

REPORT TO CABINET

15th January 2014

KEELE GOLF CENTRE, KEELE ROAD, NEWCASTLE-UNDER-LYME – PROPOSED GRANT OF NEW LEASE TO RMW GOLF LIMITED

Submitted by: Executive Director, Regeneration & Development

Portfolio: Primarily Economic Development, Planning and Town Centres (as a lease disposal / property issue); Culture and Leisure (from a service delivery perspective) and; Finance and Resources (from a procurement and overall resources perspective).

Ward(s) affected: Directly - Keele, Silverdale and Parksite; indirectly – all wards

Purpose of the Report

To advise Cabinet of the current position regarding the grant of a new lease of the Keele Golf Centre to RMW Golf Limited and to obtain decisions on the immediate steps to be taken.

Recommendation(s)

1. That Members note the withdrawal of interest from RMW Golf Ltd on the grounds that the company is unable to progress with the opportunity on the basis of their tender submission.
2. That Members note that the decision of RMW Golf Ltd to not proceed with their scheme brings the tendering process to an end.
3. That officers be authorised to take the necessary steps to formally close the Golf Centre until further notice and to advise the interested parties of this decision.
4. That officers be authorised to take the necessary steps to secure the site to minimise the risk of trespass onto, or vandalism of, the land/buildings.
5. That officers be requested to report back to the earliest available Cabinet meeting with advice and information about the medium to long term options for the site.

Reasons

To enable Members to consider short-term actions that are necessary to protect the Council's reputational and financial interests as a result of the decision of RMW Golf Ltd to withdraw their proposals for developing and operating the golf centre at Keele.

1. Background

- 1.1 At its meeting on 16 October 2013 members received a report which described the process undertaken to identify a suitable new tenant operator for the Keele Golf Centre. Based upon its submission a decision was taken to accept the offer from RMW Golf Limited for a new 25 year lease of the Keele Golf Centre. Members should be reminded that the report to Cabinet (including the confidential appendix) highlighted the fact that the only other company which made a submission had required a significant financial subsidy from the Council in order to make their proposals viable.
- 1.2 Officers were authorised to arrange completion of the new lease with RMW Golf Ltd on the basis of terms summarised within the report and its confidential appendix.
- 1.3 Whilst the lease was being prepared, it became evident that there were points of principle that needed to be settled. It became clear that the envisaged timetable for completion of the lease on 2nd December 2013 could not be achieved and due to the interim management maintenance arrangements for the centre (with Glendale Managed Services) ending on 1st December, it was necessary for a temporary in-house minimalistic regime being put in place to keep the course open.
- 1.5 Following a period of further negotiations over the past few weeks the Council has now received written confirmation that the partners of RMW Golf Ltd have reviewed their position. They say that they have given detailed consideration to the poor and on-going deterioration of the course and, having liaised with their various consultants, reluctantly concluded that they are unable to progress with the opportunity as originally tendered. The following information has been extracted from an e-mail sent to the Council on 2 January 2014 on behalf of RMW Golf Ltd:

"Further to the below and our subsequent meetings and discussions regarding the Keele Golf Centre, I am sorry it has taken a little longer getting back to you but we have had so much to look at and consider and with the Xmas period etc it has been difficult to complete our further consultations.

I confirm that we have discussed the matter at length with my partners and our various consultants, and after detailed consideration of the ongoing deteriorating condition of the course and the cost implications to get the facility to the standard expected by yourselves, your consultants, us and our consultants we have reluctantly concluded that we are unable to progress with the opportunity as we had originally tendered.

The conclusions with our Consultants is that the improvements, which are detailed below, are likely to cost a minimum of £500,000 to put the facility to the standard that we all require and we would suggest that to carry out the necessary refurbishment and works ideally requires the facility to be closed for a period of 9 to 12 months with the resultant loss of the existing, albeit falling, membership, loss of trade and consequent re-establishment of the business etc.

As discussed we remain keen to be involved in the opportunity but after further and detailed consideration the course is in such a poor and continually deteriorating condition that we simply are not able to progress as initially outlined, as we feel that the business would not be commercially viable under such terms, and for us to progress we would need the help and assistance of your Council by an investment from yourselves of £250,000 into the project as we have outlined below and at our recent meeting, but without this financial assistance we are unable to progress as in our opinion under the lease terms the project is not commercially viable . We understand the current financial limitations of the Council, which are broadly mirrored by our own financial limitations and the market in general, but at this stage in our company's development we simply cannot commit to an extra and unforeseen investment of at least a further £250,000 from our own resources in addition to the level of investment that we had initially planned.

Given the above and the understandable financial limitations of the Council we feel that whoever looks at the opportunity in the current conditions and proposed lease terms will come to a similar conclusion to ourselves, and we would respectfully suggest that to retain the course as operational it may be in the Council's interests to consider an overall masterplanning of the demise so albeit with the course itself in a smaller design layout with a view to providing for redevelopment of parts of the site in the short term rather than leaving to the medium term and using some of the development value released from the sales of such opportunities in refurbishing the facility which would remain an integral part of the overall site layout and which in turn as a facility would then be far more attractive to the market and provide the Council with a better long term rental solution. Clearly we would be delighted to advise or help in any way on the potential masterplanning relative to the design / layout of the course, course works etc and would similarly be delighted to enter into an agreement to lease for the course on completion of the works and masterplanning and / or work in conjunction with a developer to secure the optimum return to the council whilst importantly keeping a public pay and play facility in the Borough which we would be delighted to lease / operate on completion of the works.

I would hope that you can understand and appreciate that the above decision has not been considered lightly and there is no way that we would have wished the matter to develop in this way and that we have a genuine passion and interest in the facility and in operating the course, it just simply is not commercially viable within the current terms. It is a fantastic site and location but with the ongoing deterioration, the level of investment required and the lease terms it doesn't work.

