



## **Golf Course Management**

### **SUMMARY**

- 1.1 On 20 April 2010 Cabinet agreed in principle to the awarding of the contract for the management and operation of the Sinfin and Allestree golf courses to Mack Trading Limited (Mack)
- 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 in a number of key areas. The main issue was that agreement could not be reached on index linking the annual sum to be paid to the Council over the 40 year 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 significant progress in improving the overall performance at both courses over the last twelve months.
- 1.6 This report considers 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 note the improved performance of the two golf courses under the management of the new in house team.
- 2.2 To approve the Council ending discussions with Mack in relation to the lease and operational agreement.
- 2.3 To ask officers to undertake a full appraisal of the options identified in the report and bringing a further report to a future meeting.
- 2.4 To note that in the interim the courses will continue to be managed by the in house Sport and Leisure Facilities Management team.

- 2.5 To note that the interim golf development plan detailed in paragraph 4.25 will be implemented over the next six to 12 months.
- 2.6 To note that significant capital investment is required for both courses to be maintained and developed.

## REASONS FOR RECOMMENDATION

- 3.1 The length of the Lease Agreement with Mack is for up to 50 years with no break clauses and limited penalty clauses, it is therefore important that the terms and conditions of the Lease Agreement are acceptable to the Council, both in the short and long term. The current terms and conditions do not offer acceptable value for money for the Council.
- 3.2 The Council has to demonstrate best value for money and also secure a long term agreement that will improve access and develop both municipal golf courses. The terms and conditions offered by Mack currently do not meet fully these needs and therefore it is necessary to reconsider all options to develop the two 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 falling numbers and lack of capital investment in the course facilities.
- 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 annual 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 no 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
  - ❖ Offer the potential of capital investments over a defined period.
- In return they would keep the revenue from the courses.
- 4.5 The more detailed proposals from Mack are included in a confidential appendix 2

- 4.6 Whilst in April 2010 Cabinet agreed in principle to the awarding of the contract to Mack the Council then entered into detailed and complex discussions with Mack and some measure of agreement was reached on some items. In particular it was agreed that the lease be reduced from 50 to 40 years with an option to extend for a further ten years at the Council's discretion.
- 4.7 The Council required 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. The financial penalty levels were however a relatively low incentive in comparison to the threat of early termination of the lease.
- 4.8 However the major stumbling block 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.
- 4.9 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 considerably improved the overall performance of the courses since taking over management responsibility for them. They are now breaking even.
- 4.10 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 any charges for central support services (previously charged at £32,000).
- 4.11 Not being able to agree terms with Mack over their bid has led to a reassessment of the situation.
- 4.12 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 being legally binding
  - ❖ Fee pricing for golf users
  - ❖ Duration of the lease and break clauses
  - ❖ Levels of course development
  - ❖ Participation levels

- ❖ Profit sharing/rental agreement
- ❖ Performance targets

4.13 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. Nonetheless the position remains that the need for capital investment in both courses' cannot be met from the Council's capital programme, though the council could investigate the potential of using section 106 resources to fund improvements.

### **The Way Forward**

4.14 The Council has the opportunity to re consider the following alternative management options to develop golf over the long term. The options are presented below with further information on the implications and opportunities of each option outlined in paragraphs 4.15 to 4.22.

(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.

### **Option 1**

4.15 Retaining the management ensures that the Council has total control over all areas of the management of the two courses. By transferring the internal management of the two courses over to the Sport and Leisure Facilities Management team, we have seen an improvement in the overall financial performance of the two courses. There are further plans to continue to improve the management, marketing, programming and layout of the courses.

4.16 However, there are limitations to what can be achieved by officers in the long term and without significant investments in both on and off the golf courses. This option does not provide a long term solution. Officers are currently investigating the potential of using Section 106 resources to fund improvements to both courses. If this was feasible, then the in house option does become more viable.

### **Option 2**

4.17 The Council could re-market the two golf courses to leisure and golf operators. The turnaround in the overall performance of the two golf courses may attract additional interest and better terms for the Council. By revising the tender documentation the council can also include other services that were not included in the original tender, such as the pitch and putt at Markeaton Park. The Council can also be more specific

on key areas, such as the length of lease, level of investment and key targets to increase golf participation.

