



DERBY CITY COUNCIL

MEETING CABINET

Date 15 March 2011

ITEM 9

Report of the Strategic Director of
Neighbourhoods.

GOLF COURSES LEASE AND OPERATING AGREEMENT

SUMMARY

- 1.1 In April 2010 Cabinet approved the appointment of Mack Trading Ltd, a private golf company, to manage and operate the Council's golf courses at Allestree and Sinfyn on a long term lease agreement. This report sets out the terms and conditions of the lease and operating agreement that have been negotiated with Mack Trading Ltd and the Council.
- 1.2 The lease agreement has been reduced from 50 to 40 years with an option to extend for a further ten years at the Council's discretion. A number of key performance indicators have been negotiated and included in the operating agreement (see Appendix 2). These indicators specifically relate to increasing golf usage and participation on both courses.
- 1.3 Maintaining and improving customer satisfaction levels is a key indicator and financial penalties form part of the operating agreement and will be implemented if the operator does not maintain levels of customer satisfaction.
- 1.4 The original financial proposals set out in the tender have been maintained and are set out below:
 - No income is offered in the first three years by the operator.
 - The rent payment is based on a turn over rent of 25% profit with a guaranteed minimum of £30,000 per year over the remainder of the contract period (37 years).
 - Future pricing will be set by benchmarking against the prices offered by similar golf operators within a 30 mile radius of Derby. Proposed prices schedules will be undertaken in consultation with the Cabinet Member for Leisure and Culture. The Council has not increased its current charges for two years and the present prices do not take in to account these increases or the extra VAT increase.
 - Two months before the start of each golfing year, Mack Trading Ltd will notify the Council and the clubs of golfing price charges (green fees and season ticket prices) for the forthcoming year.
 - If the Council feels strongly that the proposed prices are not in line with similar golf operations identified from the benchmarking, then the Council has the right to challenge them and initiate a review of the benchmark geographical area. The 2011/12 pricing schedules are outlined in Appendix 3, including information on how the prices compare with similar public golf operations.

1.5 The other main terms of the lease and operating agreement are:

- Mack Trading Ltd has not agreed to a break clause that was linked to future potential capital investment. The break clause would have limited the ability for Mack Trading Ltd to secure borrowing and, therefore, penalty clauses have been introduced linked to satisfaction levels and increased golf participation.
- Future capital developments for a driving range and club house at Sinfin would be dependent on the company being able to secure planning and other appropriate permissions to generate the necessary finance.
- Specific golf related machinery will be transferred over to Mack Trading Ltd. However this is still to be finalised.

RECOMMENDATION

- 2.1 To approve the main terms and conditions of the lease and operating agreement between Mack Trading Ltd and the Council.
- 2.2 To delegate authority to the Strategic Director of Neighbourhoods, in consultation with the Cabinet Member for Leisure and Culture, to finalise and approve that the Council enter into a 40 year lease and operating agreement.
- 2.3 Subject to final negotiations of the lease and management agreement, Mack Trading Ltd to formally take over the operation and management of the golf courses on 1 April 2011.

REASONS FOR RECOMMENDATION

- 3.1 The terms and conditions set out in the lease encourage the operator to develop and expand the game of golf, whilst making the sport accessible and affordable for future generations.
- 3.2 Under this agreement, the operator will run the service whilst providing the Council with a rental fee and the potential of profit sharing arrangements after three years.
- 3.3 As part of the lease agreement with the Council, Mack Golf Ltd will commit over the next five years £1033,000 of capital works to improve both courses in the following areas;
 - New investment in green keeping machinery
 - Improved practice areas, including a Junior Golf Academy
 - Upgrading the course maintenance facilities
 - Introduction of on-line booking facilities
 - Improvements to the course drainage system
 - Improvements to course pathways and tracks
 - Upgrading the course directional and information signage
 - Improvements to the club house surrounds.

SUPPORTING INFORMATION

- 4.1 The Council appointed Mack Trading Ltd following a comprehensive tender exercise that aimed to secure the long term future of the Council's two golf courses, whilst improving investment and participation in golf for all residents of Derby.
- 4.2 The option to tender for the golf courses was in response to a Consultant's report in 2008 which recommended that the Council look to appoint a specialist golf course operator in order to prevent the continual decline of the two Council run golf courses and turn them around into future viable facilities.
- 4.3 Cabinet, at its meeting on 20th April 2010, approved the awarding of a 50 year contract to Mack Trading Ltd, subject to a satisfactory outcome of the public consultation and safeguards for Allestree Hall.

On 9 June 2010, the Community Commission received a report that outlined the results of the consultation. The results were positive and indicated that more than twice as many people agreed with the proposed changes (43.3%) as disagreed with them (20.1%).

