

TRANSFORMATION AND RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Wednesday, 9th October, 2013

Present: Councillor Mrs Elizabeth Shenton – in the Chair

Councillors: D Becket, Mrs Burgess, Hambleton, Howells, Jones, Taylor.J and Waring

Portfolio Holder(s): Cllr Stubbs – Finance and Resources

Officers: Dave Roberts – Head of Finance
Simon Sowerby – Business Improvement Manager
Martin Stevens – Scrutiny Officer
Louise Stevenson – Scrutiny Officer
Kelvin Turner – Executive Director, Resources and Support Services

1. **APOLOGIES**

Apologies were received from Councillors Bannister, Fear and Mrs Hambleton.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

3. **KEELE GOLF COURSE**

The Executive Director, Resources and Support Services introduced a report regarding Keele Golf Course which considered the process to procure a new tenant to manage, develop and maintain the facility. As part of the scrutiny process the Overview and Scrutiny Co-ordinating Committee and the Active and Cohesive Communities Overview and Scrutiny Committee had considered the issue in relation to their specific interests in the process. It was before the Transformation and Resources Committee to be considered in relation to the procurement and financial aspects of the process. The Council's Head of Finance and Business Improvement Manager were in attendance to answer more detailed questions regarding the financial and procurement aspects of the process respectively.

Stage one of the process involved Expressions of Interest preparation and evaluation criteria being set. Advertisements were placed in key publications and websites, with three Expressions of Interests received. After financial and health checks all three parties were invited to proceed to the next stage, where the parties were invited to bid and from which two submissions were received. These were evaluated by a multi-disciplinary evaluation panel of six officers, who scored the bids against the evaluation criteria. From this, points of clarification were raised, which were addressed and satisfied at meetings with the bidders, chaired by the Executive Director, Resources and Support Services. The Executive Director, Resources and Support Services provided a critical friend role to the evaluation panel scoring, with his scoring of the bids broadly in line with that of the multi-disciplinary evaluation panel.

The Committee considered the procurement aspect of the process first. Members questioned whether the market rental value, as referred to in the draft Cabinet report, had been independently assessed at any stage. The Portfolio Holder advised that other local golf providers had been questioned with regard to the systems in place at their courses, in order to ensure the same values as them and market testing was undertaken. Members further questioned whether there was a baseline or target when ascertaining the market rental value and whether an average market value rental value had been ascertained. The Business Improvement Manager advised that the baseline was the historical information relating to how the course had been run previously. A Member considered that it might be more accurate to state that a reasonable market rental value had been established compared to the previous activities at the course. The Portfolio Holder advised that the market rental value was what the market was willing to pay, and although it would be desirable to achieve more than similar providers across the community, the value was what had been put forward by the bidders. Another Member was of the opinion that due to the recent history of decline at the course, it would not be fair to compare the course with others that had different levels of standards than Keele Golf Course. The Portfolio Holder concurred that it would have been difficult to find a course similar to Keele or to take an average figure across a number of courses, as they would not have any relation to Keele Golf Course in its current form. A prudent view had been taken to establish the baseline figure from where the course currently was, and it was hoped that the chosen bidder would improve the course. The process was not just about financial gain, but improving the leisure facility. A structured procurement process had been undertaken which was not just about a bare minimum of standards, the bidders were allowed to go further in their bids in order to see what ideas were encouraged by them regarding how the course could be taken forward.

In concluding the Committee's consideration of the procurement aspects of the process, the Chair questioned whether the committee felt that the Council's procurement policy had been followed. Members questioned whether the procurement process could have been more robust, with improved targets and other providers considered, and also suggested that the market rental value should not be ascertained solely from the two bids that had been received. In response, a Member felt that a good tenant was required to both develop the site and provide a financial return to the Council, and the Committee was at risk of losing sight of this. They were satisfied that the correct procurement process had taken place to bring the situation to its current status. The Business Improvement Manager concluded that a transparent procurement process had been undertaken, with advertisements placed in the appropriate journals which had generated genuine interest from the market place.

The financial and value for money aspects of the process were then considered. A Member questioned how the current proposals were financially better than what had previously been in place, with particular reference to the amount of the deposit, the terms for an option to break and any delay or default in the payment of rent to the Council. The Executive Director, Resources and Support Services advised that although the £30,000 deposit was smaller than what had been received previously it was in fact a larger percentage. Previously the figure was based upon 50% of the annual rental amount, which was later acknowledged as being excessive. The final arrangement with the previous tenant had been a percentage of annual turnover, which meant the £30,000 deposit was essentially a full years deposit. The Member was satisfied with the explanation, but questioned the purpose of the deposit to cover any costs to the Council, and whether £30,000 would adequately cover these. It was difficult to define an example of something going wrong at the course, as it could range from a minor incident to the tenant vacating as had happened earlier in the

year. £30,000 was a fair figure that would also not discourage potential operators. In response to this, some Members felt that £30,000 was too low when considering any potential serious issues that could occur.

With regard to the terms for an option to break, the Head of Finance advised that the trigger for the Council to exercise the option would be if there was a change in the planning status of the land that the course sat upon. The Member considered that this was an improvement on the previous lease, where there had not been this option to break. With regard to any delay or default in receiving rental income, this would be managed by the monitoring meetings that would take place with the successful bidder. These meetings would be monthly for the first six months and quarterly thereafter. This was also a significant improvement in comparison to the previous lease. There would also be formalised arrangements for the Council to have access to the successful operator's accounts at any time to monitor income and expenditure, which the Member also considered an improvement on the previous lease. The Council would be in the same position to challenge the operator for non-payment as with any other commercial debtor. Furthermore, there would be provisions and standard clauses in the rental agreement that would ensure the Council could revoke the lease if the operator did not fulfil their obligations. A Member questioned why the preferred option was a percentage of turnover alone when there was the option of a combination of a percentage of turnover and a fixed sum. In response it was confirmed that the combined option provided a much lower percentage of turnover and a much lower fixed sum. The Member was satisfied that this was a good reason as the Council's income would be lessened.

A Member did not feel the answers that had been provided to certain questions were fully comprehensive. They felt that the course was currently losing money and they did not have confidence that the situation could be turned around.

4. DISCLOSURE OF EXEMPT INFORMATION

To resolve that the public be excluded from the meeting during consideration of the following appendix to the above draft Cabinet report regarding Keele Golf Course because it is likely that there will be disclosure of exempt information as defined in paragraph 3 in Part 1 of Schedule 12A of the Local Government Act 1972.

5. KEELE GOLF COURSE

There was consideration of the confidential appendix to the Cabinet report.

6. URGENT BUSINESS

There was no urgent business within the meaning of Section 100 B (4) of the Local Government Act 1972.

COUNCILLOR MRS ELIZABETH SHENTON
Chair