



Golf Course Management

SUMMARY

- 1.1 At its meeting on 20 April 2010 Cabinet decided to award the contract for the management and operation of the Sinfin and Allestree golf courses to Mack Trading Limited ("Mack") after being given details of the tenders submitted.
- 1.2 There were subsequently lengthy discussions with Mack over the terms of the lease and operational agreement with a view to them taking on the management of the courses from 1 April 2011.
- 1.3 However, by that date agreement had still not been reached on a number of issues. The main one was agreement could not be reached to index link the annual sum to be paid to the Council over the period of the lease.
- 1.4 In the absence of such agreement the management of the courses was taken on by the recently created Sport and Leisure Facilities Management team in the Neighbourhoods Directorate.
- 1.5 The new in house management team have made some progress in improving the overall performance at both courses over the last twelve months.
- 1.6 This current position is whether the Council should still seek to reach agreement with Mack over the lease and operational agreement or whether it is now appropriate to look at other options and keep the in house management in place in the interim.

RECOMMENDATION

- 2.1 To recommend that Neighbourhoods Commission note the content of the report and make comments and recommendations.
- 2.2 To recommend that Neighbourhoods Commission note the request of officers to undertake a full appraisal of the options for progressing this project and that these will be presented to a future Cabinet meeting for approval.
- 2.3 To recommend that Neighbourhoods Commission note that in the interim the courses should continue to be managed by the in house Sport and Leisure Facilities Management team.

- 2.4 To recommend that Neighbourhoods Commission note that there will be an interim 12 month golf development plan presented to a future Cabinet meeting for approval.

REASONS FOR RECOMMENDATION

- 3.1 To ensure that Neighbourhoods Commission is kept informed of the position regarding the management of Sinfin and Allestree golf courses.

SUPPORTING INFORMATION

- 4.1 In 2008 the Council commissioned a specialist consultant to undertake a strategic review of the Allestree and Sinfin golf courses because of concerns about their future viability due to reducing numbers and lack of capital investment.
- 4.2 The report recommended that the Council carry out a competitive tender process to appoint a specialist golf course operator and in 2009 such a procurement process commenced. At the time the net deficit on operating costs and the two courses was £180,000.
- 4.3 As part of the tender evaluation bidders were requested to submit their proposals for capital investment as there was insufficient money in the Council's capital programme.
- 4.4 Mack's bid proposed in general terms that they would;
- ❖ Manage the two courses
 - ❖ Pay the Council a minimum annual rent (after a defined period)
 - ❖ Potentially pay additional sums under a profit share arrangement
 - ❖ Make capital investments of a defined amount in the first five years.

In return they would keep the revenue from the courses.

- 4.5 In April 2010 Cabinet approved to the award of the contract to Mack subject to agreement being reached on the terms of the Lease and operating arrangement. There followed detailed and complex discussions between Council Officers and Mack and some measure of agreement were reached. In particular the length of the lease was agreed with an option to extend this for a defined period at the Council's discretion.
- 4.6 It was required that there would be a break clause that would be linked to future potential capital investment so if the investment did not occur within specified periods the Council would be able to bring the lease and operational agreement to an end. Agreement on this couldn't be reached. Mack argued that such a provision would limit their ability to secure borrowing and eventually it was agreed that the break clauses would be replaced by financial penalty provisions linked to increased golf participation and satisfaction levels.

- 4.7 However the major issue was the index linking of the annual rent payment, which Mack adamantly refused to agree to and this impasse was not resolved by 1 April 2011 which was the date which had been previously agreed for Mack to take over management of the courses.
- 4.8 The relatively newly formed Sport and Leisure Facilities Management team therefore took on the interim management of the two courses from the former Parks Team and this new in house team, with its track record in managing, marketing and programming sports and leisure facilities, has improved the overall performance of the courses since taking over management responsibility for them. They are now breaking even.
- 4.9 However, it should be noted that the breakeven forecast is based on a specification of grounds maintenance that is below a desired level, with limited investment in course improvements or grounds maintenance equipment replacements. Additionally, the breakeven forecasts exclude any charges for central support services.
- 4.10 Not being able to agree terms with Mack over their bid has led to a reassessment of the situation.
- 4.11 This reassessment has included a review of the basis on which the management of the courses was put out to tender and with hindsight it is considered that the terms of tender could be improved on by requiring more specific details on;
- ❖ The proposed capital investment
 - ❖ Fee pricing for golf users
 - ❖ Duration of the lease and break clauses
 - ❖ Levels of course development
 - ❖ Participation levels
 - ❖ Profit sharing/rental agreement
- 4.12 It is also considered that the terms proposed by Mack may not now demonstrate value for money due to the absence of index linking on the annual rent and any firm proposals for capital investment after the first five years. Nonetheless the position remains that the need for capital investment in both courses' could not be met from the Council's capital programme, though the Council could investigate the potential of using Section 106 resources to fund improvements.

4.13 **The Way Forward**

The Council has the opportunity to re consider the following alternative management options to develop golf over the long term.

