setting strategic direction ○ Monitoring performance ○ Business development • The Board is accountable to the Council's CEO (as representative of the shareholder).
Board Charter	<ul style="list-style-type: none"> • Based on the requirements of the member organisations 	<ul style="list-style-type: none"> • The constituent document provides objectives which include: <ul style="list-style-type: none"> ○ Financial sustainability ○ Economic development ○ Social responsibility.
Management of Conflicts of Interest	<ul style="list-style-type: none"> • Policies and procedures will be established to appropriately manage any actual or potential conflicts as they arise between directors and the objectives of the organisation. • Management of conflicts of interest will be difficult given the potential membership of the NFP Manager and the potential for local community/business group input. 	<ul style="list-style-type: none"> • Policies and procedures will be established to appropriately manage any actual or potential conflicts as they arise between directors and the objectives of the organisation. • Board will be independent of Council/Councillors and local industry representatives.
Port Manager GM accountabilities	<ul style="list-style-type: none"> • Appointed by the Board • Reports to the Chair of the Board 	<ul style="list-style-type: none"> • Appointed by the Board • Reports to the Chair of the Board
Approval of Strategic Plan and Budgets	<ul style="list-style-type: none"> • Approved by the Board 	<ul style="list-style-type: none"> • Approved by the Board and endorsed by Council (as shareholder).

▪ Consideration of Legal Structure Options

An important matter for consideration is the determination of the type of legal entity to be adopted under each of the scenarios. The features required include to have a legal structure which enables:

- The ability to assume operational and financial obligations
- Adequate separation between Council and the manager, while ensuring Council retains an overarching oversight obligation with an ability to endorse the entity objectives and strategy
- The ownership of assets
- The ability to manage the activities under a commercial framework free of the constraints of the more onerous public sector requirements
- The assumption of Committee of Management obligations for areas on Crown land
- Satisfaction of good governance requirements
- The ability to sue and be sued, limited liability.

The primary potential legal options considered were:

- Incorporated Association (Body Corporate) /Corporation
- Special Purpose Committee under the *Local Government Act*
- Beneficial Enterprise under the *Local Government Act 2020*
- Incorporated Committee under the *Crown Land (Reserves) Act 1978*
- State Business Corporation (and/or State Owned Enterprise) under the *State Owned Enterprises Act 1992*.

An evaluation of these options resulted in the preferred legal structure being:

- NFP Manager Model - Incorporated Association (Body Corporate) /Corporation
- PoEP Integrated Manager – Beneficial Enterprise.

While the above represent the preferred legal structure there are some aspects of each of these that requires further investigation being:

- **Ability to assume Committee of Management responsibility** - Under the *Crown Land (Reserves) Act 1978* a company can be appointed Committee of Management (CoM) provided it complies with section 150 of the Corporations Act 2001, which requires the company to be an Australian Charity of a Not for Profit and that the company constitution prohibits the company paying fees to directors.

DELWP has advised that any to proposal to change CoM responsibility would need to comply with the Act and not circumvent other processes already undertaken by Council on behalf of its Community. For the purpose of the current evaluation it has been assumed under all scenarios that Council retains CoM responsibility for areas under Crown land..

- **Ability to effect Industrial Relations reforms** - All employment practices under the Base Case are required to comply with Council terms and conditions, which result in significant additional costs. Past experience of Council indicates that the ability to achieve reforms is possible under both Port Manager options.
- **Ability to avoid other (unnecessary) Council obligations** - It is expected that, under each scenario, the Port Manager will not be required to comply with a number of (unnecessary) Council and legislated policies , processes (eg lease obligations) and management obligations. Whilst this is consistent with past experience, such an assumption needs to be tested based on the specific requirements of the preferred approach.

The above discussion has identified specific areas that require further investigation and clarification.

▪ Management and Organisation Structure

Similar management requirements and organisation structure principles apply under both model scenarios, although the actual organisation structure will vary based on the differing scope of activities.

Table: Organisational Structure Principles

Requirement	Description
Base Requirements	<p>The Port Manager should have:</p> <ul style="list-style-type: none"> • Clear lines of accountability (i.e. General Manager reports to Board/Board reporting to shareholder) • Clear delineation of roles and responsibilities • KPIs to measure performance • Flexible governance structure that adapts to meet the needs of visitors and the community • Management and staff with appropriate knowledge and skills • Commercial acumen to improve its financial performance, attract funding/sponsorship, drive revenue, etc.

Based on these principles indicative organisation structures have been developed along with a potential resourcing structure.

Table: Potential Staff Resourcing

Position	Employee Numbers		
	Base Case	NFP Model	PoEP Integrated
COUNCIL RESOURCING			
Tourism and Paddlesteamer Services	18.9	8.0	-
Leasing and Licencing Employees	0.1	0.1	-
Administration/Overhead Employees	1.1	0.7	-
Total Council Employees	20.1	8.8	-
MANAGER RESOURCES			
Tourism Services Employees	-	9.4	9.2
Paddlesteamer Services Employees	-	-	5.1
Property and Maintenance Services	-	1.0	2.0
Marketing and Business Dev. Employees	-	2.0	3.0
Finance and Administration Employees	-	3.0	2.5
Board and Executive Employees	-	10.0	8.0
Total Manager Employees	-	25.4	29.8
TOTAL EMPLOYEES	20.1	34.2	29.8
Total Council Employees	20.1	8.8	-
Total Manager Employees excluding Board	-	17.4	23.8
Total Employees excluding Board	20.1	26.2	23.8
Board Members	-	8.0	6.0
TOTAL EMPLOYEES	20.1	34.2	29.8

As is reflected in the above table, under the Base Case all services continue to be provided by Council, under the NFP Manager Model the new entity assumes responsibility for the tourism services with all other services continuing to be provided by Council, while under the PoEP Integrated Manager Model all services are provided by the new entity.

The NFP Manager Model staff resourcing is based on the resourcing requirements inherent in the Urban Enterprise report. There is potential for further rationalisation of resources to occur (eg reduce Director numbers from 8 to 6, reduced staffing). This represents a variation that does not warrant further investigation as, while this would reduce the additional cost impost (eg the change in Director numbers results in a saving of \$30,000pa), any change would not be significant and the revised approach would not overcome other identified concerns.

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▪ **Key Differences between the Port Manager Model Options**

Based on the developed options, there are a number of significant differences between the Base Case and the two models being evaluated.

Table: Key Differences in Responsibility Areas across the Port Manager Model Options

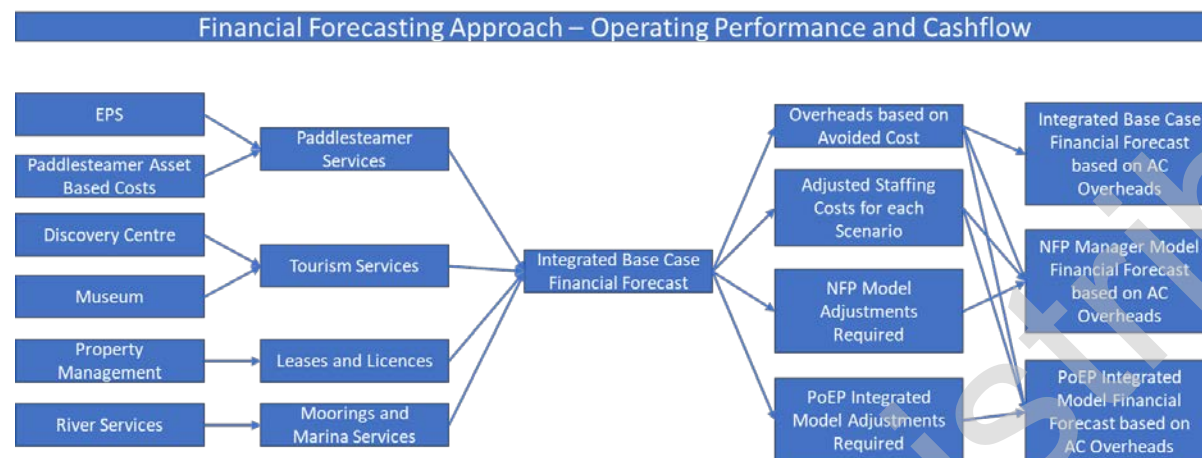
Area	Base Case	NFP Manager Model	PoEP Integrated Manager Model
Port Manager Ownership	Council owned and operated.	Port Manager entity owned by the members.	Port Manager entity owned by Council as shareholder.
Asset Ownership	Assets owned by Council.	Assets owned by Council.	Assets on Crown Land owned by Council. Assets on freehold land transferred to the Port Manager along with the Paddlesteamers.
Scope of Operations	All operations managed by Council.	Port Manager responsible for PoEP land based tourism services including maintenance of facilities. Council retains responsibility for EPS, commercial and artisan leases, mooring services and leases and maintenance of public facilities.	Port Manager responsible for all PoEP tourism and event services, precinct activation and development, EPS, commercial and artisan leases and mooring services and leases. Council retains responsibility for maintenance of public facilities.
Control	Fully Council controlled.	Port Manager subject to member control. Council influence through contractual arrangements. Council retains ownership and responsibility for assets, CoM responsibilities, freehold assets and Paddlesteamers.	Port Manager accountable to Council as shareholder. Council approves the entity Strategic Plan and budgets. Council retains ownership and responsibility for CoM assets.
Focus on Council objectives and Port Vision and Objectives	As the activities are delivered within Council, there is the inherent focus on Council objectives.	To the extent these are embedded in the contractual arrangements.	Strategic Plan includes delivery of Council objectives as detailed in the entity constituent document. Entity will also be responsible for delivery of the agreed Port Vision and Objectives.
Subject to Council structural and administrative requirements	Required to meet Council structural and administrative requirements.	Independent of Council, therefore, has freedom to develop framework that is appropriate for the business.	Operationally independent of Council, therefore, has freedom to develop framework that is appropriate for the business.

Area	Base Case	NFP Manager Model	PoEP Integrated Manager Model
Provision of an integrated offering and management	Prior to 1 July 2020 the activities in the PoEP were not integrated. The recent restructure has improved this level of integration, with further improvement possible in the future.	Integrated across land based tourism services, but not fully integrated.	Enabled, including facilitating the possible economies of scale.
Business responsiveness and flexibility	Limited by disaggregated approach to PoEP service provision.	Limited as not fully integrated. Entity would also still be required to meet all standard Council regulations (like all other businesses).	Operating as an independent integrated Port Manager across all services facilitates business responsiveness and flexibility. Entity would also still be required to meet all standard Council regulations (like all other businesses).
Enhanced marketing	Limited. Activities generally remain disaggregated.	Potentially can commit additional resources to marketing, although this is dependent on the activities of the Port Manager	Will have marketing responsibility for the total PoEP which increases the opportunity to implement enhanced and targeted marketing. Will also support marketing of the region.
Ability to develop the market and innovate	Limited.	Enabled in some areas, but not fully enabled and subject to funding constraints.	Full enabled, subject to funding constraints.
Stakeholder collaboration and support	Reliant on Council processes. Has been the cause of past dissatisfaction.	Supported across the land based services.	Port Manager adopts full responsibility for business and community collaboration across the total PoEP.
Governance and avoidance of conflicts	Utilisation of the inherent Council systems and structures.	NFP members may have inherent conflicts of interest. Independent skills-based Board will ameliorate this to some extent.	Potential conflicts minimised through structure, shareholder role and appointment of independent skills-based Board.
Financial management and reporting	Limited. No integrated reporting and inadequate management reporting.	Responsibility falls to the NFP entity for identified areas of operations.	Structure facilitates the development of appropriate management and financial accounts and reporting.
Potential for future private sector involvement	Unlikely.	Unlikely.	Limited in the short-term, with some potential in the long-term.
Risk appetite and management	No change from current position.	Potentially increased risk due to reduced Council influence and control over the Port Manager operations.	Potentially increased risk in some areas with Council retaining commercial responsibility and the associated risks. Some other risks (eg around governance) may reduce with improved controls.

Financial Forecast Approach and Outputs

Financial forecasting has been completed based on the approach outlined in the following diagram.

Figure: Financial Forecasting Approach



The base input to the forecasting was sourced from the individual unit financial accounts of Council, (including the allocation of overheads) with this then being combined to determine Base Case financial forecasts for each of the identified key service areas, which were then combined to provide the Base Case financial forecast (including FDC overheads).

This Base Case forecast was then adjusted for the following:

- Adjusting the overhead allocation basis to Avoided Cost
- Amending the staffing costs to reflect the identified staffing structure for each scenario
- Additional adjustments required to the NFP Manager Model (eg redundancy costs, establishment costs, legal fees, operating contingency)
- Additional adjustments required to the PoEP Integrated Manager Model (eg redundancy costs, establishment costs, legal fees, operating contingency)

The resultant output from this process was the financial forecasts for each of the identified Port Manager options, which has then been subjected to financial analysis.

Base Case Financial Forecasts

The financial forecast for the Base Case can be summarised as follows:

Table: Base Case Operating Performance and Cashflow

Base Case Operating Performance													
	Year Ending 30 June \$'000												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
TOTAL REVENUE	1,525.4	1,555.8	1,497.4	1,572.6	1,605.6	1,637.5	1,670.2	1,703.6	1,737.9	1,772.9	1,808.8	1,845.5	1,883.0
TOTAL DIRECT OPERATING EXPENSES	- 2,376.1	- 3,052.5	- 2,626.3	- 2,852.5	- 2,855.3	- 2,908.0	- 2,971.9	- 3,028.1	- 3,095.4	- 3,155.2	- 3,214.7	- 3,277.9	- 3,340.7
OPERATING PROFIT/(LOSS) BEFORE OVERHEADS	- 850.7	- 1,496.7	- 1,128.9	- 1,279.9	- 1,249.7	- 1,270.5	- 1,301.7	- 1,324.4	- 1,357.6	- 1,382.3	- 1,406.0	- 1,432.5	- 1,457.7
Allocated Overheads (Avoided Costs)	- 426.0	- 163.8	- 182.3	- 194.2	- 194.6	- 198.5	- 202.4	- 206.5	- 210.6	- 214.8	- 219.1	- 223.5	- 228.0
OPERATING PROFIT/(LOSS)	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
CASHFLOW	- 2,255.0	- 975.4	- 2,582.5	- 1,510.3	- 1,773.6	- 2,446.6	- 1,857.0	- 1,621.0	- 2,507.1	- 1,650.0	- 1,673.1	- 1,696.5	- 1,720.1

Analysis of Base Case Financial Performance				
			Operating Performance	Cashflow
Accumulated Performance before Overheads - 2021 to 2030	\$'000		-\$ 13,462.17	-\$ 16,363.20
Accumulated Performance after Overheads - 2021 to 2030	\$'000		-\$ 15,554.31	-\$ 18,455.35
Net Present Value before Overheads - 2021 to 2030	7%	\$'000		-\$ 11,545.16
Net Present Value after Overheads - 2021 to 2030	7%	\$'000		-\$ 12,999.34
				-\$ 1,454.18

The total PoEP activities place a significant financial impost on Council with the total operations requiring Council support historically and with that expected to continue into the foreseeable future.

For the forecast period the PoEP will incur average annual operating losses of approximately \$1.55 million with it requiring cash funding support of, on average, \$1.85 million annually from Council (due to the need for capital expenditure which is consistently in excess of the depreciation allowance).

It is important for Council to be satisfied that the value to the community (economic and social) provided by the PoEP warrants this level of Council funding.

Figure: Base Case Operating Performance

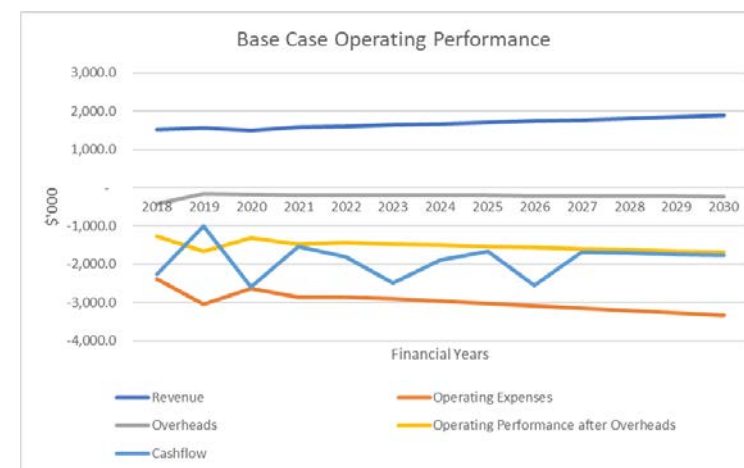


Table: Base Case Operating Performance and Cashflow by Service Area

	Year Ending 30 June \$'000												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
OPERATING PERFORMANCE BY SERVICE AREA													
Tourism Services (including Paddlesteamers)	- 1,363.9	- 1,673.8	- 1,265.0	- 1,416.7	- 1,429.9	- 1,433.2	- 1,460.3	- 1,485.9	- 1,522.0	- 1,549.6	- 1,576.3	- 1,605.8	- 1,634.1
Leases and Licences	94.2	19.9	34.9	45.2	5.3	26.4	34.3	35.3	36.4	37.4	38.6	39.7	40.9
Mooring Services	- 7.0	- 6.6	- 11.3	- 12.3	- 9.1	- 9.3	- 9.5	- 9.7	- 9.9	- 10.1	- 10.3	- 10.5	- 10.7
Total Operating Profit/(Loss)	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
CASHFLOW BY SERVICE AREA													
Tourism Services (including Paddlesteamers)	- 1,707.1	- 979.1	- 1,361.3	- 1,488.9	- 1,588.2	- 1,584.0	- 1,605.1	- 1,626.4	- 1,647.8	- 1,669.4	- 1,691.2	- 1,713.2	- 1,735.5
Leases and Licences	540.9	10.3	1,209.9	9.2	176.3	853.3	242.4	15.1	849.5	29.5	28.4	27.2	26.0
Mooring Services	- 7.0	- 6.6	- 11.3	- 12.3	- 9.1	- 9.3	- 9.5	- 9.7	- 9.9	- 10.1	- 10.3	- 10.5	- 10.7
Total Cash Inflow/(Outflow)	- 2,255.0	- 975.4	- 2,582.5	- 1,510.3	- 1,773.6	- 2,446.6	- 1,857.0	- 1,621.0	- 2,507.1	- 1,650.0	- 1,673.1	- 1,696.5	- 1,720.1

Figure: Base Case Performance by Service Area

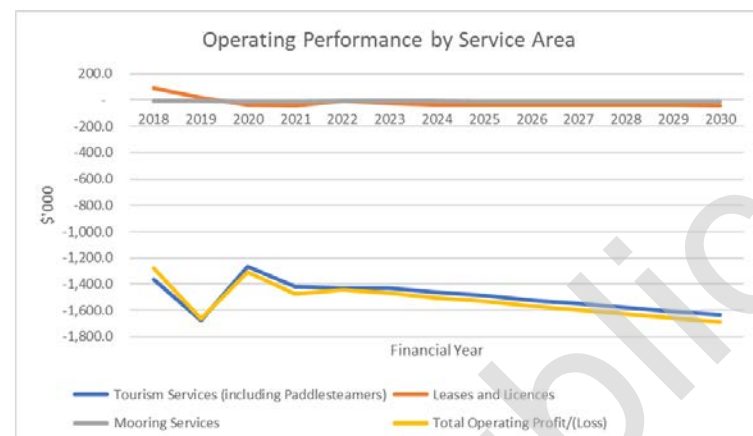
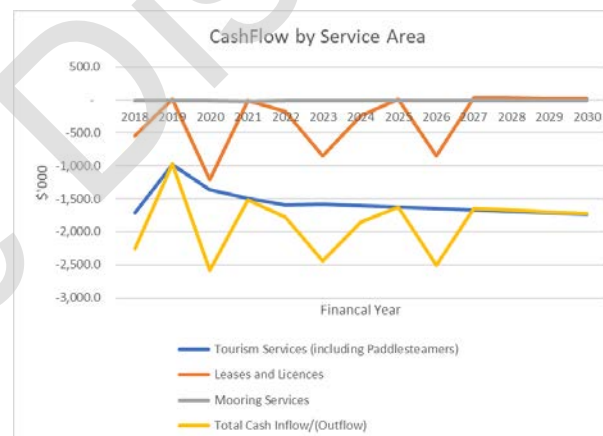


Figure: Base Case Cashflow by Service Area



From an operating performance perspective, the majority of the losses are incurred in the Tourism and Paddlesteamer Services.

From a cashflow perspective, the Leases and Licences activities also contribute to the significant negative cashflows due to the need for regular capital expenditure on the heritage assets.

Port Manager Options Financial Evaluation

The resultant output from the application of the adjustments to the Base Case financial forecast is summarised in the following tables and graphs.

Table: Total Comparative Operating Performance under different Structures

Total Comparative Operating Performance under different Structures (after overheads based on AC)														
	Year Ending 30 June \$'000													
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Base Case Profit/(Loss) after Overheads	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6	
NFP Model Profit/(Loss) after Overheads	- 1,276.7	- 1,660.5	- 1,311.2	- 2,034.1	- 2,128.8	- 2,085.6	- 2,133.1	- 2,172.4	- 2,222.6	- 2,264.6	- 2,305.9	- 2,350.4	- 2,393.9	
PoEP Integrated Model Profit/(Loss) after O/heads	- 1,276.7	- 1,660.5	- 1,311.2	- 2,284.1	- 1,734.0	- 1,648.4	- 1,687.2	- 1,717.6	- 1,758.6	- 1,791.4	- 1,823.3	- 1,858.1	- 1,891.8	
Variation from Base Case														
NFP Model Profit/(Loss) after Overheads	-	-	-	- 560.0	- 684.5	- 616.6	- 629.0	- 641.5	- 654.4	- 667.5	- 680.8	- 694.4	- 708.3	
PoEP Integrated Model Profit/(Loss) after O/heads	-	-	-	- 810.0	- 289.7	- 179.5	- 183.1	- 186.7	- 190.5	- 194.3	- 198.1	- 202.1	- 206.2	

Table: Total Comparative Cashflow under different Structures

Total Comparative Cashflow under different Structures (after overheads based on AC)														
	Year Ending 30 June \$'000													
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Base Case Cashflow after Overheads	- 2,255.0	- 975.4	- 2,582.5	- 1,510.3	- 1,773.6	- 2,446.6	- 1,857.0	- 1,621.0	- 2,507.1	- 1,650.0	- 1,673.1	- 1,696.5	- 1,720.1	
NFP Model Cashflow after Overheads	- 2,255.0	- 975.4	- 2,582.5	- 2,090.3	- 2,458.2	- 3,083.2	- 2,485.9	- 2,282.6	- 3,161.5	- 2,337.5	- 2,353.9	- 2,410.9	- 2,428.4	
PoEP Integrated Model Cashflow after Overheads	- 2,255.0	- 975.4	- 2,582.5	- 2,340.3	- 2,063.4	- 2,646.1	- 2,040.0	- 1,827.7	- 2,697.6	- 1,864.3	- 1,871.3	- 1,918.6	- 1,926.3	
Variation from Base Case														
NFP Model Cashflow after Overheads	-	-	-	- 580.0	- 684.5	- 636.6	- 629.0	- 661.5	- 654.4	- 687.5	- 680.8	- 714.4	- 708.3	
PoEP Integrated Model Cashflow after Overheads	-	-	-	- 830.0	- 289.7	- 199.5	- 183.1	- 206.7	- 190.5	- 214.3	- 198.1	- 222.1	- 206.2	

As expected, both the operating performance and the cashflow is lower under each of the scenarios, with the NFP Manager Model resulting in significant additional costs (when compared to the PoEP Integrated Manager Model).

