

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
CABINET**

Date 22 MAY 2013

1. KEELE GOLF COURSE; interim maintenance and management arrangements and long term options

Submitted by: Executive Management Team

Portfolio: Culture and Leisure; Regeneration, Planning and Town Centres; and Finance and Budget Management

Ward(s) affected: Keele, Silverdale and Parksite

Purpose of the Report

- a) To appraise members of interim management arrangements that have been established to facilitate ongoing provision of the municipal golf service at Keele Golf Course following actions taken by the liquidator to disclaim the lease of the property and to seek members' endorsement of related decisions.
- b) To appraise members of the long-term options for ongoing provision of municipal pay-as-you-play golf at this location and to seek approval for a preferred course of action.

Recommendations

- a) **To note the actions taken by officers to facilitate ongoing provision of the municipal golf service at Keele, in particular the award of interim contracts for up to 6 months for both maintenance of the golf course (18-hole and 9-hole) and management of the operation to Glendale Managed Services Ltd.**
- b) **Further to recommendation (a) to seek members' approval for the setting of associated fees and charges as set out in the report (to follow).**
- c) **That members instruct officers to proceed with a formal, competitive two-stage marketing process with the aim of securing a tenant who can deliver a commercially viable municipal golf offer at Keele Golf Course by way of a commercial lease on the basis set out in the report.**
- d) **That officers be authorised to prepare the necessary draft lease document in accordance with a specification that shall have been agreed by the Portfolio Holders for Culture and Leisure; Regeneration, Planning and Town Centres; and Finance and Budget Management.**
- e) **That officers report back the outcome of the overall marketing process to enable a final decision to be made about the award of any long term lease.**

Reasons

It is necessary to advise members formally about the interim maintenance and management arrangements. Additionally it is important to provide members with information to enable decisions to be made about the preferred medium to long term option for the site.

1. **Background**

- 1.1 The Council managed and operated a municipal golf activity at Keele up to 2003 when it was considered appropriate to seek commercial interest in the service by way of a commercial lease.
- 1.2 Following several years of difficult trading conditions Keele Golf Centre Ltd. was placed into a Creditors Voluntary Liquidation arrangement on 21st March 2013, notification of which was received by the Council shortly afterwards. The Liquidator, in discharging his responsibilities, took steps to formally disclaim the commercial lease in relation to the golf course with effect from 1st May 2013.
- 1.3 Officers briefed Cabinet Members about the emergent position and it was agreed as appropriate to establish interim arrangements to enable ongoing pay-as-you-play municipal golf.
- 1.4 In terms of course maintenance a contract has been let to Glendale Managed Services Ltd.. This situation arose following a meeting with the company (they are the council's current grounds maintenance contractor for cemeteries and crematorium) on 25th April 2013 to follow up on an initial approach made to the contractor to establish interest/appetite for a short term grounds maintenance contract (up to 6 months) for Keele Golf Course (once it became clear that the previous lease had been disclaimed). The critical issue was to balance the necessity of securing practical arrangements at very short notice with the importance of achieving good value for money (see section 9).
- 1.5 With regard to overall operational management of the golf facility a contract has been let to Glendale Managed Services Ltd . This management contract provides for the management support that the course needs to operate. This includes taking bookings, collecting and accounting for fees and charges, the supply and sale of sundry items, marketing, and other associated course management issues to meet the demands of the operation. Direct costs associated with the operation are either paid for directly by the Council (for example NNDR, utility costs, building repairs and maintenance etc) or recharged by the operator (for example, where appropriate, direct staff costs, buggy hire).

2. **Issues**

- 2.1 There are two key issues arising from the current situation:-
 - Clarification of the present position and for members to note the reasoning for officers' actions;
 - The necessity to consider medium to long term actions, including an assessment of the Council's broader policy aims and objectives and taking account of financial/resource issues.

Present position

- 2.2 Members will note, in section 1 of this report, the steps that have been taken by officers in consultation with Cabinet Members in order to facilitate ongoing pay-as-you-play municipal golf at Keele. Officers can confirm that the steps taken were compliant with provisions made in the Council's constitution and Scheme of Delegation relating to urgent action.
- 2.3 The justification for maintaining service provision on an interim basis includes the following key points:
 - to safeguard the service as a benefit to the local community;
 - to protect the asset from a broader asset management perspective;

- there was sufficient evidence to indicate that an interim arrangement should be financially viable and;
- to avoid prejudicing the long term position whilst options are properly explored.

