

WIRRAL COUNCIL**ENVIRONMENT OVERVIEW & SCRUTINY COMMITTEE****2 JULY 2019**

REPORT TITLE	LEISURE AND CULTURAL SERVICES – FUTURE PROVISION OF GOLF COURSES - UPDATE
REPORT OF	ASSISTANT DIRECTOR – COMMUNITY SERVICES

REPORT SUMMARY

The purpose of this report is to provide an update to the Environment Overview and Scrutiny Committee on progress towards the transfer of Arrowe Park and The Warren Municipal Golf Courses to an alternative specialist golf provider on a long lease, while the Council retains the freehold ownership.

Cabinet on the 26th November considered several options for the future provision of golf courses at Arrowe Park and The Warren and asked that these be considered further as a part of the 2019/20 Budget Options. This budget option formed a part of the Environment Budget Option workshop and scrutiny process. This budget option was agreed by Council on 4th March 2019 as representing the most appropriate opportunity for savings in the long term while keeping the courses open for the benefit of residents and visitors to Wirral.

This report provides an update on the progress to date in delivering this budget option.

RECOMMENDATION/S

Committee is requested to note the content of this report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 In line with the 2020 Pledges including leisure and cultural opportunities for all, the future vision for municipal golf in Wirral, is to have facilities that are accessible and “fit for purpose”, to encourage more people to play and take part in golf and become healthier in the process.
- 1.2 Golf facilities are an important component of the excellent provision of leisure and cultural facilities in the Wirral. They provide affordable opportunities for a diverse range of people of all ages to participate in golf and to benefit from healthy physical activity.
- 1.3 As with many other publicly operated sports facilities, there are several issues facing Councils in the current financial climate including the need for continued capital investment in facilities and meeting lifecycle costs.
- 1.4 The Council is committed to continue to offer excellent opportunities for local people and visitors to benefit from participation in golf; but it is faced with extremely challenging financial constraints.
- 1.5 The golf service is a discretionary service the Council does not have to provide. The 2018-19 subsidy for all municipal golf course is £255k (£331k if the 18-19 overspend is included) and with the national trend in golf usage being generally down, (not just for municipal golf courses but also for the majority of private golf clubs) it is envisaged that this current level of Council subsidy will not reduce significantly under current arrangements.
- 1.6 There are several specialist golf providers who have track records in delivering successful golf courses through their single focus on the golf offer and investment. These providers have, through a soft market test undertaken in January 2018, expressed an interest in operating, investing and maintaining Wirral golf courses. However, to do this they require a long lease in order to raise the investment necessary for the courses. The freehold of the courses would be retained by the Council.
- 1.7 A budget option to transfer Arrowe Park and The Warren golf courses to an experienced alternative operator on a long lease was accepted at Council on Monday 4th March 2019. This would remove the requirement for the Council subsidy, raise income from the lease rentals and remove the requirement for capital investment by the Council. Restrictive covenants would be placed on the golf courses that they only be used as golf courses and that they are used to provide ‘pay and play’ golf, ensuring the courses remain open and accessible to all. Staff from the effected courses would be TUPE transferred to the new provider.
- 1.8 Following the Council decision on 4th March 2019 both Arrowe Park and The Warren golf courses were actively marketed on The Chest and in two golf journals between 12th March 2019 and 5th April 2019. Providers were asked to submit evidence as follows:

- **Experience** - Provide details of your experience in operating golf facilities providing evidence of your proven track record including specific examples where possible.
- **Financial Evidence** - Interested parties must demonstrate their financial ability to operate the golf course(s).
- **Length of Lease** - The Council is offering these facilities on a long lease(s). The length of lease(s) is not yet determined but is likely to be in excess of 25 years. Interested parties are asked to confirm the minimum length of lease(s) required, providing a rationale.
- **Use** - The Council is proposing to dispose of these two facilities, lease holders are not to use the land for any other purpose than golf to include membership and 'pay and play' opportunities. Interested parties are asked to outline how they will undertake to provide this facility.
- **Financial offer** - Please specify your financial offer for the courses. The offer should reflect the proposed terms of the lease and be based on an annual rent or premium.

Interested providers were asked to submit proposals by 12 (noon) on the 5th April 2019.

1.9 In total 21 potential providers viewed the opportunity on The Chest with 4 providers submitted proposals by the deadline. An evaluation panel met to consider the proposals submitted. The panel comprised the Interim Assistant Director Community Services and officers from Legal Services, Finance, Asset Management and the Programme Office. Key considerations for the panel in making a recommendation was:

- The income to be received by the Council from the provider, as this is a land transaction the Council is obliged to achieve the best possible value for the land.
- The providers agreement to abide by the restrictive covenant, not to use the land for any other purpose than golf and to provide membership and 'pay and play' golf.
- The experience demonstrated by the provider in operating similar golf courses.
- Evidence from the provider as to their ability to meet their financial commitments and invest in the golf courses.

Of these the most important was the income to be achieved from the golf courses.