- (1.) The Council to retain the management and maintenance of the two golf courses and not bring in an external operator to run and manage the golf courses.
- (2.) To go back out to tender and market the courses based on the improved financial performance of the two courses with a revised tender document.
- (3.) To include the management and maintenance of the two golf courses within future plans for a Leisure and Cultural Trust.

4.14 **Interim Arrangements**

The Council's Leisure Facilities Service will continue to manage and operate the two courses between now and the time it takes to agree and implement the recommended option. In view of this, it is important that an interim golf development plan is put in place to guide and inform the improvements that will help to prepare for implementing the recommended option.

4.15 The Golf Plan outlines examples of a number of objectives that have been identified to be taken forward as part of the Leisure Facilities Development Plan for Sinfen and Allestree golf courses over the next six to 12 months period. Examples include:

- To review the entrance and on-course signage, web pages and golf courses literature with a view to improve awareness and promote opportunity.
- To work with the Derbyshire Golf Officer to explore joint initiative opportunities for the golf courses.
- To create a marketing plan that reflects the key opportunities for the golf courses to attract new users to the courses.
- To review the standard operating procedures in place and produce an action plan that improves the processes, quality and all over service delivery.

OTHER OPTIONS CONSIDERED

5.1 No other options have been considered.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Claire Davenport, Director of Leisure and Culture
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IMPLICATIONS

Financial and Value for Money

- 1.1 The contract with Mack Trading Ltd was for a considerable period and therefore it was important that the preferred option secures sustainable, accessible and affordable golf for all the community of Derby over the full term of the agreement.
- 1.2 The fact that agreement could not be reached on the terms of the Lease and operating arrangement as well as the improved performance of both golf courses provides an opportunity to re assess all options in order to take golf forward. It is important to also consider the need for long term investment in both courses and the preferred option needs to take this into account. There are limited options within the Council to fund the Capital investment required both on and off the courses.
- 1.3 The largest cost within the golf operation is for grounds maintenance. It should be noted that the current operating costs are for a minimal level of grounds maintenance because the service had been expected to transfer to Mack Trading Ltd.
- 1.4 Additionally, included within the current grounds maintenance charge is approx £35,000 relating to capital financing charges relating to the equipment used. This financing charge is below the normal level as equipment is being "run on" on the expectation that the service would have been outsourced. As an interim measure, in 2011/12 the Grounds Maintenance service have acquired £55,000 of replacement equipment to maintain the current level of service and this has not been charged against the Golf account.

Legal

- 2.1 Although the Council has recommended the appointment of Mack Trading Ltd as the successful tender, this was subject to agreeing the terms and conditions of the lease and operating agreement and therefore, the Council, at this stage, is under no obligation to appoint Mack Trading Ltd and can consider other options.
- 2.2 Council officers have met with Mack Trading Ltd to update them on the current performance of the two courses and the possibility of pursuing other options and Mack have indicated that in such circumstances they may challenge the Council's decision and/or seek to recoup costs incurred.

Personnel

- 3.1 It's important to highlight that Council policies have been followed and both staff and Trade Unions have been consulted about transferring the golf management and grounds maintenance employees to Mack Trading Ltd under TUPE. It is recommended that the Council re-consider all options for the future management of the two courses and therefore the past work undertaken by HR regarding TUPE will be put on hold pending the preferred option. Affected staff will be / have been made aware that the proposals are being reconsidered and will be kept informed of developments and decisions.

- 3.2 Looking forward, if the preferred option was to transfer the management to a private organisation or a Trust, the Council will cover the associated TUPE and pension costs and staff will transfer over to the preferred operator once the pension agreement with Derbyshire County Council has been completed and signed.
- 3.3 Should the preferred option be that the Council maintain control, staff will remain Council employees.

Equalities Impact

- 4.1 The preferred option needs to secure sustainable and affordable golf for people from all sections of the community wanting access to the sport over the full term of the agreement.
- 4.2 Leisure officers have met with both Allestree and Sinfen Golf Clubs to update them on the current position on the golf courses and the overall improved financial performance of the two courses.

Health and Safety

- 5.1 Any future operator has to have experience and expertise in the maintenance and health and safety management of golf courses.

Environmental Sustainability

- 6.1 None directly arising from this report.

Asset Management

- 7.1 Both courses require significant levels of investment to bring them up to modern day standards and ensure they are fit for purpose for future generations. The recommended option takes into account the need for capital investment to improve the infrastructure of both courses.

Risk Management

- 8.1 The management of the two golf courses currently resides with the Council and therefore the Council takes full responsibility for the risks associated with the buildings, the course infrastructure and financial performance. By transferring the management and operation and the ongoing liability for the buildings and the course infrastructure, we minimise the risks to the Council.

Corporate objectives and priorities for change

- 9.1 The proposal contributes to the Council providing good quality services that meet local needs and contributes to promoting 'an active cultural life' and 'good health and wellbeing' as outlined in the Council Plan 2011 – 2014.