This difference is also demonstrated in the graphics following.

Figure: Forecast Operating Performance by Scenario

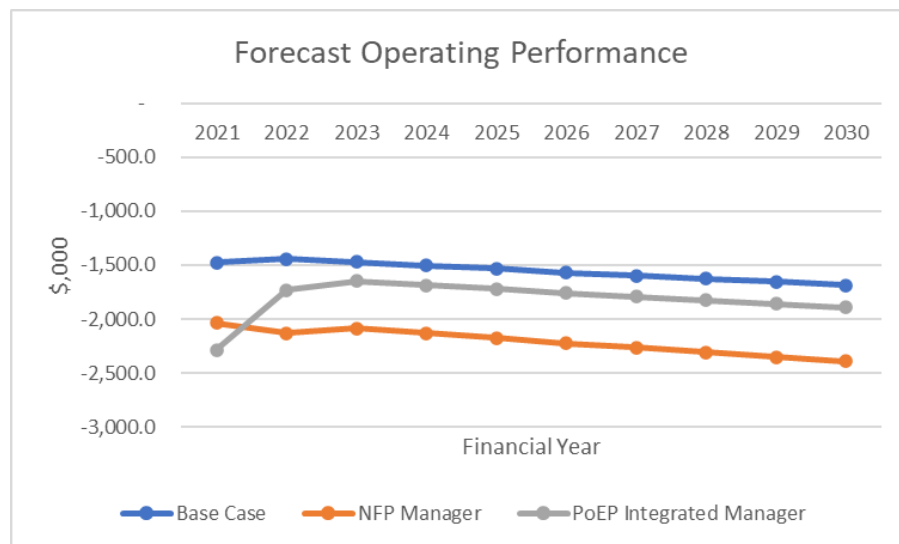
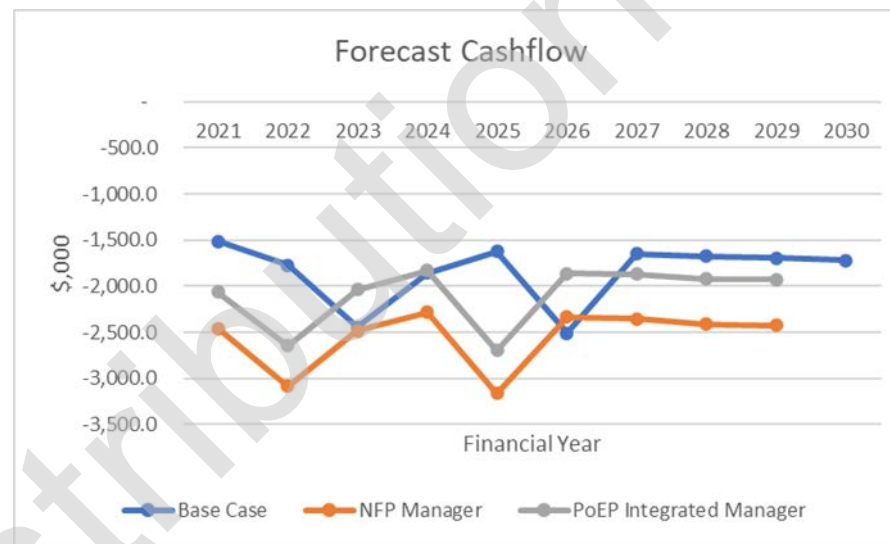


Figure: Forecast Cashflow by Scenario



When considering the financial performance it is also relevant to consider the impact on the individual entities ie the Council and the Port Manager, with this being outlined in the following. As expected, the losses of the Port Manager increase depending on the scale of Council activity transferred to the Port Manager, with the losses incurred by Council (before the provision of any financial support) declining.

Table: Comparative Operating Performance across individual Entities

	Year Ending 30 June \$'000												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Base Case													
- Council	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
- Port Manager	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
NFP Manager Model													
- Council	- 1,276.7	- 1,660.5	- 1,311.2	- 1,824.1	- 440.6	- 465.6	- 484.5	- 494.8	- 515.3	- 527.2	- 537.9	- 551.2	- 563.0
- Port Manager	-	-	-	- 210.0	- 1,688.2	- 1,619.9	- 1,648.5	- 1,677.7	- 1,707.2	- 1,737.3	- 1,768.0	- 1,799.2	- 1,830.9
Total	- 1,276.7	- 1,660.5	- 1,311.2	- 2,034.1	- 2,128.8	- 2,085.6	- 2,133.1	- 2,172.4	- 2,222.6	- 2,264.6	- 2,305.9	- 2,350.4	- 2,393.9
PoEP Integrated Manager Model													
- Council	- 1,276.7	- 1,660.5	- 1,311.2	- 2,054.1	- 224.5	- 227.9	- 231.2	- 232.7	- 243.2	- 246.6	- 248.6	- 252.0	- 255.3
- Port Manager	-	-	-	- 230.0	- 1,509.5	- 1,420.5	- 1,455.9	- 1,484.9	- 1,515.4	- 1,544.8	- 1,574.6	- 1,606.1	- 1,636.5
Total	- 1,276.7	- 1,660.5	- 1,311.2	- 2,284.1	- 1,734.0	- 1,648.4	- 1,687.2	- 1,717.6	- 1,758.6	- 1,791.4	- 1,823.3	- 1,858.1	- 1,891.8

Figure: Base Case Operating Performance by Entity



Figure: NFP Manager Model Operating Performance by Entity

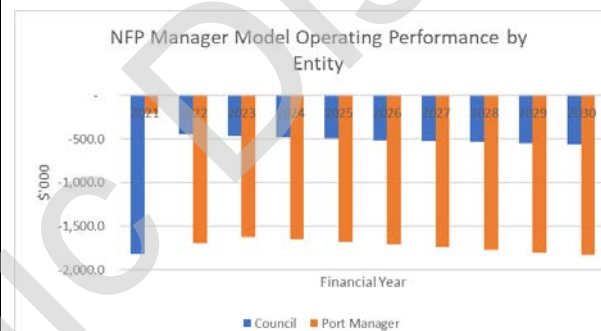
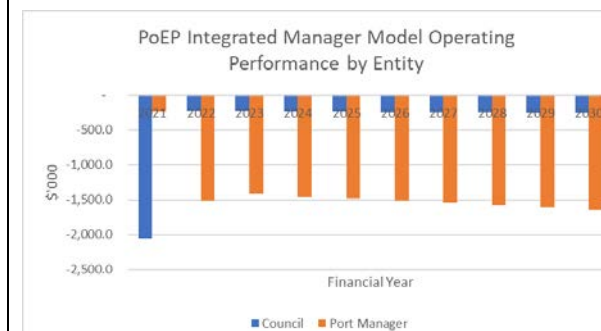


Figure: PoEP Integrated Manager Operating Performance by Entity



▪ **Potential for improved Operating Performance – Expenses Control and Revenue Generation**

While the forecast operating results under the various alternative models result in increased costs and cashflow requirements, these forecasts do not include allowance for the potential improvements in operating efficiency (other than the wages reform) or revenue generation (from improved patronage, higher yield per visitor, enhanced product offerings and expanded service offering).

A number of potential improvements to the operations of the paddlesteamers was identified in an earlier Confidential report to Council (Cloudstreet Economics, *Echuca Paddlesteamer Review – A consideration of past and future options*, February 2020) and a number of potential enhancements to the Tourism Services activities have been identified. In addition, it is expected that the establishment of an appropriately skilled, correctly structured and integrated business model will further enhance the potential for improved operating performance above and beyond the already identified areas for consideration.

Therefore, it is reasonable to assume that the adoption of either of the alternatives will result in an improved performance. However, it is important to consider whether this potential improvement would be sufficient to result in the overall performance exceeding that forecast in the Base Case.

To provide a guide to this a Sensitivity Analysis has been completed along with a consideration of the expense structure.

Table: Sensitivity Analysis

Sensitivity Analysis	Forecast based on AC Overhead Allocation					Breakeven Growth Percentage
	Assumed Customer Growth per annum					
	\$'000					
	2%	3%	4%	5%		
Accumulated Performance - 2021 to 2030						
Base Case Profit/(Loss) after Overheads	- 15,554.3	- 14,918.6	- 14,243.6	- 13,526.8		
NFP Model Profit/(Loss) after Overheads	- 22,091.4	- 21,455.8	- 20,780.7	- 20,063.9	10.3%	
PoEP Integrated Model Profit/(Loss) after Overheads	- 18,194.4	- 17,562.5	- 16,891.2	- 16,178.1	5.8%	
Accumulated Cashflow - 2021 to 2030						
Base Case Cashflow after Overheads	- 18,455.4	- 17,819.7	- 17,144.7	- 16,427.8		
NFP Model Cashflow after Overheads	- 25,092.5	- 24,456.8	- 23,781.8	- 23,064.9	9.9%	
PoEP Integrated Model Cashflow after Overheads	- 21,195.5	- 20,563.5	- 19,892.2	- 19,179.2	5.5%	
Cashflow Net Present Value - 2021 to 2030						
Base Case NPV after Overheads	- 12,999.3	- 12,601.5	- 12,180.8	- 11,735.7		
NFP Model NPV after Overheads	- 17,619.6	- 17,221.8	- 16,801.0	- 16,355.9	10.8%	
PoEP Integrated NPV after Overheads	- 15,079.3	- 14,684.7	- 14,267.2	- 13,825.4	6.2%	
NOTE - Breakeven Growth Percentage represents the percentage growth in patronage required for the identified option to be similar to that of the Base Case.						

The sensitivity analysis indicates that the growth required to 'breakeven' (which includes recovery of the identified Establishment Costs of all parties) is:

- under the NFP Manager Model for both Operating Performance and Cashflow an annual rate of 10% a year,
- while under the PoEP Integrated Model it is closer to 6%.

Both represent significant challenges and it is clear that the ongoing feasibility of either option will require improved performance to come from more areas than visitor improvements.

Therefore, it is useful to consider the expense structure of the operations under each option, with this indicating that:

- under all scenarios wages are the dominant cost representing 59-63% of total direct costs
- other operating major cost categories are repairs and maintenance, marketing, depreciation and insurances and the ability to significantly impact these cost items is limited
- to 'breakeven' for a typical year the NFP Manager Model would need to achieve improvements of \$617,000, with this requiring a 20% reduction in operating costs or a 46% increase in revenue, or a combination of both consisting of some level of reduced costs and increased revenues up to these percentages
- to 'breakeven' for a typical year the PoEP Integrated Manager Model would need to achieve improvements of \$180,000, with this requiring a 6% reduction in operating costs or a 13% increase in revenue, or a combination of both consisting of some level of reduced costs and increased revenues up to these percentages
- an annual 2% increase in visitor numbers will contribute \$63,000 towards these targets while an immediate 10% increase followed by 2% per annum thereafter increases the contribution to \$95,000.

▪ **Overall Financial Analysis Conclusion**

Based on the financial forecasts it can be concluded that:

- The NFP Manager Model results in an additional cost impost incurred by the new entity of approximately \$600,000 per year (in addition to the Paddlesteamer costs retained by Council) while the comparable cost impost under the PoEP Integrated Manager Model is \$200,000
- While the expected improvement from visitation will contribute to offsetting these costs (with a 2% annual increase improving performance by \$63,000 in 2023 and \$165,000 in 2027), but additional improvements will also be required from a combination of:
 - improvements to the operations of the paddlesteamers (as identified in an earlier report)³ with this predominantly relating to the PoEP Integrated Manager Model
 - potential enhancements to the Tourism Services activities (with a number of opportunities identified in Section 6 of this report)
 - the expected benefits from the establishment of an appropriately skilled, correctly structured and integrated business model which further enhances the potential for improved operating performance above and beyond the already identified areas for consideration
 - the implementation of an appropriate incentive structure to drive improved performance
 - potential access to additional sources of funding
- it is reasonable to expect that the PoEP Integrated Manager should be able to generate benefits which exceed that required for the option to be feasible, but it is far more problematic to expect this to be achieved under the NFP Manager Model.

▪ **Option Evaluation Framework**

The identification of the preferred option requires a consideration of factors beyond financial. Therefore, an Evaluation Matrix has been developed around the principles of what is required for the PoEP to be regarded as a successful activity which positively contributes to Echuca and the Campaspe Shire along with the identified objectives for the Precinct with the criteria being:

³ Cloudstreet Economics, *Echuca Paddlesteamer Review – A consideration of past and future options*, February 2020 (Confidential to Council)

Table: Evaluation Criteria

Criteria
Alignment to Precinct Vision and Council objectives
Operation of an Independent, Integrated, Commercially focussed Business and Offering <ul style="list-style-type: none"> Independent from Council policies and processes Operating as an independent commercially focussed business Integrated flexible service delivery
Ability to enhance Visitor Services and to develop and grow the PoEP <ul style="list-style-type: none"> Enhanced visitor services (which positively impact on visitation and yield) Ability to enhance and develop the PoEP
Financial Sustainability <ul style="list-style-type: none"> Financial transparency and sustainability Funding commitment from Council/alternative funding sources
Appropriate governance, accountability and reporting
Support for the economic development of Echuca and the region
Support for the preservation and protection of the Heritage Assets
Community and Business engagement
Risk Management and Exposure <ul style="list-style-type: none"> Commercial risk management Risk to Council

This provides the framework for the evaluation of the identified Port Manager options with the overall evaluation being based on a qualitative overall assessment using the outcome of the above as a guidance.

▪ **Key Conclusions and Recommendations**

Based on the above the key conclusions on each of the models and the preferred model is summarised in the table below.

Table: Overall Conclusions on Core Models and Potential Model Variations

Model	Overall Conclusion
Base Case	<p>A number of issues exist with the existing structure of service delivery including:</p> <ul style="list-style-type: none"> - Lack of integration (although this is improved with the recent restructure) - Inadequate financial and management reporting - Concerns over financial sustainability with the PoEP placing a significant financial impost on Council. For the period from 2021 to 2030 the PoEP is forecast to incur average annual operating losses of approximately \$1.55 million with it requiring cash funding support of \$1.88 million annually from Council - Lack of financial and operational transparency - Constraints on the ability to expand the service offering, improve asset utilisation and enhance Precinct activation.

Model	Overall Conclusion
NFP Manager Model	<p>The proposed Model delivers a number of benefits, particularly in regard to the provision of Tourism Services including:</p> <ul style="list-style-type: none"> - Enhanced commercial focus - Increased scope for product development - Freedom from public sector constraints - Improved community and business support. <p>However, the Model also has some significant constraints. In particular, the model results in an additional cost impost to the new entity of approximately \$600,000 per year (in addition to the significant establishment costs) with it highly unlikely that these costs will be offset by additional revenue. In addition, the model:</p> <ul style="list-style-type: none"> - Does not result in the fully integrated management of the PoEP - Delivery of a number of services will remain segmented between the NFP and Council (eg Precinct activation, Marketing) - Council control will be diminished with greater potential for governance issues to arise.
PoEP Integrated Manager Model	<p>The Model delivers a number of potentially significant benefits to the management of the PoEP including:</p> <ul style="list-style-type: none"> - Provision of an integrated service offering across the total precinct - Continuation of Council control at a strategic level while having improved freedom from public sector operating requirements and constraints - Ability to adopt an integrated approach to marketing to benefit the PoEP and the region - Enhanced ability to develop the service offering and improve Precinct activation - Potential for improved financial performance. The PoEP Integrated Manager results in significant establishment costs and an additional operational cost impost of approximately \$200,000 per year. The expected improvement in visitation will contribute to offsetting these costs (with a 2% annual increase improving performance by \$63,000 in 2023 and \$165,000 in 2027) with their also being significant additional improvement achievable from the implementation of the identified improvements to the paddlesteamers and potential enhancements to the Tourism Services activities (with a number of opportunities having been identified) - Improved transparency. <p>These benefits come with additional financial risks, risks which should be manageable</p>
<p>A number of potential variations to each of these models were also identified being:</p> <ul style="list-style-type: none"> - <i>Potential Variation to the Base Case</i> – Council improves the integration of the PoEP activities with Council also pursuing able to implement a number of initiatives and recommendations identified. - <i>Potential variations to the NFP Manager Model:</i> <ul style="list-style-type: none"> o <i>Rationalised NFP Manager Model</i> – The current Model is based on the resourcing requirements inherent in the Urban Enterprise report. There is potential for further rationalisation of resources to occur. o <i>Expanded NFP Manager</i> - the role of the NFP manager includes the management of the Paddlesteamers along with the leases etc thus making the manager more comparable to the PoEP Integrated Model. - <i>Potential variation to the PoEP Integrated Manager Model</i> - Council retains responsibility for the freehold assets and leases and/or the mooring services. <p>While these variations were not considered beneficial (when compared to the core options), it is considered appropriate for Council, in the short-term, to continue focussing the implementation of a number of initiatives and recommendations identified (as included in the identified Key Actions).</p>	
<p>Overall Conclusion:</p> <ul style="list-style-type: none"> ▪ A number of variations from the three core options have been identified. However, these are not considered viable and do not warrant further consideration. ▪ The Preferred Model is the PoEP Integrated Manager Model 	

While the above has identified the PoEP Integrated Manager as the preferred model, there remains some implementation matters which require clarification prior to Council progressing with the adoption of this model. In particular, Council needs to seek clarity on:

- the structure of a Beneficial Enterprise under the updated *Local Government Act 2020*
- the ability of the entity to assume Committee of Management responsibility:
- the ability to effect Industrial Relations reforms and the associated requirements
- the ability of the entity to avoid complying with other (unnecessary) Council obligations
- the liability of the entity to indirect taxes (State and Australia) and direct taxes.

While it is unlikely that the outcome of this will change the end conclusion, it may impact on the definition of the PoEP Integrated Model including the scope of operations transferred to the new entity along with the implementation requirements.

It is, therefore, proposed that Council take the following actions:

ACTION 1: Council to consider and resolve the future business model for the PoEP with it identifying an in-principle preferred model, subject to clarification of a number of legal issues and the future development of the specification of the preferred model.

ACTION 2: Council obtain legal clarification of the identified key areas above.

ACTION 3: Council progress with further development of the specification of the preferred model, including preparation of a potential implementation plan and timetable.

ACTION 4: Council progress with evaluation and implementation of the Paddlesteamer Services recommendations, the development of improved financial and management reporting for the PoEP and the evaluation and prioritisation of the identified potential PoEP business opportunities and enhancements.

ACTION 5: Council to consider the associated Competitive Neutrality requirements, including the completion of initial discussion with the Victorian Government on the proposed approach and business models along with considering the need for the completion of a Public Interest Test.

ACTION 6: Commence planning for the development of a total PoEP Concept Plan, which would include a consideration of potential opportunities and provide a long-term community supported concept plan for the PoEP.

NOTE – On 18 August 2020 Council resolved to obtain clarification of the identified key areas prior to determining a preferred future management model for the PoEP.

1. INTRODUCTION and BACKGROUND

1.1 Background

Echuca, the closest settlement on the Murray River to Melbourne, is an important part of the Shire of Campaspe, which is set within an irrigated pastoral and agricultural district on the Murray River.

Echuca was surveyed in 1854 and quickly became one of Australia's busiest inland ports, with paddlesteamers ferrying supplies throughout Australia's interior via the river network. Improving road and rail transport eventually took over, with cargo transport on the river through the Port of Echuca ceasing in the very early 1900s. Since then, agriculture and tourism have developed as Echuca's main industries. The heyday of paddlesteamers and river trade has left a historic legacy to Echuca around which much of today's tourism is built. The original red gum wharf was constructed in stages from 1865 as a three-level structure to allow for the rise and fall of the river, ultimately reaching a length of 1200 metres. Only a small section of the wharf remains today, preserved as part of the recreated Port of Echuca tourist attraction, and serving as a great viewing deck of the Murray River and surrounding bush. As well as the wharf, this river port recreation area also features the Campaspe Shire Council operated Discovery Centre, a museum, historic buildings, equipment displays, demonstrations and cruises on authentic paddle steamers, with Echuca now being known as Australia's Paddlesteamer Capital. A visit to the wharf area and a cruise on a paddlesteamer is now one of the iconic experiences when visiting Echuca with a number of Echuca events also centering around the Port of Echuca and the paddlesteamer experience.

Campaspe Shire Council's (the Council) involvement in the Port of Echuca began from the need to encourage economic activity (tourism) and to ensure the preservation of nationally significant heritage. The Council is responsible for the management and operation of these major community and tourism assets and operations of the Port of Echuca Precinct (PoEP), with this precinct encompassing the areas outlined in the following diagram and table.

Figure 1: PoEP Management Areas



Table 1: PoEP Management Areas

No	Asset/Attraction	Description
1	Discovery Centre	Interpretive centre that provides ticketed access to the Wharf area and open-air museum.
2	Echuca Paddlesteamers (EPS)	Operation of the three Council owned paddle steamers being PS Pevensey, PS Adelaide, and PS Alexander Arbuthnot.
3	Echuca Wharf	The historic timber wharf (accessible via the Discovery Centre). This includes the Cargo Shed Museum & Strathmerton Carriage.
4	Riverboat Dock and Kiosk	Docking area where paddle steamers/riverboats arrive and depart.
5	Heritage Assets	Heritage assets across the Precinct, including the steam engine display and sawmill within the Wharf area and other Port artefacts
6	Aquatic Reserve	A public open space and bushland reserve area along the river.
7	Freehold Assets	All Council owned buildings on the western side of Murray Esplanade.
8	Streets/Open Spaces/Public Infrastructure	All public spaces, including streets, gardens/parks, retail precincts (e.g. Murray Esp, High Street).