1.10 Providers submissions were ranked as to preference with the first choice being put forward as the recommended provider to enter into negotiations with for the transfer of the golf courses. A Delegated Decision to this effect was considered and agreed by the Cabinet Portfolio Lead, Cllr Julie McManus, on 31st May 2019 for officers to enter into negotiations with this provider.

1.11 The results of negotiations with the preferred provider will be reported to Cabinet for a final decision before any transfer takes place. A statutory consultation, in accordance with Section 123 (2A) of the Local Government Act 1972, in relation to the two golf courses will also be undertaken once negotiations are concluded. The results of the statutory consultation will also be reported to Cabinet for a final decision.

1.12 The Delegated Decision agreed by the Cabinet Portfolio Lead was the subject of a 'Call In' notice on 6th June 2019. At the time of writing this report this remained to be heard by members of the Environment Overview and Scrutiny Committee.

2.0 OTHER OPTIONS CONSIDERED

2.1 Do nothing

- 2.1.1 An alternative option is to retain golf courses 'in house'. Whilst the courses have been managed in house in the past few years and have recently undergone a major staffing restructure (Jan 2017), the financial pressures the Council is currently under would mean that significant cuts would have to be made to the service provision. This option was not acceptable to the Council.
- 2.1.2 If the Council continued to operate golf courses it would remain responsible for any future capital expenditure required to maintain them in 'general/average' municipal playing conditions and to provide capital monies for future commercial developments at the sites. The Council would need to borrow a significant amount of capital in order to bring the courses up to a reasonable course standard and maintain the existing customer base. Given the increased competition from private golf courses it is by no means certain that the Council would recover the investment it makes and increase income as a result of the investment.

2.2 Course closure

- 2.2.1 The courses could be closed and returned to parkland. While this would reduce the maintenance and operating costs of the golf courses it would close a much-valued leisure opportunity to residents. The closure of courses would also lead to staff reductions, possibly through compulsory redundancy, which is not acceptable to the Council. In addition, the income currently generated from the golf courses would be lost.
- 2.2.2 There would be further costs for parks and countryside to maintain these courses as parkland. Given that the Council currently maintains in excess of 240 separate areas of land across the borough and given that resources have been reduced substantially over the last few years this is not a desirable situation

2.3 Golf concession contract

- 2.3.1 The Council has previously explored contracting out the golf service to a specialist provider. Seeking a provider that would run the golf courses at a nil subsidy to the Council on the basis that the provider retains any profit it makes from the courses.
- 2.3.2 This option was explored in 2014 and most recently in January 2018 through a soft market test. While there were several providers who expressed an interest in the running and operation of the courses most required a long lease to do so. This was far in excess of the length of contract the Council could offer under current regulations and as such, this option is not currently possible.

3.0 BACKGROUND INFORMATION

- 3.1 Wirral benefits currently from 19 private and public golf facilities in Wirral, made up of a number of 18 hole and 9 hole courses, pitch and putt facilities, and a driving range. This level of provision represents significant competition in the golf market locally.

The Council runs three 18 hole golf courses, one 9 hole golf course and two 'fun courses' (pitch & putt and crazy golf).

- 3.2 Participation in municipal golf in Wirral is in decline and follows a national trend in that people tend to have less disposable leisure time to spend on playing a five or six hour round of golf. Those people that would have traditionally played golf in the past have migrated to a more 'time determined' sport (such as cycling, running, fitness) to fulfil their leisure time demands. Some smaller private member golf clubs are suffering from the same problem and it is noticeable how some 'community' based golf clubs have responded to this problem by reducing membership/joining fees and offering 'pay and play' packages which compete favourably with our existing municipal fees and charges.
- 3.3 Several reviews of Council golf provision have been undertaken in previous years. These have led to a staffing restructure, completed in February 2017, of the front of house golf service at all municipal golf courses. This involved deleting a number of roles and developing a more generic flexible staffing structure that enables collection of fees from not only the point of sale but also out on the course. In addition, this was designed to deflect criticism that the Council was not security conscious and that too many golfers are 'bunking on' the course without paying.
- 3.4 Leisure Services have been working with colleagues in 'Parks and Countryside' to develop a more business style 'client/contractor' relationship. A more structured SLA with bespoke work programmes is being developed to reflect this new arrangement which will also enable us to respond to golfers/customers comments/complaints regarding the course in a timelier fashion. Booking procedures have recently reviewed at each of the municipal courses resulting in more accessible tee times for the public at peak times.
- 3.5 An agronomist's report was commissioned (completed by STRI – April 2017) on the current state and condition of each of the municipal courses and to provide a work programme of required maintenance to rectify any remedial issues. Also commissioned was a condition survey for Arrowe Park and Brackenwood municipal courses to identify capital works required over the short, medium and longer term to keep the courses in a 'general' municipal playing condition. Both reports have identified the need for very significant capital expenditure on maintaining the courses.
- 3.6 The Council has previously sought to contract out the golf service. In 2014 as part of a joint approach with Cheshire West and Chester Council and most recently in January 2018 the Council carried out a soft market test to identify the level of interest from specialist golf providers in a concession contract. While several providers expressed an interest in operating, investing and maintaining Wirral golf courses this was on the basis that they are provided with a long lease, something which under concession contract regulations is not possible.
- 3.7 A budget option to transfer Arrowe Park and The Warren golf courses to an experienced alternative operator on a long lease was accepted at Council on Monday 4th March 2019. This would remove the requirement for the Council subsidy, raise income from the lease rentals and remove the requirement for capital investment by the Council. Restrictive covenants would be placed on the golf courses that they only be used as golf courses and that they are used to provide 'pay and play' golf, ensuring

the courses remain open and accessible to all. Staff from the effected courses would be TUPE transferred to the new provider.