- 4.4 In terms of Public access to both courses, this will not be adversely affected by the proposals, nor will it affect any development to Allestree Hall. Members of the Community Commission also requested that further consultation take place using the pointer survey and specific consultation with the Allestree and Sinfen Neighbourhood Boards. The Head of Leisure Facilities presented to both Neighbourhood Boards on the future proposals for both golf courses. The results of this further consultation were positive and the Cabinet Member for Leisure and Culture requested a further report to Cabinet once the lease negotiations had been completed between the Council and Mack Trading Ltd.
- 4.5 Officers from Estates, Legal, Finance and Leisure Facilities have negotiated the terms and conditions of the lease and operating agreement with Mack Trading Ltd.
- 4.6 Outlined in Appendix 2 are a set of key performance indicators that Mack Trading Ltd have agreed to work in partnership with the Council to deliver. The indicators form part of the operating agreement and will be monitored over the duration of the lease. Penalty clauses have been linked to maintaining and improving satisfaction levels to encourage the operator to regularly monitor and improve the customer experience at both courses.

OTHER OPTIONS CONSIDERED

- 5.1 Lack of investment in the facilities at both the Council's golf courses would continue their decline and an alternative option would be to close one or both courses.
- 5.2 To maintain the status quo and for the Council to continue to manage the two golf courses and absorb the existing £180,000 net operating costs or reduce these operating costs by increasing fees and charges.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	
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For more information contact: Background papers: List of appendices:	Name 01332 641230 e-mail Andrew.beddow@derby.gov.uk Appendix 1 – Implications Appendix 2 – Key Performance Indicators Appendix 3 – Proposed prices and benchmarking
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IMPLICATIONS

Financial

- 1.1 Awarding this contract secures sustainable, accessible and affordable golf for all the community of Derby. The contract provides essential capital investment to improve the infrastructure of the facilities at no capital or revenue cost to the Council.
- 1.2 Under these proposals, Mack Trading Ltd are offering to run the service with a 25% profit sharing arrangement in place after three years, which will give the Council a guaranteed minimum income of £30,000 per annum from 2014/15.
- 1.3 Full Council, on 2 March 2009, approved the General Fund Revenue Budget and Council Tax 2009/10. Included in these proposals was a forecasted 2010/11 saving of £80,000 from the 'Option to privatise golf contracts in Allestree and Sinfen'. The saving can be met by acceptance of the contract. The additional full year effect saving of £100,000 will be used to cover the £34,000 central and departmental overheads that are charged to this service and the balance held as a contingency against the Racecourse and Alvaston Park football changing projects. The financial impact in 2010/11 from the delayed implementation of the saving will be contained from under spends within the Neighbourhoods Directorate and / or use of Neighbourhoods Directorate service reserves.

Legal

- 2.1 A 40 year lease and operating agreement has been negotiated and agreed between the Council and Mack Trading Ltd. The Council have agreed to a financial penalty in the event of the customer satisfaction levels not being achieved.

Personnel

- 3.1 The Council's 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. Mack Trading have applied for Admitted Body Status into the Local Government Pension Scheme for those staff who are transferring from Derby City Council. We have agreed to fund the Actuaries cost, estimated to be £3,000 in this particular case.

Equalities Impact

- 4.1 The awarding of the contract will help to secure sustainable, affordable golf for people from all sections of the community wanting access to the sport.

Health and Safety

- 5.1 None directly arising.

Carbon commitment

- 6.1 None directly arising.

Value for money

- 7.1 By appointing a private operator, the future of the two golf courses will remain available to the people of Derby. The proposed investment will result in improved facilities attracting more people to play golf.

Corporate objectives and priorities for change

- 8.1 The proposal contributes to:
- CC2 – To celebrate diversity and ensure everyone has the opportunity to take part in cultural and leisure activities
 - HC3 – To improve wellbeing and tackle health inequalities through the development of programmes and facilities that promote active recreation, participation and sport
 - COD2 – To deliver value for money across all services.

Key Performance Indicators

Derby City Golf Courses Key Performance Indicator Schedule for the period 1 April 2011 - 31 March 201Six -

	KPI	Baseline	Year 1 2011 - 2012	Year 2 2012 - 2013	Year 3 2013 - 2014	Year 4 2014 - 2015	Year 5 2015 - 2016	Measure	Proposed Monitoring Improve- ments over the Five-Year Period	Risk Factor	Work Group / Links	Penalty for failure to achieve Key Performance Indicator
1	Participation											
	To increase the number of rounds played at both 1. Allestree, 2. Sinfin by 50% based on the annual Midlands average taken from the Sports Marketing Survey Inc. - Golf Rounds Played Report	Baseline to be set based on outturn of 2010 - 2011 survey						Sports Marketing Survey Inc. - Golf Rounds Played Report		<i>Engagement of clubs</i>	Clubs Individual customers	No Penalty
2	Customer Service											
	Maintenance of customer satisfaction levels at; 1. Allestree 2. Sinfin	65%	65%	65%	65%	65%	65%	Annual customer survey undertaken in August / September by DCC and Mack based on a sample survey size of 250 golf club customers per site		<i>Golf customers do not engage in survey</i>	Clubs Individual customers Sports Campus Development Officer	There will be a £5,000 annual penalty charge per site for failure to achieve a 65% good / excellent satisfaction rating. If Mack Trading fail to achieve a 65% good / excellent satisfaction rating for three consecutive years; this will enact a break clause.