Medium to long term position

- 2.4 it is vitally important that the Council takes the opportunity, afforded by the unfortunate demise of the previous operator, to review the long term options properly. At section 3 there are three simple options for Members to consider. The following key issues should be taken into account in identifying a preferred solution:
- i) the strategic case for the long term provision of municipal golf in this location (including any health and wellbeing issues); and
 - ii) strategic asset management considerations (set out in the context of current and emerging planning policies).
- 2.5 The Council's current Asset Management Strategy includes a series of generic policies and clarifies the Council's property-related asset management objectives. The critical policy states that "the Authority will only hold sufficient property to meet a service need or strategic objective".
- 2.6 In this case it may be argued that an accessible outdoor leisure facility of the kind provided at Keele Golf Course contributes to the Council's strategic priorities around the promotion of active and healthy lifestyles. Golf contributes to health and wellbeing by providing a stimulating sporting challenge combined with a healthy walk in pleasant surroundings and can be played by people of all abilities and ages, both individually or in a team. It may be a casual pastime or a competitive activity. A walk round Keele Golf Course covers approximately four kilometres, which if done regularly provides good exercise.
- 2.7 With regard to the need to provide a municipal golf facility there is anecdotal evidence that private members clubs serving our community are increasingly providing options for non-members to play on a casual basis (as well as offering innovative membership packages to make it more affordable). At the same time there is evidence that the Keele Municipal Golf Course facility remains popular.
- 2.8 Your officers feel that to undertake a strategic review of golf provision/demand may prove a little inconclusive and therefore fail to provide Members with a clear sense of future need. It may be preferable at this stage to combine the evidence that we glean from the interim management arrangement which, combined with any market interest in the facility, should help to inform the long term stance.
- 2.9 From a broader asset management perspective, should it become evident that the ongoing provision of municipal golf is unviable then the Council would have to consider alternative uses and possible disposal. As Members will be aware, the Keele Golf Course facility lies in the Green Belt and the current national/local planning policies presume against "inappropriate development". In summary this means that the current recreation use is acceptable (as would be uses such as agriculture, etc). The corollary being that there is no policy support for development in this location at this time. Nevertheless taking account of wider and future corporate priorities, and the medium term potential for changes in the planning policy framework, the Council should consider protecting its long term interests by given careful consideration to the terms and time period relating to any new lease of the land.

3. Options Considered

- 3.1 To mothball the course whilst the Council consider long term options – this could be regarded as a low cost option that would enable a strategic review to be undertaken from both a service and asset management perspective. However this option is likely

to be seriously harmful to the long term prospects of municipal golf provision in this location because of the damage caused to the course through lack of proper maintenance and loss of loyalty/good will from the existing customer base.

- 3.2 To establish ongoing interim maintenance and management arrangements whilst the Council considers long term options – this option presents the short term benefit of keeping the course in operation although this has been balanced with the aim of minimising financial risk to the Council. The second strand of this option (and the previous one too) demands consideration of whether the Council wishes to take the opportunity of:

(a) undertaking a strategic review of the activity (i.e. municipal pay-as-you-play golf) in advance of a strategic asset management review (the latter in the context of current and emerging policies). This approach would tend to direct the Council towards letting short term maintenance and management contracts awaiting the outcome of a strategic review; or

(b) the alternative to this approach would be to test the market interest in operating a municipal golf activity in the long term prior to making any decision to proceed. Such an approach would tend towards a commercial lease as the vehicle to achieve the Council's objectives. This would involve a two-stage process that would provide the Council with an early indication of market interest through an "Expression of Interest" stage. As indicated above it would be appropriate to set the terms of any lease on a relatively short term basis, say up to five years. However there is a risk that such a time period may have a significant adverse effect upon the market interest and value of such a lease. For the latter reason it would be advisable to invite interested parties to submit an alternative bid for longer time periods to be agreed by officers in consultation with Cabinet members before the marketing process begins.