- 4.18 Re marketing the two courses will take further time and is subject to attracting interest from the private sector. The Council, under this option, would not retain management control, but will set out in the tender document and the lease and operational agreement, specific measures in relation to investment, service standards and increased participation.
- 4.19 The Council has previously marketed and tendered the two courses through an open competitive tender process and there is an option to re market the courses again. This would require all previous documentation to be revised significantly to ensure the Council's needs are explicit within the Tender Document.
- 4.20 There are associated risks with re-tendering, including the potential of legal challenge and claims by Mack Trading Ltd which may result in them not entering the process again or inhibiting the option of retendering. The level of interest by potential operators to submit tenders to manage the courses if they were retendered is difficult to assess and there is the risk of not receiving sufficient interest from the market. A soft market exercise will be undertaken in order to gauge the level of interest to manage the courses
- 4.21 There would be an opportunity of including the operation of the Markeaton Park pitch and putt facility which would provide the opportunity of bringing all golf development opportunities together. The Markeaton Park pitch and putt facility provides an ideal opportunity for young people and adults to take up golf in a less intimidating environment and provides incremental progression to the next challenge of playing the established 18 hole golf course.

### **Option 3**

- 4.22 The Council has recently agreed to transfer the Museum Service into a new trust and there is the potential to explore the trust model to also include other leisure and cultural services and facilities, including the two golf courses. This option provides opportunities to include golf within a new brand of facilities and services that would promote cross selling across all leisure and cultural provision. The development of a trust will inevitably take time and there are no guarantees that it would be able to generate the investment required in order to provide a long term solution.

### **Interim Arrangements**

- 4.23 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.
- 4.24 Outlined in paragraph 4.25 is the golf plan which gives examples of a number of objectives that have been identified to be taken forward as part of the Leisure Facilities Development Plan for Sinfin and Allestree golf courses over the next six to 12 months period.

<b>Sinfin and Allestree Interim Golf Development plan</b>
To explore the feasibility of a mini tender for a golf professional to lead in the grassroots and lesson development at both golf courses.
To work with the parks and events team to explore the possibility of organising a family weekend (discovery parks and golf concept) that including offers of taster sessions for golf and other sporting activities at Allestree.
To work with the Derbyshire Golf Officer to explore joint initiative opportunities for the golf courses.
To review the entrance and on-course signage, web pages and golf courses literature with a view to improve awareness and promote opportunity.
To explore the S106 funding framework to consider possible funding for golf course development.
To create a marketing plan that reflects the key opportunities for the golf courses to attract new users to the courses.
To work in partnership with Grounds Maintenance to produce a Service Level Agreement for both golf courses in relation to a minimum standard of greens, fairways, sand bunkers etc.
To explore how the golf courses can improve its data collection processes to develop the contact, communication and marketing with users of the courses.
To review the stock, pricing and suppliers for golf shops to ensure that the right goods at the right price are being provided to users.
To review the standard operating procedures in place and produce an action plan that improves the processes, quality and all over service delivery.
To produce a project plan and costs for transferring the booking and golf shop into club house at Sinfin.
To identify the key improvements for the golf courses in relation to the fairways, greens buildings and infrastructure and then subsequently produce an action plan to take forward identified improvements.
To work with all the golf clubs to collectively explore the benefits of achieving a golf mark for both golf courses.

## OTHER OPTIONS CONSIDERED

- 5.1 Asking the two organisations who submitted a bid as part of the tendering exercise in January 2010 to resubmit their bids on the revised paperwork for the new tendering exercise was considered. However this was discounted as it was felt it may disadvantage other potential bidders from submitting a bid against the revised specification.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Stuart Leslie, Director of Legal and Democratic Services Michael Kirk, Acting Head of Finance – Neighbourhoods Jayne Stutt, Strategic HR Business Partner Claire Davenport, Director of Leisure and Culture
---	--

<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Name Andrew Beddow 01332 641230 e-mail andrew.beddow@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Detailed proposals from Mack
---	--

<b>IMPLICATIONS</b>
---------------------

**Financial and Value for Money**

- 1.1 The contract with Mack Trading Ltd was for a period of up to 50 years 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 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. 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 agreed in principle to the appointment of Mack Trading Ltd as the successful tender, the Council is under no obligation to appoint Mack Trading Ltd and can consider other options.
- 2.2 Macks position on the potential ending of negotiations on the lease and operational agreement is in the legal implications in the confidential part of the agenda.

**Personnel**

- 3.1 The previous work undertaken by HR regarding TUPE has be put on hold pending the preferred option. Affected members of staff 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 Sinfin 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.

### **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, the risks to the Council are minimised.
- 8.2 A number of risks associated with the tendering exercise have been referred to within the report.

### **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.