

DIBDEN GOLF CENTRE SERVICE REVIEW – PROCUREMENT OPTIONS

1. BACKGROUND:

1.1 Dibden Golf Centre was originally included as part of the Council's service review programme in 2009/10 and the medium term financial plan at that stage included a saving of:

- £30k in 2010/11
- £20k in 2011/12

1.2 It was agreed that the scope of the review should include:

- Green keeping & Course Maintenance
- Course administration & supervision
- Catering management, operation and maintenance
- General Management of the complex

1.3 The review was based on the standard model used in Leisure which involved:

- Benchmarking performance against other similar providers.
- Identifying areas of the service which have potential for improvement (using the corporate assessment model).
- Discussions/visits with other providers to identify best practice.
- An action plan for improving performance in key areas of the service.

1.4 This process was completed for the first two elements of the review which resulted in savings of £32.5k in 2010/11 as follows:

- Deletion of 1 Green Keeper post - £23k
- Reduction in Course Marshalls hours - £9.5k

However before the other elements could be completed the details of the government's spending proposals were announced and as part of the Leisure Service efficiency plan it was agreed to widen the Dibden Review to include alternative procurement models.

2. THE PROCESS:

- 2.1 This process commenced in December 2010 and having discussed the details with a number of other local authorities who had undergone a similar exercise it was agreed that:
- An informal (Soft Market) test of the market should be undertaken as a first stage.
 - Given the specialist nature of the process the use of an experienced consultant was advisable and appropriate.
- 2.2 “Soft market testing” is an excellent way of obtaining good initial feedback from the market as to the potential for a productive partnership in the future management of a municipal golf centre such as Dibden. It is a market-led approach which is an essential pre requisite to get the best offer out of the market in any formal tender situation.
- 2.3 The soft market testing exercise is also an excellent precursor to a formal tender process because
- It allows the Council to test on what general basis the market would most likely show interest in Dibden and on what key terms.
 - It gives a strong indication in relation to what the market might deliver in terms of formal tender bids
 - It avoids the potential abortive cost of a full tender exercise if market feedback from the soft market testing exercise is poor.
 - It minimises the risk of formally offering Dibden to the market via a tender exercise on a basis which may evoke a poor response.
 - It does much of the groundwork necessary to carry out an effective formal tender exercise if the indicative demand from the market is good.
- 2.4 An effective soft market testing process for municipal golf courses normally involves the following:
- Identifying the potential specialist golf operators who are likely to be interested in formally tendering for the running of a municipal golf course.
 - Providing good information to the potentially interested parties to enable accurate and meaningful feedback. Establishing the extent and basis of their interest and obtaining feedback from them.
 - Producing a summary of the soft market testing results so that Council Executive & Members can make informed decisions on what they wish to do next.
 - Analysing the feedback in order to objectively assess the merits or otherwise of progressing to a formal tender process.

- 2.5 Following research and discussions with other local authorities the Council appointed Smith Leisure Associates to advise and assist with the soft market testing exercise at Dibden.

Smith Leisure Associates are an experienced golf course property/management consultancy with a good track record in working with local authorities and the private sector in golf course procurement and management. A summary of their previous experience is included as Appendix 1.

- 2.6 As mentioned previously the process commenced in December and the project methodology included:

- Production of outline particulars for Dibden for release to everyone who expressed an initial interest.
- Production of a detailed information pack containing all relevant property and business information for those parties who continued to express an interest post the initial stage.
- Direct contact with all of the leading specialist golf operators active in the UK golf market in recent years.
- Placing of press releases in relevant UK golf trade magazines.
- Production of a simple questionnaire for completion by all parties who requested the detailed information pack which would form the basis of the options appraisal.
- Site meetings with all parties who expressed a positive interest in meeting us and viewing the site.

- 2.7 In all the following 7 companies expressed an initial interest in Dibden all of whom requested the detailed information pack. The first 5 listed met with officers on site:

Troon Golf – A multi national American based company who manages usually high-end golf venues in 23 countries world wide.