For the purpose of this study it is useful to segment the total Precinct into some individual groupings as the level of responsibility will vary for each of them, these being:

- the Tourism Assets- being the assets 'inside the fence' which provide the main tourism facilities including the Discovery Centre and Museum, the Wharf, the Popup Park and the Heritage Assets
- the Paddlesteamer Assets – being the three paddlesteamers along with the Barge
- the Public Spaces – being the streets and public garden areas including the Onion Patch, the Aquatic Reserve, Hopwood Gardens and the Riverboat Dock area
- the Freehold Assets – being the various assets under commercial lease in the Precinct
- the Berthing and Mooring Assets – being the various marine berths and moorings provided .

These in total represent all the assets (and associated services) within the total Precinct.

The Council has completed a number of studies over the past 5 years considering the future of the PoEP including the preferred approach to management and operation and, as a result, now has a business model for Council activities in the PoEP that:

- Is segmented in that specific areas of activity are independently managed⁴
- Segregates asset management from operational responsibility
- Does not provide full transparency over the cost of the PoEP to Council

where management is integrated into the Council structure and is subject to the resourcing and structural requirements and constraints of Council.

⁴ The 1 July 2020 Council restructure has improved the integration of activities in the PoEP, with further integration in the future being possible.

Council now wishes to:

- examine the potential for the PoEP to be operated as an integrated business covering the assets and business activities of the precinct, and
- contrast that model with that proposed by the Urban Enterprise's 2020 report⁵.

1.2 Management Model Scenarios

Based on this, the business models to be considered are:

Table 2: Identified Management Model Scenarios

Scenario	Description
Base Case	Current situation for all services being Council controlled and delivered with overheads allocated on an avoided cost basis.
NFP Manager (Urban Enterprise Preferred Model)	<p>The NFP Manager represents the model identified as the preferred model in the Urban Enterprise March 2020 report. Under this model:</p> <ul style="list-style-type: none">• An Independent NFP organisation would be appointed as the manager of Precinct services and assets• The entity would be responsible for the management of the Tourism Assets and services. <p>Council would retain ownership of all assets with a number of services also continuing to be managed by Council including:</p> <ul style="list-style-type: none">• Echuca Paddlesteamers• Port berthing and mooring services• Commercial and artisan/community leases. <p>Council would continue to be responsible for the use and maintenance of public spaces and would retain Committee of Management responsibility for the areas under Crown Land.</p>
PoEP Integrated Manager	<p>The PoEP Integrated Manager will be a separate entity owned by Council with it responsible for:</p> <ul style="list-style-type: none">• The management of the Tourism Assets and services• The management and operation of Echuca Paddlesteamers• The management and operation of Port berthing and mooring services• Management of the commercial and artisan/community leases• Activation of the total Precinct including the Public Spaces. <p>Council would continue to be responsible for the maintenance of public spaces and would retain Committee of Management responsibility for the areas under Crown Land.</p>

To ensure the financial evaluation of the models is comparing models with similar areas of operations, the PoEP Integrated Model will be compared to the NFP Manager model (based on the services included within the new NFP Manager entity) along with the services which will continue to be provided by Council.

⁵ Urban Enterprise, *Port of Echuca Precinct: Review of Management and Operational Models*, March 2020

▪ Potential NFP Manager Model Variation

There is a potential variation to the NFP Manager Model under which this manager also assumes operational responsibility for the other services that are integrated into the PoEP Integrated Manager Model, thus resulting in the operations of the two entities being comparable. However, it is considered that such a model would face additional challenges as:

- The ownership of the entity (being separate from Council) would restrict the ability of Council to assign legal responsibility for the leases on freehold land (as, under the *Local Government Act*, Council's ability to assign the lease is constrained) and would expose the management of these assets to increased indirect taxes
- Council would not be able to assign responsibility to the entity for leases on Crown Land
- Council is not able to assign Committee of Management responsibility to an independent entity under the *Crown Land (Reserves) Act*
- The potential opportunity to assume responsibility for the management of moorings from NSW Maritime would not be possible.

While the detailed analysis has not considered this alternative model as a separate scenario, it has been considered as a variation from the NFP Manager Model.

1.3 Report Scope and Content

This report has been commissioned by the Council with the objective of completing a review of the identified potential future models for the management of the PoEP. In meeting this objective, the project scope has been developed to:

- Provide a logical framework for the development and specification of the Port Manager model scenarios
- Provide Council with decision points at the completion of the various stages so that progression to the next stage of work is confirmed at the conclusion of the previous stage.

Table 3: Project Scope

Stage	Coverage/Scope
Stage 1 – NFP Manager and PoEP Integrated Model Outline	<ul style="list-style-type: none"> ▪ Develop an outline of the structure and scope of operations of the NFP Manager model (based on the Urban Enterprise report) and a PoEP Integrated Manager Model, including potential key variables in model structure.
Stage 2 – Review of Financial Viability The intent of this stage is to identify the potential financial implications of an integrated model to Council.	<ul style="list-style-type: none"> ▪ Base Case Financial Forecast – development of the Base Case financial forecast, being the forecast cost to Council under the current structure: <ul style="list-style-type: none"> ○ by primary business area ○ for a 10-year period ○ incorporating cashflow and profit and loss ○ including specification of the key assumptions and the basis for the assumption. ▪ NFP Manager Model Financial Forecast – reflect the financial implications of the identified potential changes from the Base Case to the NFP Manager Model along with the Paddlesteamer Operations.

Stage	Coverage/Scope
	<ul style="list-style-type: none"> ▪ PoEP Integrated Manager Model Financial Forecast – reflect the financial implications of the identified potential changes from a PoEP Integrated Manager Model in the financial forecast. ▪ Competitive Neutrality requirements - consideration of the Competitive Neutrality implications <p>DECISION POINT: The completion of Stage 1 & 2 will:</p> <ul style="list-style-type: none"> ▪ Provide the financial information to enable Council to decide whether or not to continue with the investigation of the feasibility of the NFP Manager and/or the PoEP Integrated Manager Models ▪ Assist Council in outlining the potential scope of activities of the NFP Manager and/or the PoEP Integrated Manager Models
<p>Stage 3: Development of specification of the NFP Manager and PoEP Integrated Business Models</p>	<ul style="list-style-type: none"> ▪ Specification of the potential NFP Manager and PoEP Integrated Manager Models including consideration of: <ul style="list-style-type: none"> ○ Organisation/Operating structure ○ Governance structure ○ Confirmation of Legal structure of the preferred option ○ Operating location ○ Approach to service provision and sourcing of support services ○ Role of Council including delineation between the role of the different entities ○ Approaches to key areas of operation (eg marketing) ○ Commercial and development opportunities ○ Role of the private sector ○ Key risks ○ Updated financial forecasts ○ Competitive Neutrality implications <p>DECISION:</p> <ul style="list-style-type: none"> ▪ Confirmation of the preferred Model ▪ Understanding of the operational and financial implications to Council ▪ Agreement to progress to development of detailed implementation plan
<p>Stage 4: Preferred Model Implementation Plan</p>	<p>Development of an Implementation Plan for the preferred model including a consideration of:</p> <ul style="list-style-type: none"> ▪ Implementation activities and timeframe ▪ Funding requirements and sources ▪ Resourcing requirements and resources ▪ Port Precinct Plan ▪ Competitive Neutrality ▪ Updated financial forecasts. <p>DECISION:</p> <ul style="list-style-type: none"> ▪ Agreement to implementation of the Preferred Model ▪ Support for the provision of the funding and resources required to enable implementation.

This report provides the output required under Stages 1, 2 and 3. In preparing the financial forecasts required in Stage 2 it was found that much of the requirements of Stage 3 needed to be addressed.

The report specifically examines:

- the development of various structure of each of the Port Manager Business Model including identification of the organisational structures (in Section 2)
- identification of key business and financial assumptions and principles (in Section 3)
- the output from the financial forecasts including a financial comparison of the options (in Section 4)
- identification of key risks (in Section 5))
- identification of potential future opportunities to improve the outcomes from the PoEP (financial, economic and social) for consideration by Council (in Section 6)

with the final section (Section 7) outlining the evaluation framework applied, the outcome of the evaluation and identification of key actions to assist Council in considering the future management model for the PoEP.

▪ **Report for Public Distribution**

While a detailed confidential report has been submitted to Council, this version of the report has been amended to exclude relevant commercial-in-confidence information. Specifically, detailed information in relation to the commercial operations, the disclosure of which would impact on competitive positioning, has been excluded. These adjustments have not resulted in there being any variation of the final conclusions and recommended actions along with the basis for these outcomes.

2. OVERALL BUSINESS FRAMEWORK AND STRUCTURE

2.1 Business Objectives

The primary strategic and operational objectives have previously been developed in the 2020 Urban Enterprise report, with these subsequently being endorsed by Council. Therefore, these have been adopted for this report, with some wording refinements and the inclusion of a financial objective in the identified Operational Objectives.

Table 4: Port of Echuca Precinct Strategic Objectives

Strategic Objectives (for the Port of Echuca Precinct)
<p>As outlined in the <i>Port of Echuca Future Report</i> (2018), the overarching vision for the Precinct is articulated as follows:</p> <ul style="list-style-type: none"> • A place to take your time, relax and enjoy yourself <p>The strategic objectives to support implementation of the vision are outlined below:</p> <ul style="list-style-type: none"> • A place to linger, interact and connect • A destination celebrating living with nature and history • An arts and culture, events and entertainment hub • A place where collaboration makes it happen. <p>Source: <i>Port of Echuca Precinct: Review of Management and Operational Models</i>, Urban Enterprise, March 2020, page 9.</p>

Table 5: Port of Echuca Precinct Port Manager Operational Objectives

Operational Objectives
<p>The operational objectives for the Port Manager are:</p> <ul style="list-style-type: none"> • to preserve and protect the heritage assets of the Precinct for the future • to ensure heritage assets within the Precinct remain authentic and are true to the story of the Port • to continue to maintain and grow its role as an iconic attraction in the Murray Region • to ensure there is an adequate and complementary tourism product mix within the Precinct • to drive visitation to the region to support and grow the regional economy • to operate efficiently and sustainably with strong revenue streams and financial stability • for the Precinct to be viewed as a central hub for visitors to Echuca with the opportunity to disperse visitors throughout Echuca-Moama and the broader region to grow length of stay and yield • for the Precinct and the PoEP Manager to engage the community and provide opportunity for activation and volunteers • to conduct its activities in an environmentally responsible manner • for the Precinct to act as a focus point for art, culture, events and contemporary heritage interpretation in the local region • to be compliant with National Competition Policy. <p>Source: <i>Port of Echuca Precinct: Review of Management and Operational Models</i>, Urban Enterprise, March 2020, page 9 (with adjustments to the wording and the inclusion of a financial objective).</p>

The Strategic and Operational Objectives are applicable to all port management models.

2.2 Key Roles and Responsibilities

Under the Base Case Council has responsibility for the ownership and operations of all the assets and businesses in the PoEP. Under the two scenarios being considered this will change as follows:

Table 6: Changes in Key Roles and Responsibilities across Port Manager Models

Entity	NFP Manager Model	PoEP Integrated Manager Model
Council	Contractual Relationship	
	Council will enter into a contract with the NFP Manager for the provision of tourism services in the Port.	Council will be the owner of the PoEP Integrated Manager entity with its role being that of a 'shareholder', with this shareholder role being fulfilled by the CEO as the appointed representative of Council.
	Asset Ownership and Management	
	<p>Council will ultimately:</p> <ul style="list-style-type: none"> ○ retain ownership of the various freehold assets it owns in the PoEP ○ retain ownership of the three Council owned paddle steamers being PS Pevensey, PS Adelaide, and PS Alexander Arbuthnot (although the AA may be leased to an adjoining Council) ○ retain ownership of heritage assets including steam engines and other Port Precinct artefacts on Crown Land ○ retain asset management/maintenance responsibility for the streets, footpaths, public infrastructure and open spaces in the Port Precinct ○ retain Committee of Management responsibility for the areas designated as Crown land. 	<p>Council will directly:</p> <ul style="list-style-type: none"> ○ retain asset management/maintenance responsibility for the streets, footpaths, public infrastructure and open spaces in the Port Precinct. ○ retain ownership of heritage assets including steam engines and other Port Precinct artefacts on Crown Land ○ retain Committee of Management responsibility for the areas designated as Crown land <p>While ownership (and maintenance responsibility) of the following will transfer to the Port Manager, Council will indirectly retain ownership through its ownership of this Port Manager:</p> <ul style="list-style-type: none"> ○ the various freehold assets ○ the three paddlesteamers being PS Pevensey, PS Adelaide, and PS Alexander Arbuthnot (although the AA may be leased to an adjoining Council).

Entity	NFP Manager Model	PoEP Integrated Manager Model
	Operational Responsibility	
	<p>Council will retain operational responsibility for a number of Port activities including:</p> <ul style="list-style-type: none"> Management and operation of the paddlesteamer services Event attraction and managements within the Precinct Precinct activation within the wider Precinct Commercial and artisan/community lease management, including determining the optimal business and tenant mix Port mooring services. 	<p>Responsibility for these activities will transfer to the PoEP Integrated Port Manager.</p>
	Precinct and Region Marketing and Activation	
	<ul style="list-style-type: none"> Council will continue to have a role in event attraction and managements, precinct activation and region marketing. 	<ul style="list-style-type: none"> Council will continue to have a (reduced) role in event attraction and managements, precinct activation and region marketing.
Port Manager	Operational Responsibility	
	<p>The NFP Manager is responsible for the management and operation of the Council owned Tourism Assets within the Precinct. This includes:</p> <ul style="list-style-type: none"> Management and operation of visitor attractions Event attraction and management within the Tourism Asset boundary Tourism marketing and promotion for the wharf area 	<p>The PoEP Integrated Manager is responsible for the management and operation of all Council owned assets and all activities/uses within the Precinct. This includes:</p> <ul style="list-style-type: none"> Management and operation of visitor attractions <i>Management and operation of the paddlesteamer services</i> <i>Port mooring services</i> <i>Commercial and artisan/community lease management, including determining the optimal business and tenant mix</i> Event attraction and managements <i>for all PoEP areas</i> <i>Precinct activation for all areas</i> <i>Precinct marketing and promotion</i>

Entity	NFP Manager Model	PoEP Integrated Manager Model
	<ul style="list-style-type: none"> Community and business liaison, coordination and engagement Facilities management and maintenance for areas 'inside the fence' under direction from Council Strategic and business planning Financial management 	<ul style="list-style-type: none"> Community and business liaison, coordination and engagement Facilities management and maintenance for areas 'inside the fence' under direction from Council <i>Facilities management and maintenance for other assets within the specified port area including the Barge Walk and St Georges Hall and the freehold properties</i> Strategic and business planning Financial management

2.3 Areas/Scope of Operations

Under these scenarios the specific scope of operations will be as follows.

Table 7: Changes in Scope of Operations across Port Manager Models

Area	NFP Manager Model	PoEP Integrated Manager Model
Tourism Services	<p>Management and operation of the visitor attractions (budget, ticketing, retail, staffing and all tourism and visitor activities within the Precinct) with these services provided from:</p> <ul style="list-style-type: none"> Discovery Centre (including cargo shed and wharf) Museum Steam Shed (including contents) Popup Park Wetdock (noting that the wreck in the wetdock is not owned by Council, although the actual owner has not been identified) 	<p>Management and operation of the visitor attractions (budget, ticketing, retail, staffing and all tourism and visitor activities within the Precinct) with these services provided from:</p> <ul style="list-style-type: none"> Discovery Centre (including cargo shed and wharf) Museum Kotta Station Strathmerton Station Steam Shed (including contents) Popup Park Wetdock (noting that the wreck in the wetdock is not owned by Council, although the actual owner has not been identified) Allison Barge Walk
Paddlesteamer Services	Retained by Council	<ul style="list-style-type: none"> Management and operation of paddlesteamer boats and the D26 barge
Commercial and Artisan Leases	Retained by Council	<p>Management of commercial leases including:</p> <ul style="list-style-type: none"> Star Hotel Permewan Wright Offices Building (Upstairs of Star Hotel) Telley House Bridge Hotel Shackell Bond Store (including Shop 1)

Area	NFP Manager Model	PoEP Integrated Manager Model
	Retained by Council	<p><i>Management of Artisan/Community leases and licenses including:</i></p> <ul style="list-style-type: none"> • Woodturners Shop • Photo Wagon in Murray Esplanade – asset not owned by Council • Horse and Cart in Murray Esplanade • Blacksmith Shop • Altieri • Strathmerton Station • Customs House (Artist) • Shackells Bond Store Shop 1 • Pump House (Tourist Centre)
	Retained by Council	<p><i>Development of new commercial leases including in areas such as:</i></p> <ul style="list-style-type: none"> • Riverboat Dock Kiosk • Popup Park.
Marina Management Services	Retained by Council.	<i>Management and operation of the Riverboat Dock moorings along with other marina areas and paddlesteamer docking.</i>
Event development and management	Management of activation activities within the Tourism Asset area including entertainment, events, activities, festivals, exhibitions, markets and busking.	Management of activation activities including entertainment, events, activities, festivals, exhibitions, markets and busking <i>within the Port Precinct.</i>
	<p>Event attraction, coordination and execution including event planning, scheduling and approvals within the Tourism Asset area. Includes commercial and community events (inc. music festivals, concerts, weddings, markets, etc). The spaces within the specific Port area available for events include:</p> <ul style="list-style-type: none"> • River Boat Dock • Popup Park. 	<p>Event attraction, coordination and execution including event planning, scheduling and approvals within the Port Precinct. Includes commercial and community events (inc. music festivals, concerts, weddings, markets, etc). The spaces within the specific Port area available for events include:</p> <ul style="list-style-type: none"> • River Boat Dock • Popup Park • St Georges Hall (green space) • Allison Barge walk.

Area	NFP Manager Model	PoEP Integrated Manager Model
	<p>While the Port Manager is not responsible for activation of the below areas, it is able to book events (with the Council) in other areas within the Port Precinct including:</p> <ul style="list-style-type: none"> Onion Patch, Aquatic reserve area outside of the levee bank to the river (to be open space available to the public that is also used for events when appropriate) St Georges Hall (green space) Pump House car park Hopwood Gardens. <p>For a number of these spaces (Onion Patch, Aquatic Reserve, St Georges Hall, Hopwood Gardens) Council will retain responsible for maintaining the space/Committee of Management responsibility and for event activation.</p>	<p>The Port Manager is <i>also responsible for encouraging activation</i> of and is able to book events in other areas within the Port Precinct including:</p> <ul style="list-style-type: none"> Onion Patch, Aquatic reserve area outside of the levee bank to the river (to be open space available to the public that is also used for events when appropriate) Pump House car park Hopwood Gardens. <p>For a number of these spaces (Onion Patch, Aquatic Reserve, Hopwood Gardens,) Council will be responsible for maintaining the space/Committee of Management responsibility with the <i>Port Manager responsible for event activation</i>.</p>
PoEP Management and Administration	Strategic planning and oversight for those areas of the Port under the control of the NFP Manager.	Overall strategic planning and oversight including setting the business/strategic objectives for the Precinct, KPIs, etc
Financial management and reporting	Completion of financial management and reporting arrangements including establishment of internal controls and accountability structures.	Completion of financial management and reporting arrangements including establishment of internal controls and accountability structures.
Marketing/business development	Promotion and marketing the Tourism Assets and individual attractions as a key visitor and community destination.	Promotion and marketing <i>the Port Precinct</i> and individual attractions as a key visitor and community destination.
Administrative support services	Activities include provision of support administrative services including insurance, utilities, employment of staff, OHS, legal services etc.	Activities include provision of support administrative services including insurance, utilities, employment of staff, OHS, legal services etc.
Facilities management and maintenance	Property maintenance of all assets is to be undertaken in accordance with Council's maintenance schedules and standards.	Property maintenance of all assets is to be undertaken in accordance with Councils maintenance schedules and standards.

Area	NFP Manager Model	PoEP Integrated Manager Model
	The Port Manager will be responsible for facilities management of the Tourism Assets.	The Port Manager will be responsible for facilities management of: <ul style="list-style-type: none"> - the Tourism Assets along with <i>St Georges Hall and Allison Barge walk</i> - <i>the Freehold Assets and the Kiosk</i> - <i>the Berthing and Mooring assets</i> - <i>the Paddlesteamer Assets.</i>
	Council retains responsibility for the remainder of the Precinct and will retain Committee of Management responsibility for areas designated as Crown Land.	Council retains responsibility for the remainder of the Precinct and will retain Committee of Management responsibility for areas designated as Crown Land.
	Facilities management services includes parking, pedestrian and traffic management in the Precinct, fencing, signage, arts and culture, landscaping, environment, heritage management, wildlife management etc.	Facilities management services includes parking, pedestrian and traffic management in the Precinct, fencing, signage, arts and culture, landscaping, environment, heritage management, wildlife management etc.
Communication and Community engagement	Management and delivery of a communication strategy with Port Precinct business owners, Council and other stakeholders Collaborating with the community and local businesses to support Echuca activation and to ensure all parties are working towards shared objectives.	Management and delivery of a communication strategy with Port Precinct business owners, council and other stakeholders Collaborating with the community and local businesses to support Echuca activation and to ensure all parties are working towards shared objectives.
Council provided services	It is expected that Council may continue to provide a number of services where it is considered cost effective. However, these services would be provided under appropriate contractual arrangements with performance standards etc.	It is expected that Council may continue to provide a number of services where it is considered cost effective. However, these services would be provided under appropriate contractual arrangements with performance standards etc.

From an asset perspective the variation in responsibility is summarised below with the management entity responsible for management of the asset also then receiving the associated revenue. As a number of these assets are on Crown Land where Council is appointed as the Committee of Management, maintenance of the assets would be completed by the identified entity under Council direction.⁶

⁶ Current advice is that under the *Crown Land (Reserves) Act* Council is not able to transfer Committee of Management responsibility to the NFP Manager and such a transfer to the PoEP Integrated Manager may be problematic, although Council can contract with these entities to provide defined maintenance services. Ownership of assets on Crown Land also are required to stay with Council.

