

Supplementary report to Cabinet – 16 October 2013

Agenda item 8 – Keele Golf Centre

Summary and consideration of Overview and Scrutiny Meetings

Purpose of report

To enable Cabinet members to receive comments from the various Overview and Scrutiny Committees' consideration of this matter and to take the same into account in considering the officers' recommendations.

Recommendations

- (a) That members receive and consider the views of the various Overview and Scrutiny committees as set out in this report.**
- (b) That the recommendations in the main report be accepted.**
- (c) That officers ensure that the detailed matters raised during the scrutiny review process are addressed in the completion of the lease documentation.**

Reasons

It is appropriate that Cabinet members take account of the comments made by the various Overview and Scrutiny Committees in this matter. In this case no substantive issues have been raised through the scrutiny review process that would warrant a change in the key recommendations. Detailed points raised during the said process can be addressed through the lease documentation.

Background

At paragraph 2.10 and 2.11 of the report on your agenda members were advised that this matter was to be the subject of scrutiny by three of the Overview and Scrutiny Committees; as stated this supplementary report provides Cabinet members with the outcome of those meetings to be taken into account in the decision-making process.

Extracts from the minutes of the various Overview and Scrutiny Committees.

1. Overview and Scrutiny Co-ordinating Committee – 24 September 2013

A Member questioned who held the lease for the Golfers Inn, which formed part of the golf course. The company who took over the golf course lease would need to apply to the Council for a licence and although the Licensing Committee decision could not be predetermined, it was not anticipated that there would be difficulty in obtaining a licence.

Members questioned the two houses that sat adjacent to the golf course and whether they would be used by golf course staff. There were two cottages,

with one occupied on a secure tenancy with the former green keeper at the course. It was intended that the other house would be incorporated as part of the new lease. The fact that the semi-detached property was not listed in the report of remedial works was noted by Members, who questioned if it had been ascertained whether any repairs were required to the house. The house was understood to be in a better standard of repair than the operational buildings associated with the golf course and believed to only require modest cosmetic work, although it was understood that the property had not been inspected internally. A Member of the Committee was concerned by this and felt that significant costs could be incurred as a result. The Executive Director, Regeneration and Development advised that any operator would be required to carry out statutory work in the first three months of taking on the lease, particularly to address matters such as boiler servicing. Health and safety aspects were the main concern of the Council, with decoration a matter for the new operator.

Members further noted that sub-leases were not mentioned in the documentation and asked whether sub-leasing of the property would be permitted. The Executive Director, Regeneration and Development advised that sub-leasing was dependent upon the nature of the operator and any reasons that might be given for sub-leasing. It was probable that both of the bidders would wish to operate the overall business activity themselves. Nevertheless it was likely that the Borough Council would be prepared to consider sub-leasing with its approval and subject to appropriate provisions to protect the Council's interests.

The Chair noted that works to improve the course's buildings would need to be monitored as there could be disparity if one building was improved and another was not. It was the remit of the Council's Facilities Manager to review the buildings on the course, and the residential properties had not stood out as requiring substantial work when he had visited the estate.

RESOLVED: (a) That the comments of Committee Members be noted by Officers.

(b) That the Committee are satisfied with the tender process that has been undertaken, the implementation procedure and the monitoring process for the preferred bidder.

2. Active and Cohesive Communities OSC – 3 October 2013

Members further questioned what the timescales were for the essential works detailed on the Schedule of Works. There was a clear timeframe the works to be completed between three and five years and also within ten years, but no time frame for the essential works. The Executive Director, Operational Services would take this point back to officers from the Property Section and communicate the answer to the Committee.

The vice-Chair expressed a concern about the renewal of the gas boiler within three to five years, and whether it should be moved to essential work. The Executive Director, Operational Services undertook to discuss the boiler with the Facilities Manager, with the intention of seeking reassurance that the boiler was not hazardous.

Cabinet would make their decision on 16 October 2013. Once the winning bid had been decided upon, the Executive Director, Operational Services agreed that their business plan could be shared with the Committee in order for them to see what the Council would be monitoring against.

RESOLVED: (a) That the Committee are satisfied with the golf development and course grounds maintenance aspects of the tender process that has been undertaken.

(b) That clarification be sought of the timeframe for 'essential works' as contained in the Condition Schedule.

(c) That the Executive Director, Operational Services ascertain from the Facilities Manager the condition of the boiler and seek an assurance that it is not hazardous.

3. Transformation and Resources OSC – 9 October 2013

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 encouraged to go further in their bids in order to see what ideas were suggested 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 year's 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.

Officer comments

Whilst there were no substantive objections arising from the review of this matter by the various Overview and Scrutiny committees there were a number of detailed points which officers agreed to clarify and these are set out below.

Overview and Scrutiny Co-ordinating Committee

a) Occupation and use of an adjacent house in connection with the golf centre

Officers can confirm that detailed matters in relation to the use and condition of the dwelling house will be addressed during completion of contractual documents. In the meantime correspondence with both companies indicates that this is not a fundamental issue of concern for them.

b) Sub-leasing

It is confirmed that there will be provisions within the terms of the lease to protect the Council's interest in this regard.

Active and Cohesive Communities OSC

c) The timeframe for 'essential works' as contained in the Condition Schedule

Officers can confirm that the lease provides that the essential works will be carried out in the first 12 months of the agreement. It is noteworthy that Company B have specified in their bid that all work in the schedule (including the issue below) will be completed in the first 12 months.

d) Condition of the boiler

Officers can confirm that the estimated timescale of requiring work within 3-5 years is acceptable because the leak is not serious and the boiler can continue to perform satisfactorily over that period subject to normal routine servicing unless it has a major failing in which case it is still the tenant's responsibility to rectify it.

Transformation and Resources OSC

Whilst the Committee made no specific resolutions it is evident from the minutes that there was considerable discussion around key lines of enquiry concluding, at a summary level, that the correct procurement process had been undertaken and that the financial and value for money considerations had been thoroughly reviewed (including consideration of the details set out in the confidential appendix).

Issues

Your officers are of the opinion that the overview and scrutiny has been undertaken rigorously and there are no matters of substance that warrant any change in the officer recommendations on the report in your main agenda. For the sake of clarity officers can confirm that the specific points referred to above will be addressed in the detail of the lease documentation being finalised with the preferred company.