Wescom Group/Phil Stevens – A well funded privately held International company who are relatively new to the UK golf market. They have four courses currently and Phil Stevens is an experienced golf course operator who manages their golf venues on their behalf. He also works with a number of other golf course owners.

Mack Trading Amenity Management – A Private Limited Company with its roots in Ireland but now with 10 municipal courses in Ireland and the UK including the nearby Moors Valley complex in Dorset. They are keen to increase their portfolio of courses.

Maple Leaf Golf – Maple leaf is a Limited Company set up 11 years ago who own & operate 3 large golf Centres in the South East. They are keen to acquire further golf businesses in the UK.

Mytime Active – A well funded charitable Leisure Trust based in Bromley who in the last 10 years have acquired 10 municipal in the UK including Southampton Municipal. They are keen to increase their portfolio of courses with Councils who demonstrate a commitment to strong partnership working.

Delanzo Group – Paul Delanzo, formerly with Troon Golf has 30 years experience in golf course management across 3 continents including Turnberry. The company is based in Switzerland.

Glendale golf – Glendale Golf is a subsidiary of Parkwood Holdings Plc and was set up a few years ago with a view to becoming one of the leading municipal golf course operators in the UK. They currently manage 8 courses including one at Portsmouth. They wish to expand their portfolio of courses.

A full summary of the interested parties including web site links is included as Appendix 2.

3. MARKET TESTING FEEDBACK:

A key element of the “soft market testing” process is the completion and analysis of a questionnaire which all interested parties are asked to complete.

A copy of the questionnaire itself is included as Appendix 3 and a summary of the results is as follows.

What is your perception of the state of the UK golf market?

All of the operators felt that market conditions in the UK were very tough at the moment with declining profitability and demand base. The need for high-quality experienced management was essential in order to withstand these pressures and maintain a reasonable business return.

Would your company's preference be for a long-term lease or management contract at Dibden?

The preferences expressed ranged from outright purchase to a short term management contract although five of the seven companies indicated their preference for either a medium term lease or a management contract.

Would your company consider investing significantly at its own cost in Dibden during the first five years of the contract?

Most of the companies indicated that the highest priority was the quality and playing condition of the golf course and thus investment in this area is always first on the agenda with good green keeping equipment seen as essential. The average indicated level of initial investment was £1m. However our consultant feels that the Council has invested well to look after Dibden and that as such this initial figure could be lower although over the length of say a medium term contract capital expenditure required to keep the property ‘fit for purpose’ will be substantial.

What would you expect the Council's liabilities to be in a long-term arrangement? The majority of the operators expected under a medium term lease arrangement for the Council to have little or no further exposure to future liabilities to invest in the property. However, there was an expectation among a number of operators that the Council would maintain the fabric of the buildings and replace major capital items such as irrigation systems.

What is your company's record on staff transfers and TUPE Regulations?

Most of the operators are used to TUPE Regulations applying and are therefore confident that they could handle the matter competently and sensitively so this should not be a major issue.

What would your company's view be on increasing usage numbers?

Given the tough market conditions in UK golf, all of the companies recognise the need for good quality professional management which provides high presentational standards and high customer satisfaction. They also understand the need to encourage junior golfers as they are golfers the future and they are also keen to promote ladies golf.

What would be your preferred arrangements for the determination of prices for golf?

Essentially, most would look to charge for golf at Dibden in relation to normal market forces for a high-volume affordable golf course as in fact the Council does now. While happy to have an input from the Council most would not want to have pricing firmly dictated by the Council as this could prejudice their business model.

What would your company's view be on a profit or income sharing arrangement with the Council?

All the operators with one exception would be happy with a profit sharing arrangement. Whilst we did not ask parties to provide an indication of the likely level of financial return to the Council within the questionnaire, two of the operators did indicate that for a medium/long term lease the Council might expect an annual rental payment of c£100,000 per annum.