Table 8: Changes in Management Responsibility across Assets

Area	NFP Manager Model	PoEP Integrated Manager Model
Public Open Spaces/Places		
Aquatic Reserve (inside the levee)	<ul style="list-style-type: none"> ▪ Council responsible for maintenance and retention of booking responsibility ▪ Entity is able to book the venue through the normal booking procedures with Council. ▪ The open space must be available to the public when it is used for events if appropriate. 	<ul style="list-style-type: none"> ▪ Council responsible for maintenance and retention of booking responsibility ▪ Entity <i>responsible for event activation</i> with access through normal booking procedures with Council. ▪ The open space is to be available to the public with it is also used for events when appropriate.
Onion Patch, Aquatic reserve area outside of the levee bank to the river		
Pump House car park		
River Boat Dock	▪ Council	▪ <i>Included</i>
Popup Park	▪ Included	▪ Included
St Georges Hall	▪ Council	▪ <i>Entity responsible for event activation, booking and maintenance.</i>
Hopwood Gardens (we maintain the space and they can book the use of the site)	<ul style="list-style-type: none"> ▪ Council responsible for maintenance and retention of booking responsibility ▪ Entity is able to book the venue through the normal booking procedures with Council ▪ The open space must be available to the public when it is used for events if appropriate. 	<ul style="list-style-type: none"> ▪ Council responsible for maintenance and retention of booking responsibility⁷ ▪ Entity <i>responsible for event activation</i> with access through normal booking procedures with Council ▪ The open space must be available to the public when it is used for events if appropriate.
Wetdock (note that the wreck in the wetdock is not owned by Council – no known owner)	▪ Council	▪ <i>Included</i>

⁷ The PoEP Integrated Manager could also assume responsibility for the Event booking system, but this should only occur if the entity assumes responsibility for all areas as it would be inefficient and confusing to the user to operate two systems – one in Council and one within the Port Manager.

Area	NFP Manager Model	PoEP Integrated Manager Model
Allison Barge walk	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Entity responsible for event activation, booking and maintenance.
Property and Buildings - Commercial		
Pump House Building (Aquatic Reserve) - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Star Hotel - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Former Permewan Wright Offices Building - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Telley House - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Bridge Hotel - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Kotta Station – used by EPS	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Discovery Centre (including cargo shed and wharf) (including contents)	<ul style="list-style-type: none"> Included 	<ul style="list-style-type: none"> Included
Steam Shed (including contents)	<ul style="list-style-type: none"> Included 	<ul style="list-style-type: none"> Included
Kiosk (building recently refurbished and currently unoccupied)	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Artisan Buildings and Agreements		
Photo Booth in Murray Esplanade - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Horse and cart in Murray Esplanade	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Blacksmith - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Altieri - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Strathmerton Station (Artist) - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included
Customs House (Artist) - leased	<ul style="list-style-type: none"> Council 	<ul style="list-style-type: none"> Included

Area	NFP Manager Model	PoEP Integrated Manager Model
▪ Art Precinct Buildings⁸		
Foundry	▪ Council	▪ Council
Murray Hotel	▪ Council	▪ Council
Brothel including Little Leslie Street	▪ Council	▪ Council
▪ Moorings and Paddlesteamers		
Paddlesteamers	▪ Council	▪ <i>Included</i>
D26 Barge	▪ Council	▪ <i>Included</i>
Moorings (small marina management and operation)	▪ Council	▪ <i>Included</i>

2.4 Legal and Governance Framework

It is anticipated that the features of the Legal and Governance framework under each scenario will be as follows.

Table 9: Legal and Governance Frameworks

Area	NFP Manager Model	PoEP Manager Model
Legal Structure	▪ NFP Incorporated Association or Corporation	▪ Beneficial Enterprise under Section 110 of the <i>Local Government Act 2020</i> .
Entity owner/shareholder	▪ NFP Members	▪ Council

⁸ Responsibility for these Arts Precinct assets remain with Council as the Arts Precinct is currently being further developed. Council has indicated that the assets could be transferred to the PoEP Integrated Manager upon completion of this development. Such a transfer could also occur at the time of establishment of the entity.

Area	NFP Manager Model	PoEP Manager Model
Board of Directors Appointment and Structure	<ul style="list-style-type: none"> Independent skills-based Board (remunerated) of 8-10 Non-Executive Directors Director appointments controlled by the members. 	<ul style="list-style-type: none"> Independent skills-based Board (remunerated) of 6-8 Non-Executive Director Director appointments controlled by Council (as shareholder) Once established, one-third of the directors will retire each year but may offer themselves for re-election (if eligible) It is expected that the Board would also establish relevant sub-committees including Remuneration and Nominations, Audit, Safety, Risk and Finance; and Business Growth/Development.⁹
Role and accountability of the Board	<ul style="list-style-type: none"> The Board is responsible for: <ul style="list-style-type: none"> Setting strategic direction Monitoring performance Business development Delivering services in accordance with the agreement with Council The Board is accountable to the shareholders (being the members). 	<ul style="list-style-type: none"> The Board is responsible for: <ul style="list-style-type: none"> Setting strategic direction Monitoring performance Business development The Board is accountable to the Council's CEO (as representative of the shareholder).
Board Charter	<ul style="list-style-type: none"> Based on the requirements of the member organisations. 	<ul style="list-style-type: none"> Has a constituent document that provides objectives based on Council requirements which include: <ul style="list-style-type: none"> Financial sustainability Economic development Social responsibility.

⁹ Charters would be established for each sub-committee, with this including relevant references to appropriate Council guidelines. While senior executive remuneration would be determined by the Board (via the sub-committee) such remuneration would also be subject to Council confirmation (via the Council CEO).

Area	NFP Manager Model	PoEP Manager Model
Management of Conflicts of Interest	<ul style="list-style-type: none"> • Policies and procedures will be established to appropriately manage any actual or potential conflicts as they arise between directors and the objectives of the organisation • This would generally require the director to disclose the relevant interest and, if appropriate, for the director to not participate in or vote on that matter • However, management of conflicts of interest will be difficult given the potential membership of the NFP Manager, the potential structure of the Board and the potential for local community/business group input. 	<ul style="list-style-type: none"> • Policies and procedures will be established to appropriately manage any actual or potential conflicts as they arise between directors and the objectives of the organisation • This would generally require the director to disclose the relevant interest and, if appropriate, for the director to not participate in or vote on that matter • Board will be independent of Council/Councillors and local industry representatives.
Port Manager GM responsibility and accountabilities	<ul style="list-style-type: none"> • Appointed by the Board • Reports to the Chair of the Board. 	<ul style="list-style-type: none"> • Appointed by the Board • Reports to the Chair of the Board.
Approval of Strategic/Business Plan and Budgets	<ul style="list-style-type: none"> • Approved by the Board 	<ul style="list-style-type: none"> • Approved by the Board and endorsed by the Council (as shareholder).

▪ Consideration of Legal Structure Options

An important matter for consideration is the determination of the type of legal entity to be adopted under each of the scenarios. The features required include to have a legal structure which enables:

- The ability to assume operational and financial obligations
- Adequate separation between Council and the manager, while ensuring Council retains an overarching oversight obligation with an ability to endorse the entity objectives and strategy
- The ownership of assets
- The ability to manage the activities under a commercial framework free of the constraints of the more onerous public sector requirements
- The assumption of Committee of Management obligations for areas on Crown land
- Satisfaction of good governance requirements
- The ability to sue and be sued, limited liability.

The primary potential legal structure options available are summarised below:

Table 10: Potential Legal Structures

Structure	Description/Commentary
Incorporated Association (Body Corporate) /Corporation	<ul style="list-style-type: none"> ▪ Represents the entity identified in the Urban Enterprises report as the most appropriate under the NFP Manager Model. The options discussed below are not relevant for this model as they also represent 'public sector' options. ▪ The relevance of this type of entity under the PoEP Integrated Manager Model is only relevant where it is permitted under the structure options discussed below. <p>(Example - Sovereign Hill operates under this structure.)</p>
Special Purpose Committee under the <i>Local Government Act</i>	<ul style="list-style-type: none"> ▪ The structure is similar to the Committee of Management structure, with the additional ability to own assets. ▪ Operations of the structure remains under the direct control of Council and continues to be constrained by Local Government operational frameworks.
Beneficial Enterprise under the <i>Local Government Act 2020</i>	<ul style="list-style-type: none"> ▪ The ability for Council to establish a Beneficial Entity (from 1 July 2021) is included within the updated <i>Local Government Act</i>, with this entity being: <ul style="list-style-type: none"> ○ A corporation or body corporate ○ Having Council as the shareholder with the ability to have the CEO as the beneficial shareholder on behalf of Council. ▪ The intent of this inclusion in the Act is to enable Council to establish a corporation with equivalent features as permitted under the <i>Corporations Act 2001</i>. ▪ The definition of Corporation in the <i>Local Government Act 2020</i> requires clarification as it is not clear that such a company under the <i>Corporations Act 2001</i> is permitted, although it is clear that a Body Corporate is permitted. ▪ Refer Appendix A for relevant extracts of the <i>Local Government Act 2020</i>. <p>(Example – there are no examples under the current Act as this is not applicable until 1 July 2021. An example of an equivalent entity under the previous <i>Local Government Act</i> would be Citywide Service Solutions (under the City of Melbourne).</p>
Incorporated Committee under the <i>Crown Land (Reserves) Act 1978</i>	<ul style="list-style-type: none"> ▪ Section 14 of the <i>Crown Land (Reserves) Act 1978</i> permits the establishment of an 'Incorporated Committee' to assume management responsibility of Crown Land. (Refer Appendix A).

Structure	Description/Commentary
	<ul style="list-style-type: none"> The establishment of such a structure requires the agreement of the relevant State Minister with the Victorian Government also assuming a number of responsibilities (eg appointment of Directors, requirement to comply with government reporting frameworks etc). An Incorporated Committee is effectively a State Government public sector entity. <p>(Example – Phillip Island Nature Parks and the newly established Great Ocean Road Coast and Parks Authority.)</p>
State Business Corporation (and/or State Owned Enterprise) under the <i>State Owned Enterprises Act 1992</i>	<ul style="list-style-type: none"> Any structure under the <i>State Owned Enterprises Act 1992</i> would represent an entity under Victorian Government control and subject to Victorian Government management, borrowing, funding and reporting obligations. <p>(Example – Federation Square (Fed Square Pty Ltd))</p>

Based on the above the preferred legal structure is:

- NFP Manager Model - Incorporated Association (Body Corporate) /Corporation
- PoEP Integrated Manager – Beneficial Enterprise

While the above represent the preferred legal structure there are some aspects of each of these that require clarification being:

- **Ability to assume Committee of Management responsibility:**

Under the *Crown Land (Reserves) Act 1978* a company can be appointed Committee of Management provided it complies with section 150 of the *Corporations Act 2001*. This section requires the company to be an Australian Charity or a Not for Profit and that the company constitution prohibits the company paying fees to directors. (Refer Appendix A for an extract from the Act.)

DELWP has also advised that any approval of an alternative arrangement to manage Crown Land must be in the best interest of the Community and the management of the Public Land on behalf of the Community. Any proposal would need to comply with the Act and not circumvent other processes already undertaken by Council on behalf of its Community. The proposal would need to demonstrate it is an improvement to the current committee of management for the benefit of the Community.

This position requires testing. However, for the purpose of the current evaluation it has been assumed under all scenarios that Council retains Committee of Management responsibility for areas under Crown land, with Council contracting with the Port Manager to provide the required facilities maintenance services for the Wharf areas (ie the areas 'inside the fence').

- **Ability to effect Industrial Relations reforms:**

All employment practices under the Base Case are required to comply with Council terms and conditions, which result in significant additional costs to the commercial operations. Past experience of Council indicates that the ability to achieve reforms to this requirement is possible under both Port Manager options. The forecasting has therefore assumed that employees under the Base Case will no longer be required by Council and will, therefore, be made redundant. These employees would then be given the opportunity to apply for positions with the new Port Manager entity.

- **Ability to avoid complying with other (unnecessary) Council obligations**

It is expected that, under each scenario, the Port Manager will not be required to comply with a number of (unnecessary) Council and legislated policies, processes (eg lease obligations) and management obligations. Whilst this is consistent with past experience, such an assumption needs to be tested based on the specific requirements of the preferred approach.

It should also be noted that while the entity is not expected to be required to meet these obligations, it will still be required to meet the expected requirements of good governance and management and to adopt a number of relevant Council policies (eg Diversity and Inclusiveness).

The above discussion has:

- *Provided the basis for assumptions within the financial forecast and the options evaluation*
- *Identified areas that require legal confirmation prior to proceeding to ensure the assumptions are valid.*

2.5 Management and Organisation Structure

Similar management requirements and organisation structure principles will apply under both model scenarios, although the actual organisation structure will vary based on the differing scope of activities.

Table 11: Organisational Structure Principles

Requirement	Description
Base Requirements	<p>The Port Manager should have:</p> <ul style="list-style-type: none"> • Clear lines of accountability (i.e. General Manager reports to Board/Board reporting to shareholder) • Clear delineation of roles and responsibilities • KPIs to measure performance • Flexible structure with good governance that adapt to meet the needs of visitors and the community • Management and staff with appropriate knowledge and skills • Commercial acumen to improve its financial performance, attract funding/sponsorship, drive revenue, etc.

Based on these principles indicative organisation structures have been outlined under each scenario, with these having been tested with Council management for reasonableness.

Figure 2: Base Case – Council Management Organisation Structure

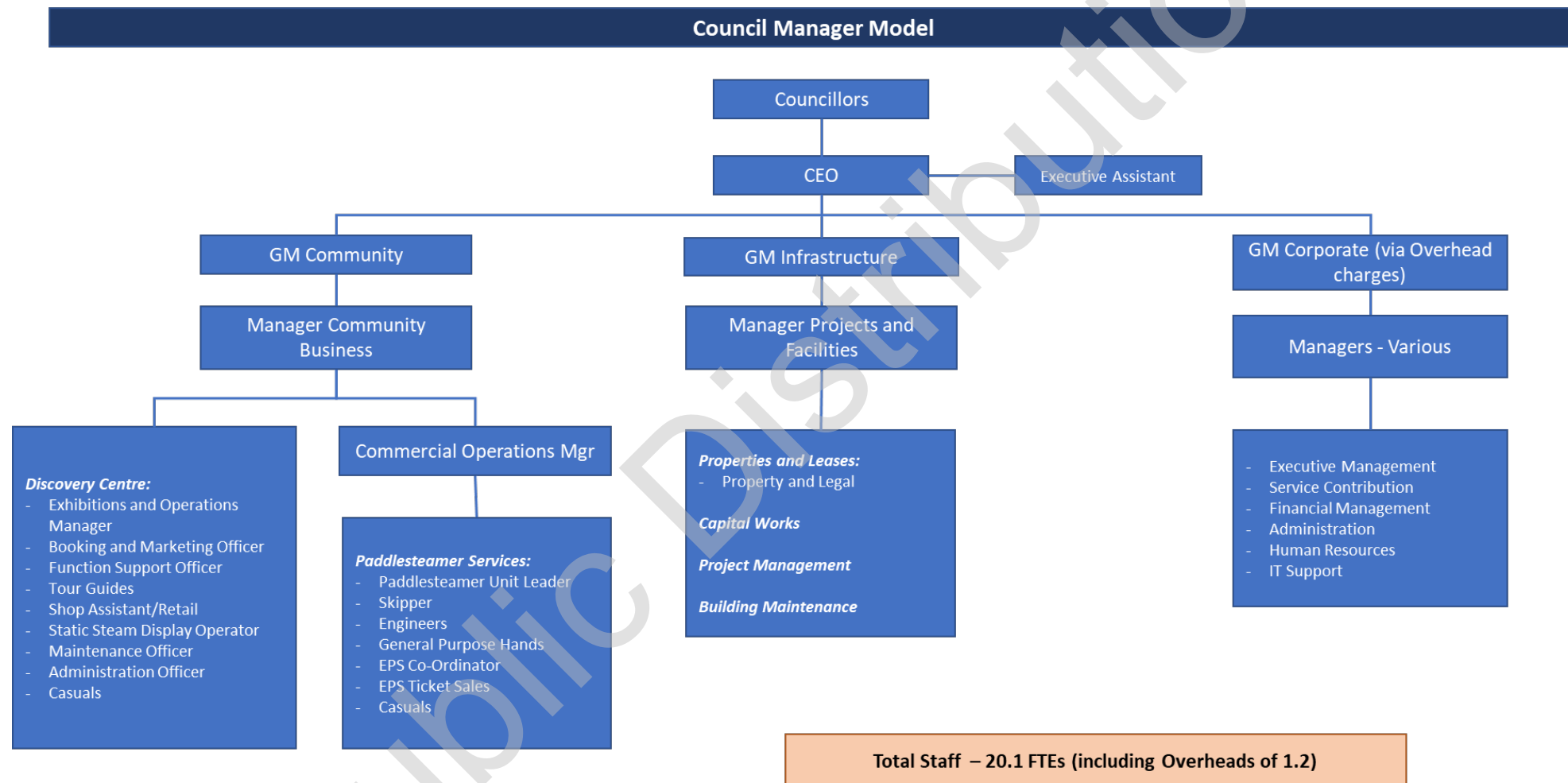


Figure 3: NFP Manager Model Organisation Structure

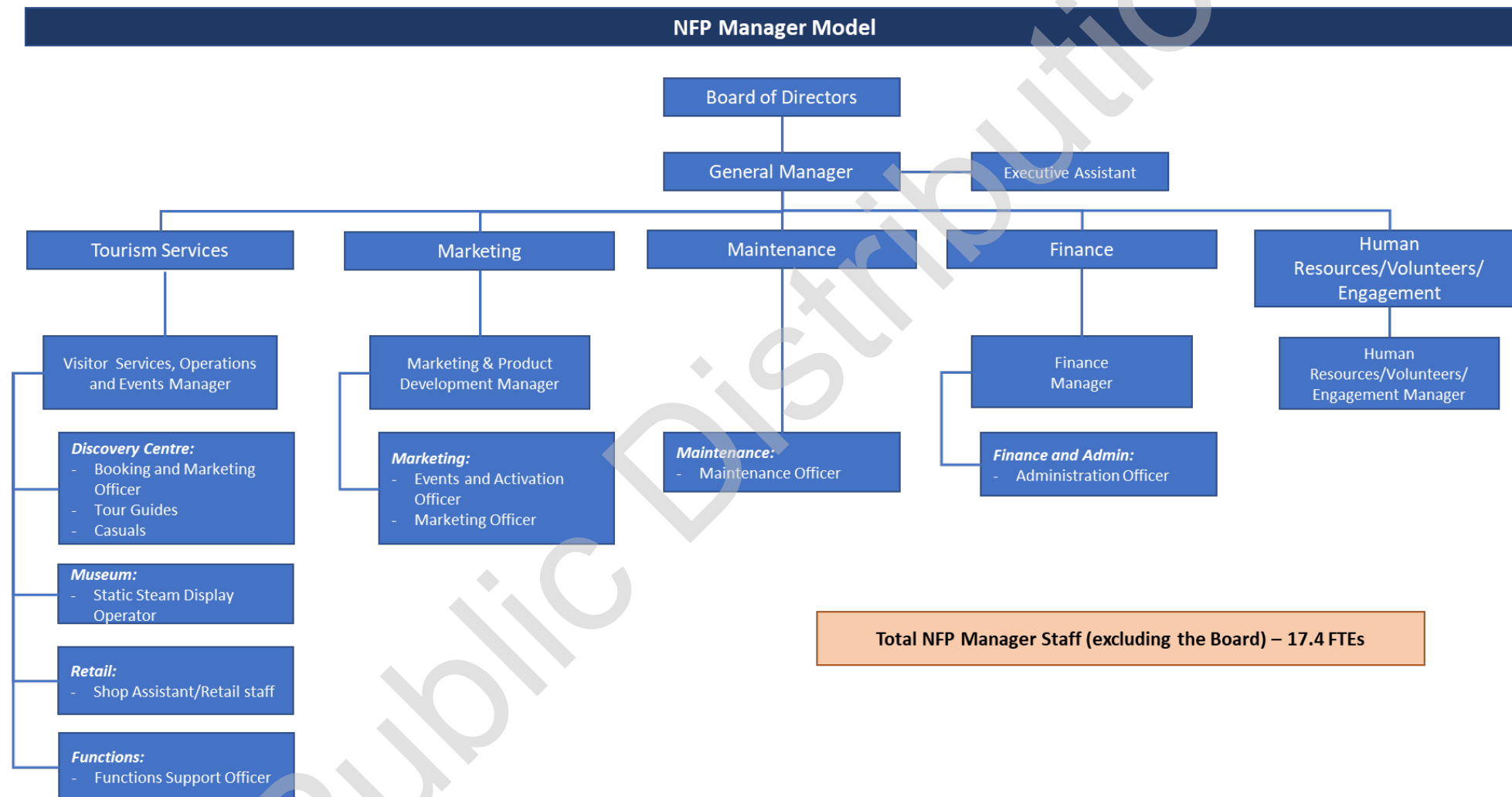
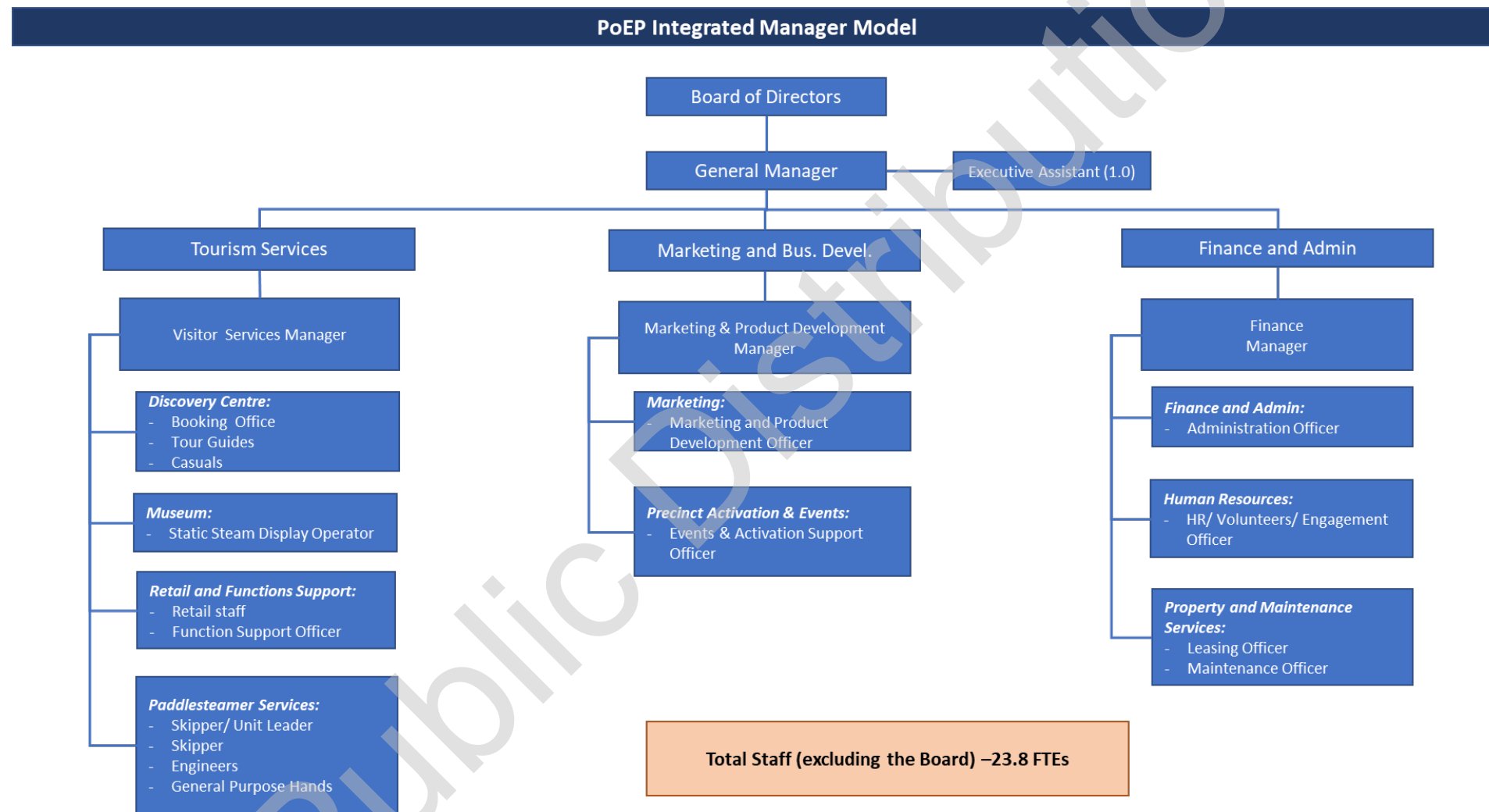


Figure 4: PoEP Integrated Manager Model Organisation Structure



The allocation of staffing resources across the key activities under each scenario is summarised below.