4. **Preferred option**

- 4.1 In view of the considerations set out above option 3.2 (b) would appear to be the most appropriate at this stage.
- 4.2 In terms of a timetable for such a process your officers consider that it is realistic to complete the first stage (seeking Expressions of Interest) within 6 weeks with the overall selection process of securing a preferred operator taking up to 4 months.

5. **Recommendations**

- 5.1 See first page of the report

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 Clearly the greatest alignment lies with the Council's priority relating to Healthy and Active Communities.

7. **Legal and Statutory Implications**

- 7.1 Whilst there is no statutory obligation for the Council to provide municipal golf facilities it does have powers to do so if it so wishes (under the Local Government Misc. Provisions Act 1976).
- 7.2 The Council has powers to dispose of land (under the Local Government Act 1972 (as amended)); any decision to "dispose" of the facility by way of a commercial lease (or otherwise) has to meet the test of achieving "best consideration" for the Council (in relation to the commercial value of the asset).

- 7.3 There is a range of other provisions in relation to the ownership of premises of this nature, including health and safety responsibilities and statutory provisions relating to matters such as public rights of way.

8. **Equality Impact Assessment**

- 8.1 At this stage no formal assessment has been undertaken but officers can confirm at this stage that measures will be put in place in any long term arrangement to minimise the risk of inequalities arising for any client group.

9. **Financial and Resource Implications**

- 9.1 No provision has been made in either the capital or revenue budgets for 2013/14 (or in the MTFS) to support municipal golf provision at Keele.
- 9.2 From evidence available to officers at this stage it is envisaged that the cost of interim maintenance and management arrangements described earlier should be covered by income generated from fees and charges. However, income can be severely affected by adverse weather conditions so close monitoring of all income and expenditure will be undertaken.
- 9.3 With regard to the interim maintenance and management contracts it is important for the Council to satisfy itself that value for money can be demonstrated. In terms of the grounds maintenance contract Glendale Managed Services Ltd have provided a cost estimate (based on the work programme from the previous grounds maintenance contract for the golf course from the late 1990s) for a 4-month period for 27 holes, with the potential for 2 x 1 month extensions should the council require this option.
- 9.4 The estimate has been initially benchmarked against the contract rates from the 1990s with inflationary uplifts and the additional 9-hole course (which didn't exist at the time of the previous contract) included and the estimate is considered to represent value for money when benchmarked against a quotation from another prospective contractor.
- 9.5 Glendale Managed Services Ltd has agreed that the work can be instructed as a variation to the existing cemeteries and crematorium contract as the most appropriate method of securing the work.
- 9.6 Like the maintenance arrangements it has been necessary to establish an interim management contract at short notice. Again, officers have taken steps to ensure that value for money can be demonstrated in the letting of this short term arrangement.
- 9.7 With regard to fees and charges your officers have set these on the basis of those that were in place prior to the previous operator's business going into liquidation (exercising urgency provisions in the scheme of delegation included within the Council's Financial Regulations. Certain issues around charges are still being clarified with the previous operator and others associated with the previous operation. Full details of all charges will be the subject of a supplementary appendix that will be circulated prior to the meeting.
- 9.8 In terms of the longer term arrangements it is 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.

10. **Major Risks**

- 10.1 The most significant risk lies in the Council's ability to secure a commercial operator who is capable of delivering municipal pay-as-you-play golf at this location at no direct cost to the Council. The two-stage process described above should enable the Council to consider alternative options should this exercise prove to be fruitless.
- 10.2 With regard to operational risks a full range of service/maintenance checks were undertaken on the first day of ownership. Additionally a comprehensive risk log has been undertaken which will be made available upon request.
- 10.3 At this stage income estimates have been based upon historic usage and limited information gleaned over recent weeks from those associated with the previous operation. As indicated above it will be necessary to closely monitor income over the period of the interim arrangements in order that any mitigating actions may be taken to minimise the risk of significant financial losses being accrued.

11. **Key Decision Information**

- 11.1 The matters raised in this report, at this stage, do not constitute a key decision. The letting of any lease or contract in due course would amount to a key decision and the appropriate notification will be made in the Forward Plan.

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 None relevant to the matters raised in this report.

13. **List of Appendices**

- 13.1 None.

14. **Background Papers**

- 14.1 Contract documents held in office files.