4. OPTIONS AVAILABLE:

Having completed the soft market test there would seem to be 5 options open to the Council, as follows:

4.1 Sell the freehold of Dibden in the open market as a going concern.

This would mean selling the property (and assigning the Council's lease interests on the leasehold land, i.e. the area for the nine hole course and driving range) for a capital sum. The obvious benefit of this is that the Council receives a substantial capital sum estimated at £1.25m - £1.75m however the Council would have no ongoing annual income stream (apart from interest) or control over how the golf centre is operated.

4.2 Sell a long leasehold interest in Dibden at a nominal rent.

A long lease might typically be 99 to 125 years and the nominal rent could be a peppercorn (i.e. nil) or a modest sum. In return for granting a long ground lease the incoming tenant would pay the Council a lump sum of money known as a 'lease premium'. The lease premium will be less than that achieved for an outright sale and is normally anything from 5% to 15% less than the freehold worth - but can be even less if there are unusually onerous restrictions for the tenant in the lease. This type of arrangement is beneficial if the Council wants to generate a capital lump sum but still wishes to retain some form of control on how the property is used for the long-term.

- 4.3 Grant a short/medium/long term lease in return for an annual rental.

This has historically been the favoured route for councils over the last 5 to 10 years in relation to outsourcing their municipal golf courses to third party operators. The operational risk of the business is passed to the tenant and the landlord gets its rent which can be linked to a number of things. A typical arrangement is a guaranteed base rent plus a top-up turnover rent based on actual trading performance by the tenant. Historically leases for golf courses have been in the order of 15 to 25 years, however in recent years this has increased in some cases to 40 years plus depending on the level of investment required.

- 4.4 Grant a management contract for an operator to run Dibden.

An alternative to granting a lease to a specialist golf course operator is simply to grant them a management contract to run the venue on the Council's behalf. Management contracts are typically shorter than leases and can be anything from 5 to 15 years but sometimes are longer. Fundamentally, the Council would pay the golf operator a fee to run the business on the Council's behalf. The fee will typically be a base figure plus a top up related mainly to financial performance. Under a management contract arrangement more potential risk and reward remains with the Council given that any future capital investment of a substantial nature at Dibden will almost certainly need to be provided by the Council. If the business is run well then potentially the Council will benefit from a greater share of the cash surpluses than under a lease arrangement. However, the converse is also true - if the business performs poorly then it will be up to the Council to underwrite all or most of the poor financial performance.

- 4.5 Continue to run the operation in-house.

The final option is for the Council to continue to run Dibden in-house. This, of course, carries the highest risk if trading performance is poor but also provides the highest reward if trading performance is good. In addition, the Council retains total control as to how the business is operated. In order to improve performance however changes to the current arrangements are likely to be required. Options would include, the Council employing a specialist general manager to develop the business or the Council working with a specialist golf course consultant to oversee the strategy of the business and operational performance. In any case a change of approach is likely to add cost initially.

- # 4.6 A summary of the options the advantages and disadvantages to the Council and the parties likely to be interested is shown in Appendix 4.

5. **OPTION ASSESSMENT: BUSINESS CRITICAL ISSUES**

- 5.1 In considering the way forward with regard to the future management and operation of Dibden there are a number of business critical issues which the Council needs to address. How each of the options meet the critical outcomes which the council wishes to achieve will to a great extent determine the option which the Council will wish to pursue.

- 5.2 These issues are identified below together with an evaluation (comment) made in the context of the known and anticipated financial factors which will influence the Council's approach to service performance now and in the future.

5.2.1 What are the current and likely future financial trends for UK golf nationally, and are these likely to be reflected at Dibden given the current management arrangements.

Trading conditions for the UK golf business have been very tough over the last five years or so and have been characterised by falling revenues and profits across the industry. The general mood within the industry is that trading conditions are going to remain tough for the foreseeable future, with profits likely to fall in real terms over the next few years (i.e. after stripping out the effects of inflation) rather than rise.

The trading position at Dibden has fallen from an operating surplus of £365k in 2003/04 to £119k in 2009/10 which reflects the general trends going on in the golf market, and with annual running costs continuing to rise, then inevitably annual profits will be under increasing pressure.