Table 12: Potential Staff Resourcing

Position	Employee Numbers		
	Base Case	NFP Model	PoEP Integrated
COUNCIL RESOURCING			
Tourism and Paddlesteamer Services	18.9	8.0	-
Leasing and Licencing Employees	0.1	0.1	-
Administration/Overhead Employees	1.1	0.7	-
Total Council Employees	20.1	8.8	-
MANAGER RESOURCES			
Tourism Services Employees	-	9.4	9.2
Paddlesteamer Services Employees	-	-	5.1
Property and Maintenance Services	-	1.0	2.0
Marketing and Business Dev. Employees	-	2.0	3.0
Finance and Administration Employees	-	3.0	2.5
Board and Executive Employees	-	10.0	8.0
Total Manager Employees	-	25.4	29.8
TOTAL EMPLOYEES	20.1	34.2	29.8
Total Council Employees	20.1	8.8	-
Total Manager Employees excluding Board	-	17.4	23.8
Total Employees excluding Board	20.1	26.2	23.8
Board Members	-	8.0	6.0
TOTAL EMPLOYEES	20.1	34.2	29.8

Key points to note are:

- Under the Base Case all services continue to be provided by Council, under the NFP Manager Model the new entity assumes responsibility for the tourism services with all other services continuing to be provided by Council, while under the PoEP Integrated Manager Model all services are provided by the new entity.
- Base Case resourcing represents the allocation under the current Council structures inclusive of overheads based on an Avoided Cost basis. While not allocated, it is reasonable to assume that management time committed in managing these businesses is greater than that allocated and, therefore, this may understate (to some unknown extent) the true Council resource commitment.
- NFP Model resourcing is based on the management structure outlined in the Urban Enterprise report with total resourcing adjusted to reflect an updated resourcing level based on the following adjustments:

- The Urban Enterprise estimate was based on an existing FTE of 9.1 whereas the current actual FTE is 10.9 (before overhead resource allocations) thus requiring the inclusion of an additional 1.8FTEs
- The reconciliation of wage expense to identified FTEs indicated that there is an unidentified additional 1.5 casuals that also need to be included
- With this resulting in the staffing being 17.4 FTEs under the identified NFP Manager Model structure as compared to the Urban Enterprise assumed staffing of 14FTEs

Resourcing is greater than in the Base Case due to the employment of additional management resources under each key service line. This is required to provide the skills necessary for the effective independent management of the entity.

There is potential for further rationalisation of resources to occur (eg reduce Director numbers from 8 to 6, reduced staffing). This represents a variation that does not warrant further investigation as, while this would reduce the additional cost impost (eg the change in Director numbers results in a saving of \$30,000pa), any change would not be significant and the revised approach would not overcome other identified concerns.

- PoEP Integrated Model resourcing also includes additional management resourcing with some of this offset by efficiencies achieved through having a wider range of business activities. Under this model there is also a greater resourcing of marketing and business development activities along with an enhancement of commercial skills.

3. KEY BUSINESS MODEL and FINANCIAL PRINCIPLES and ASSUMPTIONS

Outlined in the following are the key business model assumptions from an operational and financial perspective that will be incorporated into the evaluation. The basic principle will apply to all of the scenarios, unless otherwise noted.

3.1 Key Principles and Assumptions – Business Model

Table 13: Business Model principles and Assumptions

Area	Description and Basis
Independence	The Port Manager is to be a separate legal entity with management independent from Council.
Asset ownership.	<p>Tourism Services assets (ie the assets on Crown Land) will be owned by Council with operational and maintenance responsibility passed to the Port Manager for specified areas within the Port area (noting that the coverage of the specified Port area varies under each model option).</p> <p>Freehold assets and Paddlesteamer assets are transferred to the Port Manager under the PoEP Integrated Manager Model.</p> <p>Council retains responsibility for public spaces and Committee of Management responsibility for areas designated as Crown Land (as discussed in Section 2.4).</p>
Asset management	The entity will be responsible for management and maintenance of assets under its direct control (being the areas within the specified Port area).
Administration services	<p>Can be either provided internally or be outsourced (including to Council) under an appropriate service contract, with the Port Manager specifying requirements.</p> <p>The services covered include accounting, financial reporting, insurance, banking, HR and payroll services etc.</p>
Financial management and banking	Independent from Council, including own banking arrangements.
Approach to and role in marketing	<p>To be responsible for marketing and communications for the services and activities under the Port Manager's control (which varies by model option).</p> <p>The marketing role under the PoEP Manager model will be greater as, due to it having an increased role in event attraction and Precinct activation, it will also indirectly have greater responsibility for marketing the Echuca region.</p> <p>The marketing activities of the Port Manager need to be completed in conjunction with those of the EMDTA.</p>
Industrial Relations and Employment	The Port Manager will be an independent entity of Council and, therefore, will not be required to comply with the Council's employment practices and industrial relations arrangements.

Area	Description and Basis
	<p>The Port Manager will be required to comply with normal commercial employment practices and to operate under appropriate ethical industrial relations frameworks.</p> <p>Refer Section 2.4 for a discussion of the basis for this assumption.</p>
Operating location	<p>The Port Manager will operate from the existing administrative facilities within the Port Precinct. No additional office accommodation will be required.</p> <p>The FF & E requirements of the Port Manager will initially be provided by Council from existing resources.</p>

3.2 Key Principles and Assumptions – Financial Model

The key financial principles and assumptions will apply to all scenarios, unless otherwise noted.

Table 14: Financial Model Principles and Assumptions

Area	Description and Basis	Evidence
▪ Financial Model Metrics		
Forecast Period	<p>The financial model covers the period from 17/18 to 29/30 with:</p> <ul style="list-style-type: none"> • 17/18 and 18/19 being actuals • 19/20 being the original budget • 20/21 being based on Council forecasts • 21/22 to 29/30 being the 10 year forecast period 	
Financial years	Periods ending 30 June	
Forecast dollars	Expressed in real dollars (ie no adjustment for inflation)	
Financial metrics	<p>The key financial measures used are:</p> <ul style="list-style-type: none"> • Operating profit • Cashflow • Cumulative operating profit and cashflow • Net Present Value (NPV) over the forecast period (see explanation below) • Breakeven over 10 years – based on the % change in patronage required 	

Area	Description and Basis	Evidence
	<p>Net Present Value:</p> <p>Net Present Value is a calculate which discounts a future stream of cashflow into today's dollars (using an identified discount rate)</p> <p>Net Present Value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time, with it used in capital budgeting and investment planning to analyse the profitability of a projected investment or project. It is calculated by discounting future cashflows into todays dollars by applying a designated discount rate (which represents an allowance for inflation and risks, being the Weighted Average cost of Capital).</p> <p>For this evaluation the cashflows are accumulated over the forecast period of 10 years at a discount rate of 7% (as discussed below)</p> <p>Breakeven:</p> <p>Represents the percentage annual change in patronage (ie the percentage change each year of the forecast period) required for the option to generate an outcome equivalent to the Base Case.</p>	
Discount Rate	<p>In completing the NPV calculation a discount rate of 7% will be used</p>	<p>This rate represents:</p> <ul style="list-style-type: none"> • The recommended discount rate for government projects under the Victorian Government Investment Evaluation framework (noting that this is currently being reviewed by Government) • It approximates the expected return on assets invested under the Victorian Government Competitive Neutrality framework
Sensitivity Analysis	<p>Sensitivity analysis will be completed based on variations in patronage numbers.</p>	
Taxation - Direct	<ul style="list-style-type: none"> • NFP Manager – the entity will obtain approval as a not-for-profit organisation under the <i>Income Tax Assessment Act 1997</i> and, therefore, will be exempt from income tax. • PoEP Manager – The entity will be exempt from income tax under section 50-25 of the <i>Income Tax Assessment Act 1997</i>, due to it being wholly owned by Council, a local government authority. The entity will be subject to taxation under the Tax Equivalent Regime whereby the entity is subject to paying income tax equivalents to Council, equal to the amount of income tax otherwise payable under the <i>Income Tax Assessment Act 1997</i>. 	
Taxation - Indirect	<ul style="list-style-type: none"> • NFP Manager – the entity will be subject to indirect taxations eg payroll tax, stamp duty etc • PoEP Manager – it is expected that the entity will not be subject to payroll tax as it remains a public entity. It will be subject to land tax (as currently applies). It is assumed that it will not be subject to State Stamp Duty on the transfer of assets from Council to the Port Manager.¹⁰ 	

¹⁰ This assumption needs to be confirmed as part of the confirmation of the structures and principles of the Beneficial Enterprise structure.

Area	Description and Basis	Evidence
COVID - 19	The forecasts will not be adjusted to reflect the impact of COVID-19 or other significant non-recurring events.	The adoption of this approach will ensure that the forecasts represent a 'standard operating environment' and, therefore, are not distorted by abnormal events.
▪ Tourism Revenues		
Patronage numbers	Patronage numbers are significantly different between the Discovery Centre (20-25,000) and EPS (45-50,000). Growth in patronage will be assumed to be 2% per annum (noting that the potential for additional patronage would require an expanded service offering).	Visitation research indicates that an increase of 2% per annum is a reasonable assumption based on past experiences and expected future trends.
Ticket pricing	No change to ticket pricing or customer mix across ticket types unless a strong basis is established	Initial investigations indicate that current pricing is appropriate for the market with minimal potential for price increases without a significant change to the service provided.
Commissions	The current commission arrangements for the provision of a booking service will continue.	
▪ Leasing Revenue		
Commercial leases	Existing lease arrangements, including lease pricing changes, will continue for the forecast period. Where a lease expires, the lease will be renewed on similar terms and the lease site will not be subject to any further redevelopment or consideration of alternative use.	While a number of the commercial leases are due for renewal over the forecast period, it is not forecast there will be any substantive change to the lease rates.
Artisan leases	Existing lease arrangements, including lease pricing changes, will continue for the forecast period. Where a lease expires, the lease will be renewed on similar terms	The artisan leases are provided on favourable terms to support the lessee's business and, therefore, substantive increases in rental rates is not feasible.
▪ New Product Offerings/Alternative revenue sources		
Different pricing models	The existing pricing structures and models will continue for the forecast period.	While the potential for different pricing models exists (eg creating PoEP membership offers), this represents an opportunity for the future.

Area	Description and Basis	Evidence
New product offerings	<p>Unless representing a clear opportunity (eg the redeveloped Kiosk), the existing service offering will be retained with the base forecasts not reflecting the potential of changed and/or additional product offerings.</p> <p>It may be feasible to, at an indicative level, complete a financial forecast incorporating some potential product enhancements. However, such a change will not be used to complete the base model financial evaluation.</p>	<p>Potential exists for the development of an enhanced product offering and for adopting a number of initiatives that enhances visitation and/or the return per visitor. However, the quantification of such potential would be speculative and, therefore, it would be inappropriate to incorporate this into the base financial model.</p> <p>The potential for these enhancements varies across the Port Manager options and, therefore, will be considered at a qualitative rather than a quantitative level.</p> <p>(Refer Section 6 for a summary of a number of potential opportunities.)</p>
Expenses		
Employees and Wages	<p>Salaries increased by 2%pa.</p> <p>It is assumed existing staff within Council will be redundant with Council paying a termination package. The staff can then apply to be employed in the new entity.</p> <p>New staff appointments will be employed based on commercial terms and conditions.</p>	<p>The establishment of an independent entity will remove the requirement to apply Council terms and conditions to employment.</p> <p>Also refer Section 2.4 for a discussion on the ability of the entities to achieve industrial relations reforms.</p>
Director Fees	<p>Director fees will be based on the existing Victorian guidelines being the <i>'Appointment and Remuneration Guidelines - Remuneration schedules effective from 1 July 2019'</i>.</p>	<p>Rates will be the lower end for Group A Band 4 appointments (below \$50m turnover) inclusive of sub-committee allowances.</p>
Marketing Expenditure	<p>Marketing expenditure will be set at a realistic level to reflect the activities required to support the maintenance and growth of visitation, noting that current expenditure is limited.</p>	<p>Current marketing activities are minimal, with an enhancement required to deliver patronage growth.</p>
Property maintenance services	<p>Property services may be undertaken by Council and charged to the entity at an applicable rate or they can seek the works to be undertaken by a contractor directly.</p> <p>While Council has prepared a 10 Year Maintenance Plan, this is still being developed and the allowances are not considered adequate. Therefore, maintenance has been allowed based on a % of asset value.</p>	<p>Maintenance % of asset value is based on generally accepted standard allowances and is also reflective of past experience.</p>

Area	Description and Basis	Evidence
▪ Other Expenditure		
Capital expenditure	Based on the existing 10 year Capital Plan prepared by Council. However, the Plan did not include any allowance for capital expenditure for the Tourism Services Assets. Therefore, a yearly allowance of for capital works has been included.	
Establishment costs	Appropriate establishment costs (eg fees for incorporation, legal fees etc) will be included.	

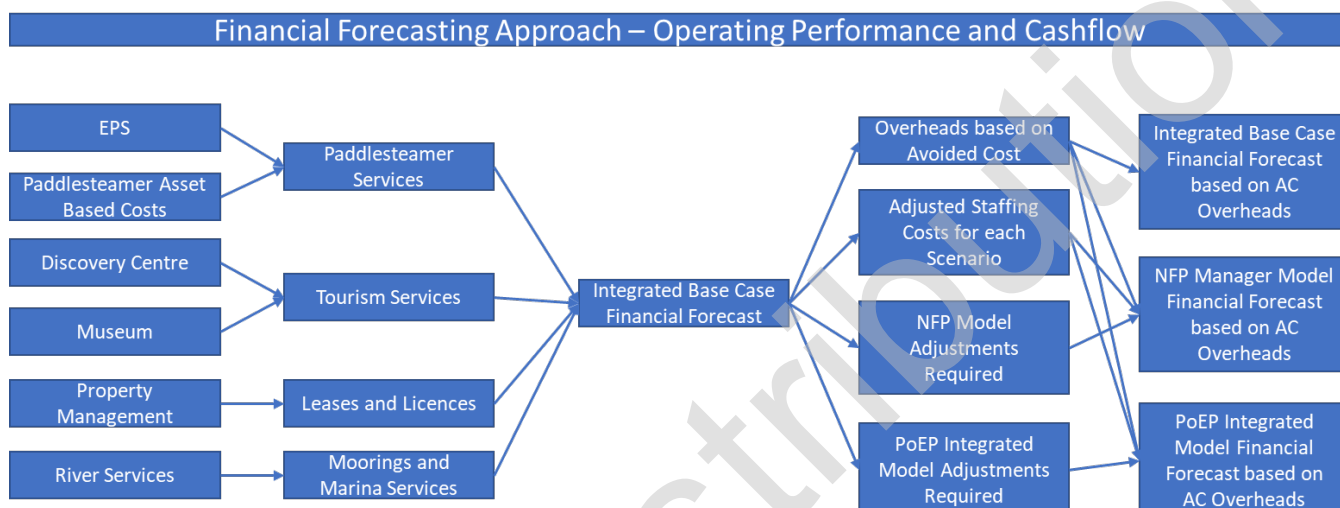
The above business and financial principles and assumptions have been incorporated into the development of the financial forecasts.

4. FINANCIAL EVALUATION

4.1 Financial Forecast Approach and Outputs

Financial forecasting has been completed based on the key principles and assumptions detailed in Section 3.2. The approach to the completion of the financial forecasting is depicted in the following figure.

Figure 5: Financial Forecasting Approach



The base input to the forecasting was sourced from the individual unit financial accounts of Council, (including the allocation of overheads) with this then being combined to determine Base Case financial forecasts for each of the identified key service areas, which were then combined to provide the Base Case financial forecast (including FDC overheads).

This Base Case forecast was then adjusted for the following:

- Adjusting the overhead allocation basis to Avoided Cost
- Amending the staffing costs to reflect the previously identified staffing structure for each scenario
- Additional adjustments required to the NFP Manager Model (eg redundancy costs, establishment costs, legal fees, operating contingency)
- Additional adjustments required to the PoEP Integrated Manager Model (eg redundancy costs, establishment costs, legal fees, operating contingency)

The resultant output from this process was the financial forecasts for each of the identified Port Manager options, which has then been subjected to financial analysis.

In completing the financial forecasts, it should be noted that:

- The base data has been sourced from the Council financial statements, budgets and forecasts including 10 Year Capital Plans and 10 Year Maintenance Plans
- Where considered appropriate, this base information has been adjusted to reflect what is considered a more realistic base (eg additional marketing expenditure, additional maintenance expenses, Tourism Asset capital expenditure)
- The proposed staffing structure and costs have been developed with input from Council management
- The suggested additional adjustments under each of the scenarios has also been reviewed by Council management

- The NFP Manager and PoEP Integrated Manager models also include a small contingency allowance (at both establishment and on-going) to allow for unforeseen expenses.

The resultant output is summarised in the following.

4.2 Forecasts

The financial forecast for the Base Case can be summarised as follows:

Table 15: Base Case Operating Performance and Cashflow

Base Case Operating Performance													
	Year Ending 30 June \$'000												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
TOTAL REVENUE	1,525.4	1,555.8	1,497.4	1,572.6	1,605.6	1,637.5	1,670.2	1,703.6	1,737.9	1,772.9	1,808.8	1,845.5	1,883.0
TOTAL DIRECT OPERATING EXPENSES	- 2,376.1	- 3,052.5	- 2,626.3	- 2,852.5	- 2,855.3	- 2,908.0	- 2,971.9	- 3,028.1	- 3,095.4	- 3,155.2	- 3,214.7	- 3,277.9	- 3,340.7
OPERATING PROFIT/(LOSS) BEFORE OVERHEADS	- 850.7	- 1,496.7	- 1,128.9	- 1,279.9	- 1,249.7	- 1,270.5	- 1,301.7	- 1,324.4	- 1,357.6	- 1,382.3	- 1,406.0	- 1,432.5	- 1,457.7
Allocated Overheads (Avoided Costs)	- 426.0	- 163.8	- 182.3	- 194.2	- 194.6	- 198.5	- 202.4	- 206.5	- 210.6	- 214.8	- 219.1	- 223.5	- 228.0
OPERATING PROFIT/(LOSS)	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
CASHFLOW	- 2,255.0	- 975.4	- 2,582.5	- 1,510.3	- 1,773.6	- 2,446.6	- 1,857.0	- 1,621.0	- 2,507.1	- 1,650.0	- 1,673.1	- 1,696.5	- 1,720.1

Analysis of Base Case Financial Performance				
		Operating Performance	Cashflow	Difference
Accumulated Performance before Overheads - 2021 to 2030	\$'000	-\$ 13,462.17	-\$ 16,363.20	2,901.04
Accumulated Performance after Overheads - 2021 to 2030	\$'000	-\$ 15,554.31	-\$ 18,455.35	2,901.04
Net Present Value before Overheads - 2021 to 2030	7% \$'000		-\$ 11,545.16	
Net Present Value after Overheads - 2021 to 2030	7% \$'000		-\$ 12,999.34	-\$ 1,454.18

The total PoEP activities place a significant financial impost on Council with the total operations requiring Council support historically and with that expected to continue into the foreseeable future.

For the forecast period the PoEP will incur average annual operating losses of approximately \$1.55 million with it requiring cash funding support of, on average, \$1.85 million annually from Council (due to the need for capital expenditure which is consistently in excess of the depreciation allowance).

It is important for Council to be satisfied that the value to the community (economic and social) provided by the PoEP warrants this level of Council funding.