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3	Development											
3.1	Increase under 18 participation by											
	1. Two golf development days per course	No days run	Four development days run	Four development days run	Four development days run	Four development days run	Four development days run	Two golf development days run per site		<i>No one attends the days</i>	Clubs Individual customers Schools	No Penalty
	2. Developing a joint action plan with DCC Sport Development team	No plan in place	Plan developed	Actions per Plan	Actions per Plan	Actions per Plan	Actions per Plan	Targets included within development plan		<i>Joint plan cannot be agreed</i>	Sports Development Team Sports Campus Development Officer	No Penalty
3.2	Develop robust school; club links	No school: Club links	Two schools per course	Four schools per course	Six schools per course	Six schools per course	Six schools per course	Production of a formal school: Club link agreement		<i>Schools do not engage</i>	Schools Sports Development Team Sports Campus Development Officer	No Penalty
3.3	Increase girls and ladies participation											
	1. Two golf development days per course	No days run	Four development days run	Four development days run	Four development days run	Four development days run	Four development days run	Two golf development days run per site		<i>No one attends the days</i>	Clubs Individual customers Local businesses	No Penalty
	2. Developing a joint action plan with DCC Sport Development team	No plan in place	Plan developed	Actions per Plan	Actions per Plan	Actions per Plan	Actions per Plan	Targets included within development plan		<i>Joint plan cannot be agreed</i>	Sports Development Team Sports Campus Development Officer	No Penalty

	KPI	Baseline	Year 1 2011 - 2012	Year 2 2012 - 2013	Year 3 2013 - 2014	Year 4 2014 - 2015	Year 5 2015 - 2016	Measure	Proposed Monitoring Improvements over the Five-Year Period	Risk Factor	Work Group / Links	Penalty for failure to achieve Key Performance Indicator
3.4	Engage with home clubs											
	1. Meet with the home clubs on a quarterly basis	No formal meetings in place	Quarterly meetings	Quarterly meetings	Quarterly meetings	Quarterly meetings	quarterly meetings	Production of minutes/ notes		<i>Home clubs not engage</i>	Home clubs	No Penalty
	2. Develop a joint club development plan with 'home' clubs	No plan in place	Plan developed	Actions per Plan	Actions per Plan	Actions per Plan	Actions per Plan	Targets included within development plan		<i>Home clubs not engage</i>	Home clubs	No Penalty

	All Key Performance Indicators and associated Action Plans will be formally reviewed in year five and a new five year schedule produced and agreed.
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Mack Proposed Prices for 2011/12

Season Tickets

Adult 7 day Season Tickets

Category	SIV Sheffield and Chesterfield	Birmingham	S-o-T	Tamworth	Nottingham City		Mack Trading Proposed	Current Ave Prices charged to City and non city residents	Council prices we would have to introduce with inflation and VAT increases
7 day Season Ticket	£499.00	£620.00	£470.00	£620.00	£450.00		£425.00	£390.00	£433.29
7 day over 60 Season Ticket	£499.00	£620.00	£470.00	£465.00	£450.00		£375.00	£290.00	£318.12

Adult Weekday Tickets

Category	SIV Sheffield and Chesterfield	Birmingham	S-o-T	Tamworth	Nottingham City		Mack Trading Proposed	Current Ave Prices charged to City and non city residents	Council prices we would have to introduce with inflation and VAT increases
4 day Season Ticket	n/a	n/a	£320.00	£425.00	£350.00		£300.00	£280.00	£307.15
4 day Season Ticket Over 60	n/a	n/a	£240.00	£360.00	£300.00		£250.00	£185.00	£202.94

Under 18's

Category	SIV Sheffield and Chesterfield	Birmingham	S-o-T	Tamworth	Nottingham City		Mack Trading Proposed	Current Ave Prices charged to City and non city residents	Council prices we would have to introduce with inflation and VAT increases
Junior Season Ticket	£110.00	£100.00	£95.00				£50.00	£100.00	£109.70

Green Fees

Category	SIV Sheffield and Chesterfield	Birmingham	S-o-T	Tamworth	Nottingham City		Mack Trading Proposed	Current Ave Prices charged to City and non city residents	Council prices we would have to introduce with inflation and VAT increases
Green Fee Mon-Thu	£14.00	£16.00	£13.00	£17.50	£13.00		£14.00	£12.30	£13.49
Green Fee Fri-Sun	£18.00	£16.00	£17.00	£20.00	£17.00		£16.00	£14.30	£15.69