Evaluation:

The Council will need to respond now to the likely pressures on financial performance within the golfing industry and municipal golf provision in particular. There appears to be the potential for Dibden to move back into operational profit given specialist golf management and the appropriate business model.

5.2.2 Is the Council Prepared to Fund Any Potential Future Financial Deficits for Dibden?

With the overall trading position at Dibden reflecting an ongoing annual downward trend the question is whether the Council is willing to fund any potential future deficits (bearing in mind that these could arise given general market conditions referred to above) or whether they should consider a different management arrangement which would minimise their financial commitment and might see the golf centre yield a healthy surplus once again.

Evaluation:

The Council's finances are under increasing pressure following the outcomes of the governments spending review. The Council needs to make revenue savings of £1.7m in 2011/12 and to fund any ongoing and possibly increasing deficits within what is not (even within Leisure) a core service, is likely to be seen as inappropriate.

5.2.3 Is the Council Prepared to Fund Any Major Future Capital Expenditure Projects at Dibden over the Next 10 to 15 Years?

The Council has looked after Dibden very well over the years and has continued to invest for its long-term success and this has been evident by the trading figures achieved. Whilst Dibden may not be in absolute need of substantial capital investment now, it is likely in the future that investment will be required if the centre is to maintain or grow its income stream and the Council now needs to consider whether it is willing to provide any future capital expenditure, of a substantial nature, at Dibden over the mid-term. This will be a key factor in the type of management arrangements which the Council will see as appropriate.

Evaluation:

The financial pressures facing the Council have affected its potential for funding Capital as well as revenue expenditure. The capital funds available for use at Dibden have already declined and it's unlikely that these will be seen as a priority in the future. Lack of investment however is likely to see deterioration in standards which will in turn affect income.

5.2.4 Does the Council Have a Preference for Receiving an Annual Income Stream from an Asset or Would It Prefer a Capital Lump Sum of Money Now for Selling that Asset?

If the Council no longer wishes to operate Dibden in-house then it needs to decide whether it would prefer to receive an annual income stream or a one-off capital receipt as again this will determine the type of management arrangement. Interestingly over the last 10 years or so the vast majority of local authorities looking to move away from operating their municipal golf course directly have decided to lease or grant a management contract on it rather than sell the asset outright. The preference generally has been to receive an annual income from the asset rather than a one-off capital receipt.

Evaluation:

The Council has historically, and more recently confirmed its commitment to retaining Dibden as an asset and continuing to provide a quality golf facility with open access to the local community. In addition the current economic position and interest rate levels would mean that a reasonable annual income (surplus) from the golf course could yield more than the interest on any capital receipt.

5.2.5 Does the Council Wish to Have Any Form of Operational Control over Dibden in the Future and if so, then to what Extent?

Again the level of influence or control which the council wishes to have over the management of Dibden will be a key determining factor on the type of on going management arrangement. The Council does need to be aware however that the level of control can affect the financial return which it can expect and the more restrictions placed on a specialist operator the lower the likely return to the Council.

Council's often opt for a relatively 'light touch' management approach based on a number of key objectives and key performance indicators which are of mutual benefit to both the Council and the golf operator together with a robust monitoring system which once established allows the operator to get on and run the business without undue interference from the Council.

In this case the monitoring role could be undertaken through the existing Leisure Group operational function which already "clients" a number of external partnerships.

Evaluation:

Although not considered to be a “core” leisure provision the Council realise that Dibden is an important facility for the local community and as such would still wish to retain an interest in the cost and quality of service which was delivered without retaining direct control of all aspects of operation and management. A true partnership approach is critical in this context.

- # 5.3 **Overall assessment:** A summary and evaluation of the business critical factors and the various options which exist to help achieve them is shown as Appendix 5.

6. FINANCIAL IMPLICATIONS:

- # 6.1 Appendix 6 shows an indicative financial position for the options included in the report. It is critical to understand that the exercise was a very “light touch” approach in assessing the market and as such the figures are only estimates of what the Council could broadly expect from the different partnership approaches.