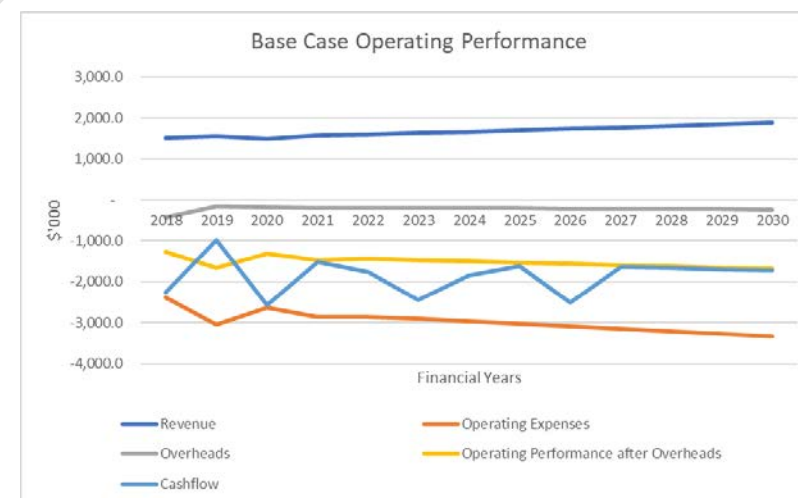
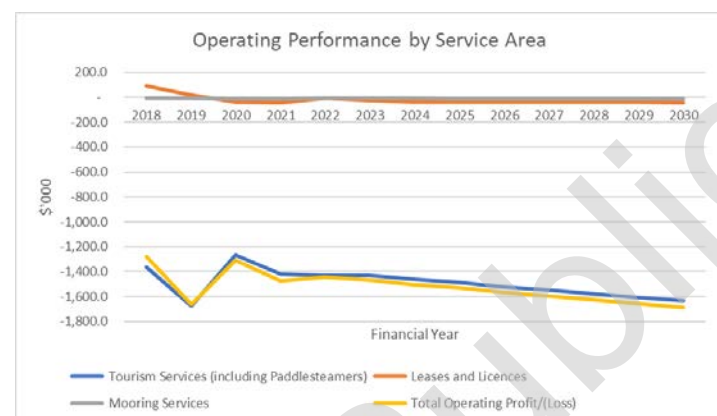
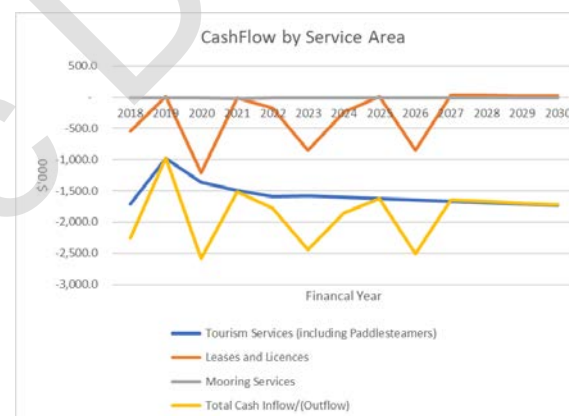
Figure 6: Base Case Operating Performance


Table 16: Base Case Operating Performance and Cashflow by Service Area

	Year Ending 30 June \$'000												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
OPERATING PERFORMANCE BY SERVICE AREA													
Tourism Services (including Paddlesteamers)	- 1,363.9	- 1,673.8	- 1,265.0	- 1,416.7	- 1,429.9	- 1,433.2	- 1,460.3	- 1,485.9	- 1,522.0	- 1,549.6	- 1,576.3	- 1,605.8	- 1,634.1
Leases and Licences	94.2	19.9	34.9	45.2	5.3	26.4	34.3	35.3	36.4	37.4	38.6	39.7	40.9
Mooring Services	- 7.0	- 6.6	- 11.3	- 12.3	- 9.1	- 9.3	- 9.5	- 9.7	- 9.9	- 10.1	- 10.3	- 10.5	- 10.7
Total Operating Profit/(Loss)	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
CASHFLOW BY SERVICE AREA													
Tourism Services (including Paddlesteamers)	- 1,707.1	- 979.1	- 1,361.3	- 1,488.9	- 1,588.2	- 1,584.0	- 1,605.1	- 1,626.4	- 1,647.8	- 1,669.4	- 1,691.2	- 1,713.2	- 1,735.5
Leases and Licences	- 540.9	10.3	- 1,209.9	- 9.2	- 176.3	- 853.3	- 242.4	- 15.1	- 849.5	- 29.5	- 28.4	- 27.2	- 26.0
Mooring Services	- 7.0	- 6.6	- 11.3	- 12.3	- 9.1	- 9.3	- 9.5	- 9.7	- 9.9	- 10.1	- 10.3	- 10.5	- 10.7
Total Cash Inflow/(Outflow)	- 2,255.0	- 975.4	- 2,582.5	- 1,510.3	- 1,773.6	- 2,446.6	- 1,857.0	- 1,621.0	- 2,507.1	- 1,650.0	- 1,673.1	- 1,696.5	- 1,720.1

Figure 7: Base Case Performance by Service Area

Figure 8: Base Case Cashflow by Service Area


From an operating performance perspective, the majority of the losses are incurred in the Tourism and Paddlesteamer Services area.

From a cashflow perspective, the Leases and Licences activities also contribute to the significant negative cashflows due to the need for regular capital expenditure on the heritage assets.

4.3 Port Manager Model Scenario Adjustments

The financial forecasts under each of the proposed model scenarios need to be adjusted for expected variations in expenses and cashflow from the Base Case resulting from the implementation of the proposed model, with these being segregated between:

- Establishment costs and on-going operating expenditure
- Costs which will be incurred by Council and those incurred by the new entity.

The changes effected can be summarised as follows:

Table 17: Financial Forecast Output Summary

	Adjustment - \$'000		Comment
	NFP Mgr Model	PoEP Integrated Mgr Model	
Port Manager entity incurred Establishment Costs			
Legal fees	50	50	Establishment of the required contractual arrangements with Council.
Corporate establishment costs	30	30	Corporate fees associated with the establishment of the legal entity and associated taxation approvals.
Technology and system establishment	150	150	Purchase and establishment of independent operating and reporting systems.
Contingency and other costs	30	84	Allowance for additional unidentified costs.
Council incurred Establishment Costs			
Legal fees	50	50	Establishment of required contractual arrangements with the Port Manager.
Contingency and other costs	300	530	Allowance for additional identified costs along with a general contingency allowance for unidentified costs
Port Manager entity incurred Operating Costs (for 2022/23 Financial Year)			
Employee Costs (including Directors Fees)	459	37	Additional cost of proposed organisation structure. Further information is provided below.
Entity Audit fees	30	15	As an independent entity it will need to be subject to financial audit. The fees of the PoEP Integrated Model is lower as it will be completed as part of the annual Council audit.
Furniture Fixtures and Equipment allowance	20	20	General allowance for minor capital expenditure.

	Adjustment - \$'000		Comment
	NFP Mgr Model	PoEP Integrated Mgr Model	
Contingency	102	102	Allowance for additional unidentified costs
Council incurred Operating Costs (for 2022/23 Financial Year)			
Performance audit fees	25	25	The Council will require the completion of an annual performance audit of the Port Manager to ensure it is meeting expectations, based on the established performance requirements.

A key component of the above adjustments from an operational perspective is the change in wage costs, inclusive of Director fees. This has been estimated by:

- Using the organisational structure and associated employee resourcing outlined previously (in Section 2.5)
- Applying the current wage cost for each resource based on the existing Council wage structures
- Incorporating director fees based on the Victorian Government framework for an equivalent entity
- Applying relevant employee on-costs including payroll tax
- Adjusting the employee costs, for the expected potential savings that could be achieved, by transferring the activities to an independent entity.

4.4 Port Manager Options Financial Evaluation

The resultant output from the application of the above adjustments to the Base Case financial forecast is summarised in the following tables and graphs.

Table 18: Total Comparative Operating Performance under different Structures

Total Comparative Operating Performance under different Structures (after overheads based on AC)														
	Year Ending 30 June \$'000													
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Base Case Profit/(Loss) after Overheads	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6	
NFP Model Profit/(Loss) after Overheads	- 1,276.7	- 1,660.5	- 1,311.2	- 2,034.1	- 2,128.8	- 2,085.6	- 2,133.1	- 2,172.4	- 2,222.6	- 2,264.6	- 2,305.9	- 2,350.4	- 2,393.9	
PoEP Integrated Model Profit/(Loss) after O/head	- 1,276.7	- 1,660.5	- 1,311.2	- 2,284.1	- 1,734.0	- 1,648.4	- 1,687.2	- 1,717.6	- 1,758.6	- 1,791.4	- 1,823.3	- 1,858.1	- 1,891.8	
Variation from Base Case														
NFP Model Profit/(Loss) after Overheads	-	-	-	- 560.0	- 684.5	- 616.6	- 629.0	- 641.5	- 654.4	- 667.5	- 680.8	- 694.4	- 708.3	
PoEP Integrated Model Profit/(Loss) after O/head	-	-	-	- 810.0	- 289.7	- 179.5	- 183.1	- 186.7	- 190.5	- 194.3	- 198.1	- 202.1	- 206.2	

Table 19: Total Comparative Cashflow under different Structures

Total Comparative Cashflow under different Structures (after overheads based on AC)														
	Year Ending 30 June \$'000													
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Base Case Cashflow after Overheads	- 2,255.0	- 975.4	- 2,582.5	- 1,510.3	- 1,773.6	- 2,446.6	- 1,857.0	- 1,621.0	- 2,507.1	- 1,650.0	- 1,673.1	- 1,696.5	- 1,720.1	
NFP Model Cashflow after Overheads	- 2,255.0	- 975.4	- 2,582.5	- 2,090.3	- 2,458.2	- 3,083.2	- 2,485.9	- 2,282.6	- 3,161.5	- 2,337.5	- 2,353.9	- 2,410.9	- 2,428.4	
PoEP Integrated Model Cashflow after Overheads	- 2,255.0	- 975.4	- 2,582.5	- 2,340.3	- 2,063.4	- 2,646.1	- 2,040.0	- 1,827.7	- 2,697.6	- 1,864.3	- 1,871.3	- 1,918.6	- 1,926.3	
Variation from Base Case														
NFP Model Cashflow after Overheads	-	-	-	- 580.0	- 684.5	- 636.6	- 629.0	- 661.5	- 654.4	- 687.5	- 680.8	- 714.4	- 708.3	
PoEP Integrated Model Cashflow after Overheads	-	-	-	- 830.0	- 289.7	- 199.5	- 183.1	- 206.7	- 190.5	- 214.3	- 198.1	- 222.1	- 206.2	

The above represents the total financial outcome for the operations, being the combined results for Council and the relevant new port manager for the provision of comparable services. The tables following then segment the outcomes between the individual entities.

As expected, both the operating performance and the cashflow is lower under each of the scenarios, with the NFP Manager Model resulting in significant additional costs (when compared to the PoEP Integrated Manager Model).

This difference is also demonstrated in the graphics following.

Figure 9: Forecast Operating Performance by Scenario

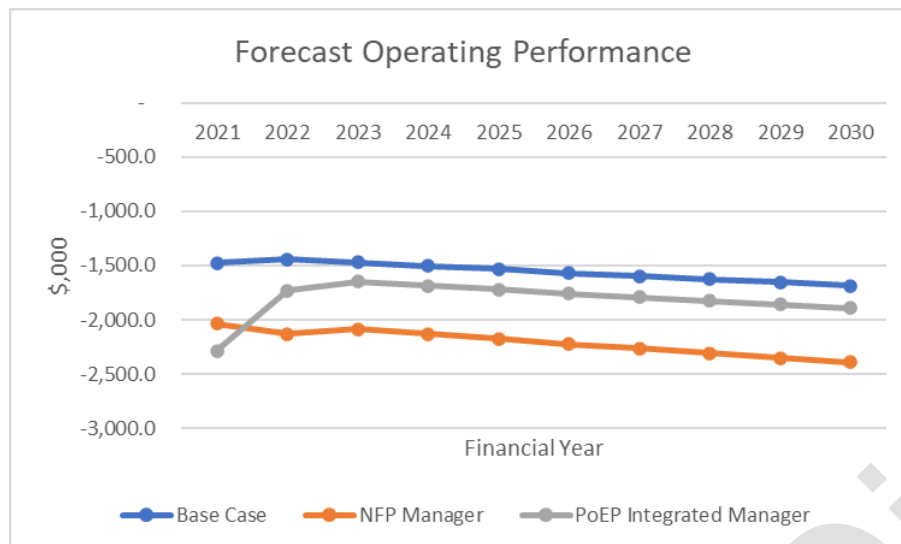
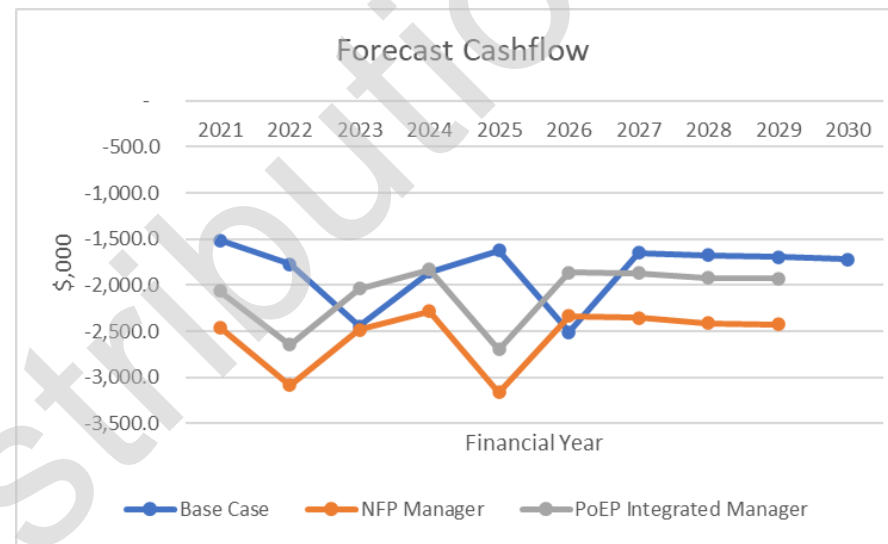


Figure 10: Forecast Cashflow by Scenario



When considering the financial performance it is also relevant to consider the impact on the individual entities ie the Council and the Port Manager, with this being outlined in the following. As expected, the losses of the Port Manager increase depending on the scale of Council activity transferred to the Port Manager, with the losses incurred by Council (before the provision of any financial support) declining.

Table 20: Comparative Operating Performance across individual Entities

	Year Ending 30 June \$'000												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Base Case													
- Council	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
- Port Manager	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	- 1,276.7	- 1,660.5	- 1,311.2	- 1,474.1	- 1,444.3	- 1,468.9	- 1,504.1	- 1,530.9	- 1,568.2	- 1,597.1	- 1,625.1	- 1,656.0	- 1,685.6
NFP Manager Model													
- Council	- 1,276.7	- 1,660.5	- 1,311.2	- 1,824.1	- 440.6	- 465.6	- 484.5	- 494.8	- 515.3	- 527.2	- 537.9	- 551.2	- 563.0
- Port Manager	-	-	-	- 210.0	- 1,688.2	- 1,619.9	- 1,648.5	- 1,677.7	- 1,707.2	- 1,737.3	- 1,768.0	- 1,799.2	- 1,830.9
Total	- 1,276.7	- 1,660.5	- 1,311.2	- 2,034.1	- 2,128.8	- 2,085.6	- 2,133.1	- 2,172.4	- 2,222.6	- 2,264.6	- 2,305.9	- 2,350.4	- 2,393.9
PoEP Integrated Manager Model													
- Council	- 1,276.7	- 1,660.5	- 1,311.2	- 2,054.1	- 224.5	- 227.9	- 231.2	- 232.7	- 243.2	- 246.6	- 248.6	- 252.0	- 255.3
- Port Manager	-	-	-	- 230.0	- 1,509.5	- 1,420.5	- 1,455.9	- 1,484.9	- 1,515.4	- 1,544.8	- 1,574.6	- 1,606.1	- 1,636.5
Total	- 1,276.7	- 1,660.5	- 1,311.2	- 2,284.1	- 1,734.0	- 1,648.4	- 1,687.2	- 1,717.6	- 1,758.6	- 1,791.4	- 1,823.3	- 1,858.1	- 1,891.8

Figure 11: Base Case Operating Performance by Entity



Figure 12: NFP Manager Model Operating Performance by Entity

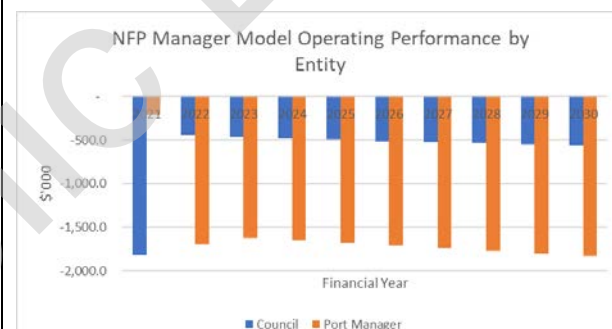
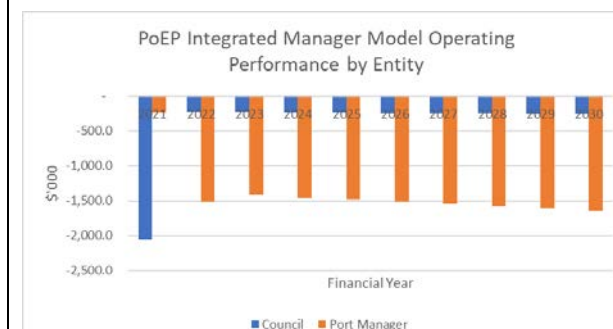


Figure 13: PoEP Integrated Manager Operating Performance by Entity



▪ **Potential for improved Operating Performance – Expenses Control and Revenue Generation**

While the forecast operating results under the various alternative models result in increased costs and cashflow requirements, these forecasts do not include allowance for the potential improvements in operating efficiency (other than the wages reform) or revenue generation (from improved patronage, higher yield per visitor, enhanced product offerings and expanded service offering).

A number of potential improvements to the operations of the paddlesteamers was identified in an earlier confidential report to Council (Cloudstreet Economics, *Echuca Paddlesteamer Review – A consideration of past and future options*, February 2020) and a number of potential enhancements to the Tourism Services activities have been identified in Section 6 of this report. In addition, it is expected that the establishment of an appropriately skilled, correctly structured and integrated business model will further enhance the potential for improved operating performance above and beyond the already identified areas for consideration.

Therefore, it is reasonable to assume that the adoption of either of the alternatives will result in an improved performance. However, it is important to consider whether this potential improvement would be sufficient to result in the overall performance exceeding that forecast in the Base Case.

To provide a guide to this a Sensitivity Analysis has been completed along with a consideration of the expense structure.

Table 21: Sensitivity Analysis

Sensitivity Analysis	Forecast based on AC Overhead Allocation					Breakeven Growth Percentage
	Assumed Customer Growth per annum					
	\$'000					
	2%	3%	4%	5%		
Accumulated Performance - 2021 to 2030						
Base Case Profit/(Loss) after Overheads	- 15,554.3	- 14,918.6	- 14,243.6	- 13,526.8		
NFP Model Profit/(Loss) after Overheads	- 22,091.4	- 21,455.8	- 20,780.7	- 20,063.9	10.3%	
PoEP Integrated Model Profit/(Loss) after Overheads	- 18,194.4	- 17,562.5	- 16,891.2	- 16,178.1	5.8%	
Accumulated Cashflow - 2021 to 2030						
Base Case Cashflow after Overheads	- 18,455.4	- 17,819.7	- 17,144.7	- 16,427.8		
NFP Model Cashflow after Overheads	- 25,092.5	- 24,456.8	- 23,781.8	- 23,064.9	9.9%	
PoEP Integrated Model Cashflow after Overheads	- 21,195.5	- 20,563.5	- 19,892.2	- 19,179.2	5.5%	
Cashflow Net Present Value - 2021 to 2030						
Base Case NPV after Overheads	- 12,999.3	- 12,601.5	- 12,180.8	- 11,735.7		
NFP Model NPV after Overheads	- 17,619.6	- 17,221.8	- 16,801.0	- 16,355.9	10.8%	
PoEP Integrated NPV after Overheads	- 15,079.3	- 14,684.7	- 14,267.2	- 13,825.4	6.2%	
NOTE - Breakeven Growth Percentage represents the percentage growth in patronage required for the identified option to be similar to that of the Base Case.						

The sensitivity analysis indicates that the growth required to 'breakeven' (which includes recovery of the identified Establishment Costs of all parties) is:

- under the NFP Manager Model for both Operating Performance and Cashflow an annual rate of 10% a year,
- while under the PoEP Integrated Model it is closer to 6%.

Both represent significant challenges and it is clear that the ongoing feasibility of either option will require improved performance to come from more areas than visitor improvements.

Therefore, it is useful to consider the expense structure of the operations under each option.

Table 22: Expense Structure for a Typical Year

Comparison of Key Expenses across a typical Operating Year (2023)								
	30 June 2023 - \$			30 June 2023 - %			Change from Base Case - \$	
	Base Case	NFP Model	Integrated PoEP Model	Base Case	NFP Model	Integrated PoEP Model	NFP Model	Integrated PoEP Model
Total Revenue	1,637.5	1,637.5	1,637.5				-	-
Purchases for Resale	216.2	216.2	216.2				-	-
Gross Margin	1,421.3	1,421.3	1,421.3				-	-
Operating Costs								
Wages and on-costs	1,603.8	2,105.3	1,742.0	60%	63%	59%	501.5	138.2
Repairs and Maintenance	248.5	248.5	248.5	9%	7%	8%	-	-
Materials	68.6	68.6	68.6	3%	2%	2%	-	-
Marketing	127.1	127.1	127.1	5%	4%	4%	-	-
Utilities	48.8	48.8	48.8	2%	1%	2%	-	-
Cleaning	26.3	26.3	26.3	1%	1%	1%	-	-
Security	7.1	7.1	7.1	0%	0%	0%	-	-
Legal and Consultants	51.1	51.1	51.1	2%	2%	2%	-	-
Internet, phone etc	7.9	7.9	7.9	0%	0%	0%	-	-
Insurances	146.4	146.4	146.4	5%	4%	5%	-	-
Depreciation	261.3	261.3	261.3	10%	8%	9%	-	-
Commissions	31.3	31.3	31.3	1%	1%	1%	-	-
Accommodation	-	-	-	0%	0%	0%	-	-
Audit Fees	-	56.1	40.8	0%	2%	1%	56.1	40.8
Contingency	-	102.0	102.0	0%	3%	3%	102.0	102.0
Other Costs	63.6	63.6	63.6	2%	2%	2%	-	-
Total Operating Costs	2,691.8	3,351.4	2,972.8	100%	100%	100%	659.6	281.0
Operating Profit/(Loss) before Overheads	- 1,270.5	- 1,930.1	- 1,551.5				659.6	281.0
Allocated Overheads	-	2,248.1	2,248.1				- 2,248.1	- 2,248.1
Operating Profit/(Loss) after Overheads	- 1,270.5	- 4,178.2	- 3,799.6				2,907.8	2,529.1
Sensitivity:								
- 2% change in Visitation	-	2,022.2	1,585.0				63.4	63.4
- 10% in 2021 and 2% thereafter	-	1,990.8	1,553.6				94.8	94.8

The above table represents the operating performance for a typical year (being the 2022/23 year) under each option with the analysis indicating that:

- under all scenarios wages are the dominant cost representing 59-63% of total direct costs
- other major operating cost categories are repairs and maintenance, marketing, depreciation and insurances - and the ability to significantly impact these cost items is limited. (In completing the forecast some of these cost categories (eg insurances, repairs and maintenance, marketing) have been increased above the historic trend as the past expense was consider to be too low for the future forecast)
- to 'breakeven' for this typical year the NFP Manager Model would need to achieve improvements of \$617,000, with this requiring a 20% reduction in operating costs or a 46% increase in revenue, or a combination of both consisting of some level of reduced costs and increased revenues up to these percentages
- to 'breakeven' for this typical year the PoEP Integrated Manager Model would need to achieve improvements of \$180,000, with this requiring a 6% reduction in operating costs or a 13% increase

- in revenue, or a combination of both consisting of some level of reduced costs and increased revenues up to these percentages
- an annual 2% increase in visitor numbers will contribute \$63,000 towards these targets while an immediate 10% increase followed by 2% per annum thereafter increases the contribution to \$95,000.