Please accept our sincere apologies and hope that you can fully understand our position, but similarly we would be delighted to work with you to make the course something to be proud of but it needs major investment which we feel the golf operator market would not undertake within the proposed lease terms without significant Council financial support, which knowing the difficulties to Local Authorities we respectfully feel that could probably only be provided by releasing development and funds therefrom within an overall masterplan strategy for the demise.

This is a major disappointment to ourselves as I am sure it is to your Council but under the current terms we feel that the opportunity is not viable and unless there were external financial support from the Council as we have outlined we simply cannot commit to the project and regrettably have to withdraw our interest but thank you for giving us the opportunity to be considered, but, as above, we would be delighted to advise on the masterplanning relative to the long term retaining of the course within the overall masterplan if you need any help in this regard."

2. Issues

- 2.1 In view of the withdrawal of interest from RMW Golf Ltd that brings to a close the tendering process thereby demonstrating the market's failure to bring forward proposals that would meet the service specification and other lease obligations within the set financial parameters. As indicated at paragraph 1.1 the only other company which made a submission to meet the service specification (as set out in the tender documentation) put forward a proposal that would have been reliant upon a significant subsidy from the Council too.
- 2.2 Members will recall that, in seeking a new tenant golf operator to run the Keele Golf Centre, the Council had been keen to avoid having to provide any capital or revenue funding into the facility (in light of other competing service and financial priorities). This matter was specifically addressed in the report to Cabinet in May 2013 where it clearly stated that with regard to the longer term arrangements for the course it was envisaged that a commercial operator will be found through a competitive tendering process "on the basis of no subsidy from the Council and no capital contribution".
- 2.3 In view of the fact that the Council undertook an open tendering process on a national basis, the outcome would suggest that municipal pay-as-you-play golf provision is not commercially viable in this location – unless the Council is prepared to share the burden of significant cost and risk with an operator.
- 2.4 It should be noted that whilst RMW Golf Ltd remain interested in developing the golf centre facility, the nature of their proposal would depart significantly from the brief/specification that the Council put into the market. In these circumstances it would not be possible to proceed with any exclusive negotiations with RMW Golf Ltd. To proceed with such proposals would not only expose the Council to challenge from other interested parties but may inhibit the Council's ability to demonstrate that it has achieved best value for money (not least because other parties may have chosen to bid had the terms of the brief/specification made provision for investment and/or subsidy from the Council). In summary the tendering process has been completed without eliciting a potential operating partner who could meet the specification and obligations set out in the tender documents on financial terms that would be acceptable to the Council.
- 2.5 The other immediate issue that arises is for the Council to consider whether it wishes to establish further interim management/maintenance

arrangements pending a further review or whether it should take steps to formally close the whole facility for the foreseeable future. Members should note that the course has been closed since 23 December 2013 due to the adverse weather and the playing conditions on the course.

2.6 In considering this matter Members should take account of the following:-

- The ongoing costs to the Council (in light of other competing service and financial priorities and the absence of specific budgetary provision for this purpose);
- The Council has no in-house expertise, capacity or equipment to maintain and manage the facility;
- The desire of local golfers to use the facility;
- Responsibility for the health and safety of players/visitors to the site.

2.7 On balance your officers consider that the prudent course of action would be to announce a formal closure for the foreseeable future. Officers would recommend that steps be taken to secure the site and buildings to minimise the risk of trespass and vandalism in the short-term.

2.8 With regard to the medium to long-term it would be advisable for Members to consider a range of options in light of further officer advice. To that end it is intended to report back to the earliest available future meeting.

2.9 Of course it should be pointed out that if the golf centre were to be closed and secured, appropriate access arrangements would need to be retained to the pair of semi-detached golf houses and in respect of the public right of way which runs through the site.

3. Proposal

3.1 That in view of the withdrawal of interest from RMW Golf Ltd officers be authorised to take steps to close the centre owing to the net cost of management and maintenance and to introduce appropriate short-term security measures.

3.3 Officers should report back to the earliest available Cabinet meeting with an analysis of the medium to long-term options for the site.

4. Legal and Statutory Implications

4.1 The Council is not under any statutory duty as regards the provision of golf.

5. Equality Impact Assessment

- 5.1 There are no such considerations arising directly from the matters addressed in this report.

6. Financial and Resource Implications

- 6.1 Since May 2013 the Council has incurred net expenditure of about £100k in the establishment of interim maintenance and management arrangements at Keele Golf Centre. No provision has been made in either the capital or revenue budgets or the Medium Term Financial Strategy to enable continued provision of a fit-for-purpose municipal golf facility at this location or for any contribution being made to a third-party operator.
- 6.2 The above recommendations would help to minimise the risk of the Council incurring significant ongoing costs associated with the golf centre. That said the liability for National Non-Domestic Rates is about £22k per annum. The proposed short-term security measures are likely to cost up to £10K and this cost will have to be found from existing budgets. Subject to carrying out the latter works it is intended that only works that are deemed to be of an essential nature (e.g. on health and safety grounds) will be undertaken at this stage and until there is clarity about the medium to long term proposals for the site.
- 6.3 It is proposed to address the longer term financial implications arising from the outcome of the tendering process as part of the report to a future meeting.

7. Major Risks

- 7.1 Delay in securing a new tenant operator would result in the council having to meet the net costs of continuing with any continuing interim course maintenance and management arrangements in the event that the Golf Centre is not closed.

8. Previous decisions/reports

- 8.1 Reports to Cabinet – 16.10. 2013 and 22.5.2013

9. Background papers

- 9.1 E-mail from Kevin Read of RMW Golf Ltd dated 2 January 2014.