- 6.2 However in compiling the estimates of costs and income the approach has been to ensure that as far as possible financial comparisons are like for like within each option and in that respect shows:

- *Trading Income* – total income from green fees, season ticket sales and catering.
- *Net Operating Position/Receipt* – Trading income net of all direct operating expenditure (excluding support services, corporate charges and depreciation) and the potential capital receipt in respect of the sale option.
- *Management Fee/Additional Costs* – where applicable the fee NFDC might expect to pay an external partner or the additional management cost for implementing the in house option.
- *Annual Capital Financing (Depreciation)* – The revenue depreciation charges relating to the plant and capital equipment.
- *Annual Capital Scheme Obligations* – Industry average based on 4% of annual turnover.
- *(Potential) Annual Net Profit* – an indicative net position taking into account all of the above factors.
- *Operating Profit %age* – Net Operating Position as a %age of trading income
- *Rate of return on Capital* – annual net profit as a %age of estimated valuation
- *Financial risk* – the level of certainty (traffic light) associated with the expected return on each option.

- 6.3 As can be seen from the summaries in Appendices 5 and 6, and the material in Sections 4 and 5, there are two options which are the most likely to meet the objectives of the Council at an acceptable level of risk. These are; a medium term lease with a provider or a management contract with a provider. Remaining as an in-house service but working with an external consultant to develop and implement an improvement plan may yield financial benefits in the medium term but is high risk for the Council. Sale or long lease would not meet the Council's stated objective to retain Dibden as an asset.
- 6.4 The earliest implementation would see changes introduced from April 2012 and reflected in the 2012/13 budget.
- 6.5 Developing proposals for a potential partnership with an external golf course operator is a specialist area requiring extensive knowledge of the golf market and specific skills relevant to the processes involved which the Council does not possess in house and which therefore would need to be sourced externally.
- 6.6 If the Council was to engage the services of a specialist golf advisor in this respect then the costs would typically be in the range of £15-20k. At this early stage in the financial year, no supplementary estimate will be requested with a view to funding these costs within the larger portfolio budget.

7. THE WAY AHEAD:

- 7.1 The Council now needs to decide which model(s) it wishes to develop for the future delivery of the service at Dibden from the 5 options identified earlier in the report:
- If the Council decides to retain the operation in-house then it will need to develop a new internal management and operational structure designed to improve current financial performance.
 - If the Council decides that it wishes to sell the asset then it needs to choose between the option of an outright freehold sale or selling a long ground lease and then advertise the property on that basis through its own estates and valuation service or a specialist golf course property consultant.
 - If the Council decides that it wishes to grant an operational lease or a management contract then the next stage will be to initiate the formal tender process to select a third-party specialist golf operator to work in partnership with the Council.
- 7.2 The formal tender process would include:
- The need to run the tender process in accordance with normal EU procurement guidelines.
 - The need to decide which form of formal tender process is the most appropriate for Dibden. (The most common forms used for municipal golf course tenders are the 'restricted procedure' and the 'competitive dialogue procedure').

- A pre-qualification questionnaire to help identify which potentially interested parties are likely to best Meet the council's objectives for Dibden
- An invitation to submit proposals to the Council which will ultimately lead to formal tender submissions. The process of how these submissions progress depend on the type of tender used – restricted procedure or competitive dialogue procedure.

8. TIMESCALES

- 8.1 Ideally any new management arrangements would start in the spring so if the Council were to take the decision to outsource the management of Dibden then a good target date for formal handover would be 1 April 2012.
- 8.2 On that basis the Council would need to make a firm decision that it was going to formally offer Dibden to the market in June/July of this year in order for there to be sufficient time to run a proper tender process and have the new operator in place by 1 April 2012.
- 8.3 Given that all golf operators have heavy work schedules during the summer September would seem the best time to formally advertise the opportunity to the market. Operators can then submit their pre-qualification questionnaires to the Council, and the Council can draw up a shortlist of operators to go through to the next stage of the tender process.