▪ **Approach to provision of Council Financial Support**

The above analysis has predominantly evaluated the financial analysis from the perspective of the total impact on Council (ie the combined outcomes of the Council operations and the Port Manager operations), as this is comparable to the Base Case (where Council currently completes all operations). Such an approach, which is based on the assumption of on-going Council support under all scenarios, is appropriate as it provides a valid basis for comparison.

The analysis has not taken into consideration, at a quantitative level, the ability of Council to incentivise improved performance (through contractual arrangements) or for the Port Manager to be able to access additional sources of funds that would not otherwise be available.

These factors will be included in the overall option evaluation completed in Section 7.

4.5 Overall Financial Analysis Conclusion

Based on the financial forecasts it can be concluded that:

- The NFP Manager Model results in an additional cost impost incurred by the new entity of approximately \$600,000 per year (in addition to the Paddlesteamer costs retained by Council) with the comparable cost impost under the PoEP Integrated Manager Model being \$200,000
- While the expected improvement from visitation will contribute to offsetting these costs (with a 2% annual increase improving performance by \$63,000 in 2023 and \$165,000 in 2027), additional improvements will also be required from a combination of:
 - improvements to the operations of the paddlesteamers (as identified in an earlier report)¹¹ with this predominantly relating to the PoEP Integrated Manager Model
 - potential enhancements to the Tourism Services activities (with a number of opportunities identified in Section 6 of this report)
 - the expected benefits from the establishment of an appropriately skilled, correctly structured and integrated business model which further enhances the potential for improved operating performance above and beyond the already identified areas for consideration
 - the implementation of an appropriate incentive structure to drive improved performance
 - potential access to additional sources of funding
- it is reasonable to expect that the PoEP Integrated Manager should be able to generate benefits which exceed that required for the option to be feasible, but it is far more problematic to expect this to be achieved under the NFP Manager Model.

Therefore, from a financial perspective, the NFP Manager Model is not considered to be a feasible alternative while the PoEP Integrated Manager Model has the potential to drive additional benefits for Council.

¹¹ Cloudstreet Economics, *Echuca Paddlesteamer Review – A consideration of past and future options*, February 2020 (Confidential to Council)

5. FUTURE BUSINESS MODEL KEY RISKS

In considering future business models for the PoEP, it is also relevant to consider potential key risks and the differences in these risks between model options. The table below, therefore, details key risks along with the model to which the risk applies.

In considering these risks it is important to recognise that:

- A risk may apply to each and any number of proposed business model options. The table below shows the relevance of each risk (using a simplistic High, Medium, Low categorisation) to each business model.
- A risk rating needs to be considered having regard to the likelihood and consequence of each risk as it applies to the operation of each business model. This risk assessment has not been undertaken here.
- It is also important to consider the extent to which the risk can be mitigated by appropriate actions. This potential for mitigation has not been reflected in the table below.

Table 23: Key Risks of Future Business Model Options

Key Risk	Business Model		
	Base Case	NPF Manager	PoEP Integrated Manager
Commercial and Financial Business Risks			
Inability to achieve the structural change and commercial focus required to improve the financial performance of the total PoEP operations	High	High	Low
Inability to develop the market for an expanded service offerings	High	Medium	Medium
Failure to utilise the asset base to develop new offerings	High	Medium	Low
Incorrectly targeted marketing	Medium	Medium	Low
Land and water based assets continues to deteriorate due to lack of maintenance and use	Medium	Medium	Medium
Ability to attract and retain the skill sets and required numbers of qualified staff	High	Medium	Low
Loss of required skills to manage and operate the paddlesteamers	Low	Low	Medium
Negative impact of the model on the operations of the Port of Echuca including the Discovery Centre	Low	Medium	Medium
Inability to fully implement the business model on a commercial basis	High	Medium	Low

Key Risk	Business Model		
	Base Case	NPF Manager	PoEP Integrated Manager
Potential for the financial failure of the Port Manager, with the business being handed back to Council	N/A	High	Low
Failure to comply with the requirements of Competitive Neutrality	Medium	Medium	Medium
Public and Stakeholder Risks			
Loss of Council and community support for continued ownership and operation of the PoEP facilities	Low	Medium	Low
Adverse community response to the proposed Industrial Relations reforms	N/A	Low	Medium
Potential for the public to perceive a Conflict of Interest inherent in decision-making/operations	Low	High	Low

6. POTENTIAL FUTURE BUSINESS IMPROVEMENT OPPORTUNITIES

In completing the review and through discussions with Council management, a number of potential opportunities have been identified for consideration by Council and the designated Port Manager.

Each of these require consideration at both an individual service level and also at an integrated level to:

- Assist in confirming the scope and requirements of the opportunity
- Enable the prioritisation of initiatives (as it is not possible to complete all of these together)
- Ensure the individual opportunities present an integrated cohesive offering.

These opportunities have not been included within the above port manager model analysis (except at a qualitative level in the evaluation criteria) and thus represent potential future enhancements which would both:

- Improve the financial sustainability of the Precinct
- Improve the visitor attraction to Echuca thus driving economic growth.

In considering the above potential opportunities, it is important to note that:

- a number of the opportunities can be pursued under any of the identified options, including the Base Case
- the adoption of either the NFP Manager Model or the PoEP Integrated Manager Model:
 - would enhance the ability to and the effectiveness of a number of the opportunities as they benefit from the adoption of an integrated approach to service delivery
 - a number of the projects would still need to be delivered in conjunction with Council with Council retaining a significant on-going role (eg Pop-up Park developments)
- there is also an element of 'mutual exclusivity' as in some cases the pursuit of one opportunity may impact on the viability of another opportunity¹².

Table 24: Potential Opportunities for Business Improvement

Opportunity
Market Development
Enhanced approach and effectiveness of PoEP Marketing:
<ul style="list-style-type: none"> ▪ Better promotion of the Port and its key attractions ▪ Adoption of integrated marketing approach for PoEP and for the region.
Market Identification and Evaluation;
<ul style="list-style-type: none"> ▪ Completion of market research to develop a significantly improved understanding of: <ul style="list-style-type: none"> ○ the PoEP current visitor target markets and offering requirements ○ the reason potential visitors do not come to Echuca ○ future potential target markets and their needs.

¹² For example, there are a number of potential Food and Beverage opportunities across the total PoEP. Therefore, it is important to develop a diverse range of F & B alternatives based on the needs of identified target markets and to ensure the expansion does not result in competing offerings.

Opportunity
<p>Council approach to Marketing:</p> <ul style="list-style-type: none"> Review of the Council approach to and role in marketing of the region including: <ul style="list-style-type: none"> Evaluation of the appropriateness and effectiveness of current marketing spend Relocation of the Visitor Information Centre Alternative use of the Pump House facilities and surrounds.
<p>Expanded Product and Service Offering/Improved utilisation of Assets</p>
<p>Expanding the existing offerings:</p> <ul style="list-style-type: none"> Strengthening the role of events within the area Potentially opening up the Wharf to increase accessibility Increasing Precinct activation and immersive experiences.
<p>Potential new offerings:</p> <ul style="list-style-type: none"> Creating night-time activities to stimulate the night-time economy Investing in contemporary tourism product and experiences (including food & beverage, nature, arts and culture, Indigenous tourism, etc.)
<p>Approach to Entrance fees:</p> <ul style="list-style-type: none"> Consideration of the viability and benefits of removing entrance fees to the PoEP, including enhancing visitor access points.
<p>Alternative use of existing assets:</p> <ul style="list-style-type: none"> A number of opportunities exist to reposition the uses of the existing assets to enhance the offering and improve the return including: <ul style="list-style-type: none"> Re-envisioning the use of existing assets Development of the Pop-up park Continued development of the commercial freehold assets
<p>Arts Precinct:</p> <ul style="list-style-type: none"> Incorporation of the Arts Precinct assets (and leases) into the PoEP integrated management framework to enhance consistency of offering and integrated promotion.
<p>Paddlesteamer Services</p>
<p>Paddlesteamer Integration and Development:</p> <p>Enhancements and improvements to the Paddlesteamer offering, including the implementation of relevant recommendations of the March 2020 confidential report to Council covering such areas as:</p> <ul style="list-style-type: none"> Service integration Offering rationalisation Business efficiency and management.

Opportunity
Potential Business Funding and Efficiency Improvements
Business Reporting and Control: <ul style="list-style-type: none"> Development of a management reporting framework and process that provides monthly information relevant for the management of the PoEP, including to support decision making.
Access to alternative funding sources: <ul style="list-style-type: none"> Private sector integration into specific new areas of service provision Identification of additional funding sources (eg grant programs and philanthropic funding) that may be available under an alternative Port Manager model.
Sponsorship Funding: <ul style="list-style-type: none"> Evaluation of the potential to obtain Sponsorship funding to support: <ul style="list-style-type: none"> Specific initiatives and/or developments Product or service offerings.

While, as noted, each of these opportunities need to be evaluated individually and in total, such an evaluation would benefit from the development of a Concept Plan for the total PoEP. While plans for specific areas have been prepared in the past (eg a streetscape plan for Murray Esplanade), the development of a concept plan for the total Precinct would provide an important framework for the future of the Port.

7. EVALUATION OF MODEL OPTIONS

In completing the evaluation of the potential Port Manager options it is important to take into consideration all relevant qualitative and quantitative factors. Therefore, an evaluation framework has been developed which takes into consideration:

- The existing model (ie Base Case) key issues and constraints identified in the Urban Enterprise 2020 report along with the framework utilised in that report
- Additional matters identified in the completion of the review of EPS along with the completion of this evaluation.

This framework is outlined in the following section, with the application of the framework then applied in subsequent sections, the end result being the identification of a preferred option.

7.1 Evaluation Framework

The Evaluation Matrix criteria has been developed around the principles of what is required for the PoEP to be regarded as a successful activity which positively contributes to Echuca and the Campaspe Shire, this being:

- Alignment with and supportive of the Precinct Vision and Objectives
- Appropriate independence from Council policies, practices and administrative frameworks (which have the potential to inhibit port activation)
- Ability to operate as an independent commercially focussed business operating under a Council agreed strategic direction
- Provision of an integrated flexible service that is able to adjust to changing market needs and provide enhanced product offerings
- Provision of an enhanced visitor service (which increases overall visitation and visitor yield) and expanded product offering
- Ability to enhance and develop the total PoEP
- Appropriate business and community engagement to foster community support and economic development
- Enhances the value delivered from Council funding and facilities
- Financial sustainability
- Appropriate governance, accountability and reporting
- Appropriate risk management, both risks to Council and commercial risks.

The individual criteria, and the matters relevant for consideration under each of these, are summarised below, with the commentary focusing on the key issues/areas of concern under each grouping. It is important, though, to also acknowledge the important contribution that the PoEP already makes to Echuca with these comments effectively representing areas where further improvement is possible.

Table 25: Evaluation Criteria and Associated Issues for Consideration

Criteria	Associated key issues to consider
Alignment to Precinct Vision and Council Objectives	
Alignment to Precinct Vision and Council objectives	<p>While a Vision has been developed for the Precinct, it currently lacks a clear strategic direction and business objectives, particularly in regard to clarification of the PoEP role as a heritage asset or as a tourism destination?</p> <p>This impacts its role as a community and visitor destination.</p>
Operation of an Independent, Integrated, Commercially focussed Business and Offering	
Independent from Council policies and processes	<p>Application of a number of Council Policies and administrative frameworks, which have been developed and implemented for different purposes, can inhibit commercial decision-making and result in additional cost imposts (noting that a number of Council Policies are still relevant irrespective of the entity).</p> <p>Council employment practices result in additional cost imposts and wage structures higher than that applying in the private sector. Therefore, the potential to separate Council employment obligations and practices from those of the Port Manager is an important consideration.</p>
Operating as an independent commercially focussed business	The current PoEP activities lack a strong commercial focus and would benefit from access to appropriately skilled resources which have the potential to identify and pursue commercial opportunities.
Integrated flexible service delivery	<p>Council's Precinct services and operations are fragmented, constraining business activity, activation and visitation.</p> <p>The Precinct needs to be more integrated and agile to better collaborate and respond to market opportunities and to provide an efficient service.</p>
Ability to enhance Visitor Services and to develop and grow the PoEP	
Enhanced visitor services (which positively impact on visitation and yield)	<p>The existing product offering does not appear to meet the needs of the visitor (as demonstrated by the ratio of ticketed visits to total region visitors, which is low) and the yield achieved per visitor (which, again is comparatively low).¹³</p> <p>There is significant opportunity to improve the visitation level and yield per visitor through having a better understanding of the target market requirements and providing an improved offering.</p>
Ability to enhance and develop the PoEP	The total Port Precinct represents an under-utilised asset where improved activation (eg through utilising the assets more for events and functions) would improve visitor attraction and increase community use.
Financial Sustainability	
Financial transparency and sustainability	The funding and reporting of the Council investment in the PoEP is not integrated, with funding coming from a number of areas of Council and this not being aggregated to provide clear transparency over the total Council investment.

¹³ Total visitation to Echuca-Moama per year is approximately 1.5million and of this 220,000 visit the Discovery Centre (1 in 7) and of these 25,000 pay to visit the wharf (being 1 in 9 visitors to the Discovery Centre and 1 in 60 visitors to Echuca-Moama. The retail yield per visitor to the Discovery Centre approximates \$1.20.

Criteria	Associated key issues to consider
	The PoEP relies on Council financial support and this will continue into the future. However, the level of this investment is not clearly understood and is not supported by adequate performance targets and assessment.
Funding commitment from Council/alternative funding sources	As the Port of Echuca is not designed as a commercial venture, it requires significant Council funding in order to operate. The current structure (ie within Council) inhibits access to some funding sources (eg some government support funding) and limits the ability to source private sector funding for specific activities/purposes (which, in turn, may inhibit the ability to fund and develop new opportunities).
Appropriate Governance, Accountability and Reporting	
Appropriate governance, accountability and reporting	<p>There is no clear single line of accountability for the operation or management of the Precinct, particularly the day-to-day requirements (although this has improved with the recent change in Council organisation structure).</p> <p>This structure also impacts on the level of governance, with it being reliant on Council processes and structures.</p> <p>Management reporting on individual Port activities is minimal, with there being no total PoEP integrated reporting.</p>
Community and Business Engagement	
Community and Business engagement	There is currently a lack of collaboration between relevant stakeholders associated with the Precinct, including local businesses and government.
Risk Management and Exposure	
Commercial risk management	There is no dedicated formal risk management framework in place to manage the operational risks associated with the PoEP operations (commercial, OHS, regulatory etc) with risk identification and management predominantly being informal.
Risk to Council	The PoEP operations present significant risks to Council from both an operational perspective (as discussed above) along with the risk of adverse community perceptions (eg perceived lack of return from investment, potential for the community to inappropriately influence PoEP operational decisions, potential conflicts of interests in Council decisions).

The above provides the basis for an evaluation framework to apply in considering potential future management options. Such a framework also needs to take into consideration the identified objectives of the PoEP. Therefore, to ensure the adequacy of the above criteria, this was cross-referenced with the agreed PoEP Objectives outlined in Section 2.1 to ensure all objectives were covered. This review identified two additional criteria for inclusion being:

- Support for the preservation and protection of the Heritage Assets
- Support for the economic development of Echuca and the region

This provides the framework for the evaluation of the identified Port Manager options. In completing this evaluation each of the options will be assessed based on the extent of variation from the Base Case using the following indicative evaluation criteria:

- Much worse = Much worse than the Base Case
- Worse = Worse than the Base Case
- Same = Same as the Base Case
- Better – Better than the Base Case
- Much better = Much better than the Base Case

with the overall evaluation being based on an qualitative overall assessment using the outcome of the above as a guidance.¹⁴

However, before proceeding to this evaluation, it is useful to outline the key differences between the identified options.

¹⁴ While the identified scoring structure could be more formally developed into a structured Multi-criteria Decision Framework such would require the completion of the weighting of each criteria, which is itself a subjective assessment.

7.2 Key Differences between the Port Manager Model Options

There are a number of significant differences between the Base Case and the two models being evaluated. The variation in areas of activity is summarised in the table below, while the subsequent table then identifies key differences from an operational responsibility perspective.

Table 26: Key Differences across Activity Areas across the Port Manager Models

Key Activity Areas	Base Case	NFP Model	Integrated PoEP Model
Tourism Services	Council	Manager	Manager
Paddlesteamer Services	Council	Council	Manager
Leases and Licences	Council	Council	Manager
Mooring and Marina Services	Council	Council	Manager
Marketing - Precinct	Council	Manager	Manager
Marketing – wider role	Council	Council	Manager
Event Management and Activation	Council	Mgr & Council	Manager
Public Space Maintenance	Council	Council	Council
Committee of Management responsibilities	Council	Council	Council
Corporate/Council Support Services	Council	Mgr & Council	Manager
Asset Ownership – Crown Land	Council	Council	Council
Asset Ownership - Freehold	Council	Council	Manager
Asset Ownership - Paddlesteamers	Council	Council	Manager

Table 27: Key Differences in Areas of Responsibility across the Port Manager Model Options

Area	Base Case	NFP Manager Model	PoEP Integrated Manager Model
Scope of Operations	All operations managed by Council.	Port Manager responsible for PoEP land based tourism services including maintenance of facilities. Council retains responsibility for EPS, commercial and artisan leases, mooring services and leases and maintenance of public facilities.	Port Manager responsible for all PoEP tourism and event services, precinct activation and development, EPS, commercial and artisan leases and mooring services and leases. Council retains responsibility for maintenance of public facilities.
Port Manager Ownership	Council owned and operated.	Port Manager entity owned by the members.	Port Manager entity owned by Council as shareholder.
Asset Ownership	Assets owned by Council.	Assets owned by Council.	Assets on Crown Land owned by Council. Assets on freehold land transferred to the Port Manager along with the Paddlesteamers
Control	Fully Council controlled.	Port Manager subject to member control. Council influence through contractual arrangements. Council retains ownership and responsibility for assets, CoM responsibilities, freehold assets and Paddlesteamers.	Port Manager accountable to Council as shareholder. Council approves the entity Strategic Plan and budgets. Council retains ownership and responsibility for CoM assets.
Focus on Council objectives and Port Vision and Objectives	As the activities are delivered within Council, there is the inherent focus on Council objectives.	To the extent these are embedded in the contractual arrangements.	Strategic Plan includes delivery of Council objectives as detailed in the entity constituent document. Entity will also be responsible for delivery of the agreed Port Vision and Objectives.
Subject to Council structural and administrative requirements	Required to meet Council structural and administrative requirements.	Independent of Council, therefore, has freedom to develop framework that is appropriate for the business.	Operationally independent of Council, therefore, has freedom to develop framework that is appropriate for the business.

Area	Base Case	NFP Manager Model	PoEP Integrated Manager Model
Provision of an integrated offering and management	Prior to 1 July 2020 the activities in the PoEP were not integrated. The recent restructure has improved this level of integration, with further improvement possible in the future.	Integrated across land based tourism services, but not fully integrated as a number of services continue to be provided by Council.	Enabled, including facilitating the possible economies of scale.
Business responsiveness and flexibility	Limited by disaggregated approach to PoEP service provision.	Limited as not fully integrated. Entity would also still be required to meet all standard Council regulations (like all other businesses).	Operating as an independent integrated Port Manager across all services facilitates business responsiveness and flexibility. Entity would also still be required to meet all standard Council regulations (like all other businesses).
Enhanced marketing	Limited. Activities generally remain disaggregated.	Potentially can commit additional resources to marketing, although this is dependent on the activities of the Port Manager.	Will have marketing responsibility for the total PoEP which increases the opportunity to implement enhanced and targeted marketing. Will also have the capability to and will be expected to support marketing of the region.
Ability to develop the market and innovate	Limited.	Enabled in some areas, but not fully enabled and subject to funding constraints.	Full enabled, subject to funding constraints.
Stakeholder collaboration and support	Reliant on Council processes. Has been the cause of past dissatisfaction.	Supported across the land based services.	Port Manager adopts full responsibility for business and community collaboration across the total PoEP.
Governance and avoidance of conflicts	Utilisation of the inherent Council systems and structures.	NFP members structure could result in inherent conflicts of interest. Independent skills-based Board may ameliorate this to some extent.	Potential conflicts minimised through structure, shareholder role and appointment of independent skills-based Board.

Area	Base Case	NFP Manager Model	PoEP Integrated Manager Model
Financial management and reporting	Limited. No integrated reporting and inadequate management reporting.	Responsibility falls to the NFP entity for identified areas of operations. Areas retained in Council will still have inadequate financial management and reporting.	Structure facilitates the development of appropriate management and financial accounts and reporting.
Potential for future private sector involvement	Unlikely.	Possible, but limited scope of operations would restrict this opportunity.	Limited in the short-term, with some potential in the long-term.
Risk appetite and management	No change from current position.	Potentially increased risk due to reduced Council influence and control over the Port Manager operations.	Potentially increased risk in some areas with Council retaining commercial responsibility and the associated risks. Some other risks (eg around governance) may reduce with improved controls.

7.3 Port Manager Option Evaluation

Table 28: Port Manager Option Evaluation

Criteria	Rating (compared to the Base Case)			Basis for Rating
	Base Case	NFP Mgr. Model	PoEP Integrated Mgr. Model	
Alignment to Precinct Vision and Council objectives	Same	Worse	Same	<p>NFP Manager Model:</p> <ul style="list-style-type: none"> - This requirement would be embedded in any contractual relationship, although enforceability would be more problematic. <p>PoEP Integrated Manager Model:</p> <ul style="list-style-type: none"> - The Integrated model will retain the requirement to deliver on the Precinct Vision etc with this being embedded in the Strategic Plan (which would be approved by Council as the shareholder).