4.0 FINANCIAL IMPLICATIONS

4.1 The operational revenue cost of municipal golf in Wirral in the financial year (2018/19) is £255k. The out-turn for this year exceeds this budget by £76k, (making the total operational cost £331k). Relating this specifically to the two courses Arrowe Park received a £85k subsidy (both budget and overspend) and The Warren received £74k, a total of £159k for both courses. This is detailed in the tables below:

Course	Budget Subsidy	Variance	Total
All golf courses	£225,000	£76,000	£331,000

Course	Budget Subsidy	Variance	Total
Arrowe Park & Warren	151,000	£8,000	£159,000

4.2 The expected benefit to the Council is that it can achieve a nil subsidy on the courses transferred and received income from the new provider.

5.0 LEGAL IMPLICATIONS

5.1 In order to consider the transfer of public open space the Council is required to advertise its intentions in accordance with Section 123 (2A) of the Local Government Act 1972 in order that members may consider any relevant objections prior to making any final decision as to its future.

5.2 As the proposal includes land the Council must achieve the best price reasonably obtainable.

5.3 A restrictive covenant will be placed on the use of the golf courses that they may only be used as golf courses and that the courses provide 'pay and play' provision. In this way the intention is to safeguard the future development of the golf courses and ensure that they continue to operate. It should be noted that, restrictive covenants on use have the potential to be challenged after a period of 40 years.

5.4 Existing service contracts and leases will be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.

5.5 Contracts and licences in relation to IT equipment and licences will be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

There are no additional resource implications arising. Existing resources are in place to support the communications and engagement, HR, contract management, project management, legal and financial aspects of this project.

6.1 ICT

6.1.1 Golf courses currently use a mixture of IT systems provided by the Council. The new provider would need to replace these systems with their own systems; however, this will need careful preparation and planning, embedded into a mobilisation and on boarding schedule to ensure that the service continues without interruption. Issues regarding data transfer from these systems to the new provider will also need to be considered in line with GDPR.

6.2 Staffing

6.2.1 The staff currently working on Wirral golf courses would be TUPE transferred to the new operator on existing terms and conditions. The Council has identified employees whose roles and duties are wholly or at least 50% assigned to the work that is transferring based on job titles, job description and nature of work undertaken.

6.2.2 A mobilisation and on boarding plan is being developed to ensure the transfer goes as planned with minimal disruption to the business, its customers and employees.

6.2.3 Pensions actuarial assessment have been requested to ensure that the new provider is aware of their pension liability.

6.2.4 Wirral Council is committed to following best value practice which requires that new transferees become an admission body of the LGPS or offer a broadly comparable scheme certified by the Government Actuaries Department (GAD).

6.2.5 Existing staff who contribute to the Local Government Pension Scheme (LGPS) will experience no change as the new operator will become a participant in this scheme.

6.2.6 Any employees that are not currently a member of the LGPS pension scheme will retain the right to join the LGPS scheme post transfer.

6.3 Assets

6.3.1 The courses would be transferred to the new provider on a long lease arrangement. The freehold would be retained by the Council.

6.3.2 Existing lease arrangements by Golf Clubs and concession holders will be transferred to the new provider.

7.0 RELEVANT RISKS

7.1 All risks associated with this project are identified and managed in line with the corporate risk management procedure as part of the project delivery process.

8.0 ENGAGEMENT/CONSULTATION

8.1 Pre-decision consultation has been undertaken in order to identify any relevant objections to this proposal prior to the decision from Council. This included specific questions in relation to this project as a part of the budget consultation process.

8.2 A communications and engagement plan is in place for this project setting out when and how Members, residents, staff and Trade Unions will be consulted as the project develops.

8.3 Formal consultations have commenced with Trade Unions with regular meetings scheduled with them.

9.0 EQUALITY IMPLICATIONS

(a) Yes, and impact review is attached

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

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APPENDICES

BACKGROUND PAPERS

Delegated Decision: Leisure and Cultural Services – Future provision of golf courses – 29th May 2019.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: Review of Leisure, Libraries and Cultural Services - Golf Courses	26 th November 2018
Environment Overview and Scrutiny: Budget Scrutiny Workshop	6 th December 2018
Environment Overview and Scrutiny: Budget Scrutiny Workshop	16 th January 2019
Environment Overview and Scrutiny Committee: Budget Proposals	30 th January 2019
Cabinet: 2019/20 Budget Proposals Scrutiny Report and Council Budget 2019/20	18 th February 2019
Council: Council Budget 2019/20	4 th March 2019