Criteria	Rating (compared to the Base Case)			Basis for Rating
	Base Case	NFP Mgr. Model	PoEP Integrated Mgr. Model	
Operation of an Independent, Integrated, Commercially focussed Business and Offering <ul style="list-style-type: none"> Independent from Council policies and processes Operating as an independent commercially focussed business Integrated flexible service delivery 	Same	Better	Much Better	NFP Manager Model: <ul style="list-style-type: none"> Results in a marginal improvement over the Base Case in the delivery of Tourism Services as the delivery will be independently operated with a skill-based Board. However, the services will be more segregated than the Base Case (under the Council 1 July 20 structure) as, while the NFP would deliver the Tourism Services, Council retains responsibility for the delivery of a number of other services including Paddlesteamers. Such a structure would limit the ability to achieve integrated marketing or the ability to improve Precinct activation. PoEP Integrated Manager Model: <ul style="list-style-type: none"> Enables the delivery of a co-ordinated integrated service offering across the total Precinct, with the operational independence from Council enabling a commercial focus.
Ability to enhance Visitor Services and to develop and grow the PoEP <ul style="list-style-type: none"> Enhanced visitor services (which positively impact on visitation and yield) Ability to enhance and develop the PoEP 	Same	Better	Much Better	NFP Manager Model: <ul style="list-style-type: none"> Provides the opportunity for the provision of an enhanced tourism product and service offering with this including the potential for new product development. The opportunity to improve Precinct activation is more constrained with any enhancement in Paddlesteamer services being dependent on Council initiatives (as is the position under the Base Case). PoEP Integrated Manager Model: <ul style="list-style-type: none"> Improved commercial skills with a clear focus on the development and growth of the total PoEP provides the opportunity for the provision of improved visitor services and the development of new services with improved utilisation of existing assets and potential future developments.

Criteria	Rating (compared to the Base Case)			Basis for Rating
	Base Case	NFP Mgr. Model	PoEP Integrated Mgr. Model	
Financial Sustainability <ul style="list-style-type: none"> Financial transparency and sustainability Funding commitment from Council/alternative funding sources 	Same	Worse	Better	<ul style="list-style-type: none"> Refer Section 4.6 for conclusions on financial forecasts. <p>NFP Manager Model:</p> <ul style="list-style-type: none"> Implementation of the model requires substantial additional costs with the potential for significant revenue generation to offset these costs limited. Results, in some areas, in a duplication of activities between the NFP and Council. Potential for loss of financial transparency of the cost of the total PoEP to Council as costs are now divided between separate entities. Potential for the Council contribution of funding support to be higher than under the Base Case unless strict contractual commitments are put in place. However, controls on Council funding may increase the possibility of NFP financial failure. Improved potential to attract alternative funding sources, but scope for this limited due to lack of full Precinct responsibility and integration. <p>PoEP Integrated Manager Model:</p> <ul style="list-style-type: none"> Structure would result in the majority of PoEP activities being accounted for in the one entity, with this entity subject to Council financial reporting requirements. While the establishment and operation of the entity does result in increased costs, these have significant potential to be offset by increased revenue generation with the structure also minimising duplication of service delivery. Structure enables the entity to take advantage of Council benefits where appropriate (eg facilitation of benefit of negotiating insurance across all assets) while also avoiding inherent Council based inefficiencies. Segregation from Council may present an opportunity to source funding from alternative sources.

Criteria	Rating (compared to the Base Case)			Basis for Rating
	Base Case	NFP Mgr. Model	PoEP Integrated Mgr. Model	
Appropriate governance, accountability and reporting	Same	Same	Better	<p>NFP Manager Model:</p> <ul style="list-style-type: none"> - While it is expected the NFP would establish appropriate governance, accountability and reporting frameworks and such obligations would be built into any contractual relationship, Council ability to ensure delivery of these requirements would be limited. - While it is proposed the entity has a skill-based Board, the NFP structure and membership provides the potential for the management of Conflicts of Interest to be compromised. <p>PoEP Integrated Manager Model:</p> <ul style="list-style-type: none"> - Council has the ability to ensure appropriate frameworks are established through its role in defining the entity objectives and constituent documents, the role of Council in approving the Strategic Plan and Budgets and the reporting responsibilities to Council as shareholder. - A key requirement in improving business management will be the establishment of strong financial and management reporting frameworks. - The governance structure segregates Council from operational decision-making across the total Precinct, thus improving the management of potential Conflicts of Interest and business management interference.

Criteria	Rating (compared to the Base Case)			Basis for Rating
	Base Case	NFP Mgr. Model	PoEP Integrated Mgr. Model	
Support for the economic development of Echuca and the region	Same	Same	Much Better	<p>NFP Manager Model:</p> <ul style="list-style-type: none"> - While an economic objective would be built into any contractual arrangements, the balance between a focus on economic development versus financial returns may change. - There is an improved ability to partner with the private sector. <p>PoEP Integrated Manager Model:</p> <ul style="list-style-type: none"> - It is expected that the entity constituent documents will include economic objectives. - The marketing responsibilities and capabilities of the entities will include a focus on the PoEP and the region. - The ability of the entity to enhance the service offerings, partner with the private sector and to establish new offerings is greater with this resulting in increased economic activity.
Support for the preservation and protection of the Heritage Assets	Same	Same	Same	<p>NFP Manager Model:</p> <ul style="list-style-type: none"> - Minimal impact as this is not a focus of activity for the NFP other than where it is consistent with tourism services development. <p>PoEP Integrated Manager Model:</p> <ul style="list-style-type: none"> - Minimal impact as this is not a focus of activity for the Integrated Manager other than where it is consistent with tourism services development. - Entity would have responsibility for maintenance of the freehold heritage assets with it being required to maintain these in accordance with existing Council standards.

Criteria	Rating (compared to the Base Case)			Basis for Rating
	Base Case	NFP Mgr. Model	PoEP Integrated Mgr. Model	
Community and Business engagement	Same	Better	Better	<p>NFP Manager Model:</p> <ul style="list-style-type: none"> - Manager would assume these responsibilities for the provision of Tourism Services, with the membership of the NFP entity having the potential to enhance this engagement. - Community engagement in regard to Paddlesteamer Services remains with Council. <p>PoEP Integrated Manager Model:</p> <ul style="list-style-type: none"> - Entity would be responsible for community and business engagement across the total PoEP. - Enhanced business engagement may occur through the increased ability of the entity to partner with the private sector in service provision. - Increased potential for negative business response to the establishment of a service provided with greater commercial capabilities.
Risk Management and Exposure <ul style="list-style-type: none"> • Commercial risk management • Risk to Council 	Same	Worse	Better	<ul style="list-style-type: none"> - Refer Section 5 for a dichotomy of the risks across the proposed models. <p>NFP Manager Model:</p> <ul style="list-style-type: none"> - Presents a number of additional risks to Council, particularly in regard to financial risk, risk of failure and loss of control by Council. <p>PoEP Integrated Manager Model:</p> <ul style="list-style-type: none"> - While the option has some additional financial risk, this is offset by the potential for financial benefit. - There are some risks around the ability to implement the model. These should be capable of clarification and mitigation prior to implementation. - Improved governance and transparency minimises a number of community perception risks.

7.4 Key Conclusions and Recommendations

Based on the above a number of overall conclusions can be formed, as summarised in the table below. This table also includes a consideration of the viability of potential variations from the three defined models for consideration.

Table 29: Overall Conclusions on Core Models and Potential Model Variations

Model	Overall Conclusion
Base Case	<p>A number of issues exist with the existing structure of service delivery including:</p> <ul style="list-style-type: none"> - Lack of integration (although this is improved with the recent restructure) - Inadequate financial and management reporting - Concerns over financial sustainability with the PoEP placing a significant financial impost on Council. For the period from 2021 to 2030 the PoEP is forecast to incur average annual operating losses of approximately \$1.55 million with it requiring cash funding support of \$1.85 million annually from Council - Lack of financial and operational transparency - Constraints on the ability to expand the service offering, improve asset utilisation and enhance Precinct activation.
	<p><i>Potential Variation to the Base Case:</i></p> <ul style="list-style-type: none"> - The Council, with the recent restructure, has commenced improving the integration of the PoEP activities. - Further integration is possible in the future, with Council also able to implement a number of initiatives to mitigate some of the issues noted above. - However, a number of residual issues would remain including continuation of the need to comply with all Council policies and procedures including those that cause operational inefficiency, lack of flexibility, constrain ability to expand and develop the PoEP and the need for continued and growing financial support.
NFP Manager Model	<p>The NFP Manager Model delivers a number of benefits, particularly in regard to the provision of Tourism Services including:</p> <ul style="list-style-type: none"> - Enhanced commercial focus - Increased scope for product development - Freedom from public sector constraints - Improved community and business support. <p>However, the Model also has some significant constraints. In particular, the model results in an additional cost impost to the new entity of approximately \$600,000 per year (in addition to the significant establishment costs) with it highly unlikely that these costs will be offset by additional revenue. In addition, the model:</p> <ul style="list-style-type: none"> - Does not result in the fully integrated management of the PoEP - Delivery of a number of services will remain segmented between the NFP and Council (eg Precinct activation, Marketing) - Council control will be diminished with greater potential for governance issues to arise.
	<p>There are two variations from the NFP Manager that warrant comment:</p> <p><i>Rationalised NFP Manager Model:</i></p> <p>The current Model is based on the resourcing requirements inherent in the Urban Enterprise report. There is potential for further rationalisation of resources to occur (eg reduce Director numbers from 8 to 6, reduced staffing).</p>

Model	Overall Conclusion
	<p>This represents a variation that does not warrant further investigation as, while this would reduce the additional cost impost, any change would not be significant and the revised approach would not overcome the other identified concerns.</p> <p><i>Expanded NFP Manager:</i></p> <p>Under this variation the role of the NFP manager would include the management of the Paddlesteamers along with the leases etc thus making the entity scope of operations more comparable to the PoEP Integrated Model. However, it is considered that such a model would face additional challenges as:</p> <ul style="list-style-type: none"> ▪ The ownership of the entity (being separate from Council) would restrict the ability of Council to assign legal responsibility for the leases on freehold land and would expose the management of these assets to increased indirect taxes ▪ Council would not be able to assign responsibility to the entity for leases on Crown Land ▪ Council is not able to assign Committee of Management responsibility to an independent entity under the <i>Crown Land (Reserves) Act</i>.
PoEP Integrated Manager Model	<p>The Integrated Manager Model delivers a number of potentially significant benefits to the management of the PoEP including:</p> <ul style="list-style-type: none"> - Provision of an integrated service offering across the total precinct - Continuation of Council control at a strategic level while having improved freedom from public sector operating requirements and constraints - Ability to adopt an integrated approach to marketing to benefit the PoEP and the region - Enhanced ability to develop the service offering and improve Precinct activation - Potential for improved financial performance. The PoEP Integrated Manager results in significant establishment costs and an additional operational cost impost of approximately \$200,000 per year. The expected improvement in visitation will contribute to offsetting these costs (with a 2% annual increase improving performance by \$63,000 in 2023 and \$165,000 in 2027) with there also being significant additional improvement achievable from the implementation of the identified improvements to the paddlesteamers and potential enhancements to the Tourism Services activities (with a number of opportunities having been identified). - Improved transparency <p>These benefits come with additional financial risks, risks which should be manageable.</p> <p><i>Potential variation to the PoEP Integrated Manager Model:</i></p> <p>A potential variation to the above model would be for Council to retain responsibility for the freehold assets and leases and/or the mooring services.</p> <p>Such a variation would have limited operational financial impact but would have impacts on the ability to provide an integrated service, to facilitate Precinct activation and to enhance the service offering and delivery. It would also result in some of the Council operating requirements still being applicable and would segment service delivery between Council and the entity.</p>
	<p>Overall Conclusion:</p> <ul style="list-style-type: none"> ▪ While a number of variations from the three core options have been identified, these are not considered viable and do not warrant further consideration. ▪ The Preferred Model is the PoEP Integrated Manager Model

7.5 Key Actions

While the above has identified the PoEP Integrated Manager as the preferred model, there remains some implementation matters which require clarification prior to Council progressing with the adoption of the this model. In particular, Council needs to seek clarity on:

- the structure of a Beneficial Enterprise under the updated *Local Government Act 2020*
- the ability of the entity to assume Committee of Management responsibility
- the ability to effect Industrial Relations reforms and the associated requirements
- the ability of the entity to avoid complying with other (unnecessary) Council obligations
- the liability of the entity to indirect taxes (State and Australia) and direct taxes.

While it is unlikely that the outcome of this will change the end conclusion, it is possible that it may impact on the definition of the PoEP Integrated Model including the scope of operations transferred to the new entity along with the implementation requirements.

It is, therefore, proposed that Council take the following actions:

ACTION 1: Council to consider and resolve the future business model for the PoEP with it identifying an in-principle preferred model, subject to clarification of a number of legal issues and the future development of the specification of the preferred model.

ACTION 2: Council obtain legal clarification of the identified key areas above.

ACTION 3: Council progress with further development of the specification of the preferred model, including preparation of a potential implementation plan and timetable.

ACTION 4: Council progress with evaluation and implementation of the Paddlesteamer Services recommendations, the development of improved financial and management reporting for the PoEP and the evaluation and prioritisation of the identified potential PoEP business opportunities and enhancements.

ACTION 5: ACTION 5: Council to consider the associated Competitive Neutrality requirements, including the completion of initial discussion with the Victorian Government on the proposed approach and business models along with considering the need for the completion of a Public Interest Test.

ACTION 6: Council to commence planning for the development of a total PoEP Concept Plan, which would include a consideration of potential opportunities and provide a long-term community supported concept plan for the PoEP.

NOTE – On 18 August 2020 Council resolved to obtain clarification of the identified key areas prior to determining a preferred future management model for the PoEP.

ACRONYMS

AC	Avoided Cost overhead allocation
CNP	Competitive Neutrality Policy (Victorian Government)
CoM	Committee of Management
Council	Campaspe Shire Council
DELWP	Department of Environment, Land, Water and Planning
EMDTA	Echuca Moama and District Tourism Development Association
EPS	Echuca Paddlesteamers
FDC	Fully Distributed Cost overhead allocation
FTE	Full time employee
NCP	National Competition Policy (Australian Government)
NFP	Not for profit
NPV	Net Present Value
NSW	New South Wales
PoE	Port of Echuca
PoEDC	Port of Echuca Discovery Centre
PoEP	Port of Echuca Precinct
SBC	State Business Corporation
SOE	State Owned Enterprise

Appendix A: Legal Structure Options – extracts of relevant Acts

▪ Beneficial Enterprises – *Local Government Act 2020* Extract

The Act received Royal Assent on 24 March with the first phase of reforms proclaimed on April 6 2020. The Beneficial Enterprises section of the Act comes into operation on 1 July 2021.

Local Government Act 2020

No. 9 of 2020

Part 5—Council operations

Division 3—Beneficial enterprises

110 Beneficial enterprises

(1) For the purpose of performing its role, a Council may participate in any of the following beneficial enterprises—

- (a) become a member of a corporation;
- (b) participate in the formation of a corporation, trust or other body;
- (c) acquire shares in a corporation, trust or other body;
- (d) enter into a partnership or joint venture with any other person or body.

(2) If by virtue of any participation, subscription or acquisition under subsection (1), a Council has the right to appoint some person to be a director of or hold office in or under the corporation, trust, partnership or other body, the Council may appoint a Councillor, member of Council staff or other person to that office.

(3) For the purposes of subsection (1)(a), (b) or (c), a Council may nominate a person to hold the shareholding or unit holding on behalf of the Council and the person nominated is to be treated as being the shareholder or unit holder of the shares or units.

111 Process before participating in beneficial enterprises

(1) A Council must in participating in a beneficial enterprise under section 110—

- (a) assess the total investment involved and the total risk exposure and ensure that its total risk exposure does not exceed its total investment; and
- (b) if section 110(1)(a), (b) or (c) applies, ensure that the corporation is a limited corporation; and
- (c) have regard to the risks involved; and
- (d) establish risk management arrangements; and
- (e) implement regular performance monitoring and reporting arrangements in relation to the beneficial enterprise; and
- (f) ensure that any changes to the operation or purpose of the beneficial enterprise are reported to the Council; and
- (g) identify and manage any risks associated with any changes to the operation or purpose of the beneficial enterprise.

(2) A Council must report on the operations and performance of each beneficial enterprise in its annual report.

3 Definitions (from Local Government Act 2020 No. 9 of 2020, Part 1 Preliminaries)

(1) In this Act—

corporation includes—

- (a) any body corporate, whether formed or incorporated within or outside the State of Victoria; and

(b) any incorporated association within the meaning of the Associations Incorporation Reform Act 2012— but does not include a Council or any other body incorporated or constituted by or under this Act or any public statutory corporation constituted by or under any law of the State of Victoria, any other State, or a Territory of the Commonwealth, or the Commonwealth;

Note:

- Section 110 and 111, which permits the establishment of a corporation, appear to be inconsistent with the definition of corporation, which seems to exclude legal structures other than body corporates.
- Such an interpretation would appear inconsistent with the intent of the sections and, therefore, may need legal clarification.

▪ **Corporations Act 2001 Extract**

Relevance – under the Crown Land (Reserves) Act 1978 a corporation may be appointed as Committee of Management of Crown Land by DELWP provided it complies with sections 150 and 151 (which is not relevant to the this report) of the *Corporations Act 2001*.

150 Exception to requirement for using “Limited” in name

(1) A company is not required to have the word “Limited” at the end of its name if:

- (a) the company is registered under the *Australian Charities and Not-for-profits Commission Act 2012* as the type of entity mentioned in column 1 of item 1 of the table in subsection 25-5(5) of that Act (charity); and
- (b) the company’s constitution:
 - (i) prohibits the company paying fees to its directors; and
 - (ii) requires the directors to approve all other payments the company makes to directors.

(2) A company that, in accordance with subsection (1), does not have “Limited” at the end of its name must notify ASIC as soon as practicable if:

- (a) the company ceases to be registered as mentioned in paragraph (1)(a); or
- (b) any of the prohibitions or requirements mentioned in paragraph (1)(b) are not complied with or the company’s constitution is modified to remove any of those prohibitions or requirements.

(3) An offence based on subsection (2) is an offence of strict liability.

Note: For **strict liability**, see section 6.1 of the *Criminal Code*.

(4) Paragraph 157(1)(a) (company must pass special resolution to change name) does not apply to a change of the name of a company to omit the word “Limited” in accordance with this section.

Name may be stated without “Limited”

(5) If a company:

- (a) has the word “Limited” at the end of its name; but
- (b) under subsection (1), is not required to do so; the word “Limited” may be omitted anywhere that the name of the company is required to be used (including on the company’s common seal).

▪ **Crown Land (Reserve) Act 1978 – Extract re Committee of Management**

14 Appointment of committees of management

- (1) Where any land has been permanently reserved under this Act for the purposes of a public park or garden or for the recreation convenience or amusement of the people and has been granted to trustees or jointly to the Minister and trustees the Governor in Council may on the application of the trustees or of the Minister and the trustees (as the case may be) appoint a committee of management thereof and may at any time on a similar application revoke any such appointment or remove any person appointed as a member of the committee.
- (2) Where any land has been reserved either temporarily or permanently under this Act and has not been granted to trustees the Minister may appoint a committee of management thereof and may at any time revoke any such appointment or remove any person appointed as a member of the committee.
- (3) An appointment under subsection (1) or (2) may be subject to such conditions and shall be for such term as the Governor in Council or the Minister (as the case may be) determines in any particular case.
- (4) A committee of management appointed under subsection (1) or (2) may consist of—
 - (a) any three or more persons;
 - (b) a Council;

.....

 - (e) any board, committee, commission, trust or other body corporate or unincorporate established by or under any Act for any public purpose;
 - (f) a company within the meaning of the Corporations Act that—
 - (i) is taken to be registered in Victoria; and
 - (ii) is registered under section 150, or has a licence in force under section 151, of that Act;
 - (g) any combination of such persons and bodies.

.....

- (7) Notwithstanding the provisions of section 99 of the **Local Government Act 1989** where a municipal council is appointed as a committee of management of any land under this section any member of the staff of a municipal council concerned may be employed as an officer servant or workman for the purposes of managing improving and maintaining the said land for the purposes for which it is reserved.
- (8) If a Council is appointed as a committee of management of any land under this section, a Councillor of that Council does not have an indirect interest in a matter to which section 78B of the **Local Government Act 1989** applies if the indirect interest arises solely and directly as a consequence of the appointment of the Council as a committee of management.
- (8A) Subsection (8) does not affect a Councillor's obligations arising out of section 79 of the **Local Government Act 1989** that apply to any conflicts of interest that do not arise solely and directly as a consequence of the appointment of the Council as a committee of management.

- (9) If a Councillor of a Council is a member of an unincorporated committee of management, that Councillor does not have an indirect interest in a matter to which section 78B of the **Local Government Act 1989** applies if the indirect interest arises solely and directly as a consequence of the Councillor having an interest in a matter in his or her capacity as a member of the unincorporated committee of management.

14A Incorporation of certain committees of management

- (1) On the recommendation of the Minister the Governor in Council may, if satisfied that it is in the public interest to do so, by notification published in the Government Gazette—
- (a) declare that a committee of management appointed under section 14(2) and specified in the notification (being a committee of management that consists of three or more persons) shall be a corporation; and
 - (b) assign a corporate name to the corporation.
- (2) On the publication in the Government Gazette of a notification under subsection (1)—
- (a) the committee of management specified in the notification shall be a body corporate by the name assigned to it by the Governor in Council with perpetual succession and a common seal and shall by that name be capable in law of suing and being sued and, subject to this Act, of holding, acquiring and disposing of personal property;
 - (b) the powers, functions, discretions and authorities of that committee of management, whether conferred or imposed by this Act or otherwise, shall be deemed to be conferred or imposed on the corporation alone;
 - (c) the duties, liabilities, responsibilities and obligations imposed upon that committee of management shall be transferred to the corporation and thereafter the corporation shall be subject to all such duties liabilities responsibilities and obligations; and
 - (d) the corporation shall become and be the successor in law of that committee of management.
- (3) The common seal of a corporation constituted under this section shall be kept in such custody as the corporation directs and shall not be used except as authorized by the corporation.
- (4) All courts, judges and persons acting judicially shall take judicial notice of the common seal of a corporation constituted under this section affixed to any document and, until the contrary is proved, shall presume that it was duly affixed.

14B Provisions as to committees of management incorporated under section 14A

- (1) In this section and in sections 14C, 14D and 14E a committee of management that is declared to be a corporation under section 14A is referred to as "an incorporated committee".