9. SUMMARY AND CONCLUSIONS

- 9.1 The financial performance of Dibden Golf Centre has significantly worsened in recent years. An operating revenue surplus of £365k in 2003/04 has fallen to just £119k in 2009/10 and is unlikely to improve in future years.
- 9.2 As part of the Council's efficiency programme an in house review was instigated at Dibden in order to seek ways to improve financial performance. The scope of that efficiency review has subsequently been extended to include an investigation of the options for a partnership with the private sector.
- 9.3 In order to gauge possible market interest in such an arrangement the Council has undergone a "soft market test" and has employed the services of a specialist golf management consultant Smith Leisure Associates to assist in that process.
- 9.4 The market has shown considerable interest in the opportunity at Dibden and a range of companies have received the full information pack, visited the site and completed the soft market test questionnaire.
- 9.5 The options which have emerged are:
- Sell the freehold of Dibden in the open market
 - Sell a long leasehold interest in Dibden at a nominal rent.

- Grant a short/medium/long term lease in return for an annual rental
- Grant a management contract for an operator to run Dibden.
- Continue to run the operation in-house with initial input from a consultant.

9.6 An evaluation of the options in relation to what are perceived as the council's current and ongoing financial and service objectives shows that:

- Sale of the freehold or a long lease hold should not be considered further.
- A medium/ long term lease arrangement at an annual rent minimise the risk to the Council and would be an appropriate way forward.
- A management contract while leaving most of the risk with the Council could generate potential benefit and would be an appropriate way forward.
- Continuation of the in house provision will require new management arrangements which would add cost initially, is unlikely to deliver the level of benefit of an external partnership and should not be considered further.

9.7 Initial indications are that a number of the options under consideration could potentially yield an improved annual net profit. However in considering the financial implications of any external partnerships the Council needs to take into account the costs (mainly support services) that would need to be retained by the Council.

9.8 Should the Council wish to pursue the option of an external partnership then the ideal time to mobilise the contract would be April 2012, with the formal tendering process starting in September 2011. In this case a decision on this option will be required at June Cabinet.

10. ENVIRONMENTAL IMPLICATIONS

10.1 As the Councils stated intention is that they will to continue to provide a golf facility at Dibden there are no environmental implications to this report.

11. EQUALITY AND DIVERSITY IMPLICATIONS

11.1 There are no equality and diversity implications to this report.

12. CRIME AND DISORDER IMPLICATIONS

12.1 There are no crime and disorder implications to this report.

13. PORTFOLIO HOLDERS COMMENTS

- 13.1 The Council is justifiably proud of the facilities they provide at Dibden Golf Centre and are committed to providing those facilities into the foreseeable future.
- 13.2 The Portfolio Holder welcomes the proposal to investigate a potential partnership with a specialist golf operator which would help to safeguard the future of a facility which is not part of our core leisure business.
- 13.3 The Council will endeavour, through any future partnership, to bring benefits to the council taxpayers through improving both the service to golfers at Dibden and the financial performance of the Golf Centre.

14. EMPLOYEE SIDE COMMENTS

- 14.1 Employee side have always maintained their support for the provision of well run council services but recognise in extreme situations this is not always possible. However we do believe that there is not a case at the present time to do anything more than review the arrangements currently in place. It is justifiable to look at alternatives to ensure the council are getting best value for money. It is believed if all the options are looked at there is a very strong case for retaining Dibden Golf Course in house. This option has been played down and we believe this should be fully explored and added in, to balance the overall content of the report.
 - 14.2 There is a cost for maintaining a Municipal Golf course and this should be recognised but its ultimate goal should not be to make a major profit but to provide a facility for the local community, which the council control and charge no more than the going rate. Currently the golf course has an operating profit which reflects well on the loyalty and hard work of the staff to the NFDC and community over many years.
 - 14.3 Some assumptions have been made which we believe are not accurate and wish to highlight where we believe they may mislead. It states that most of the operators are use to TUPE regulations and this should not be a major issue. For the loyal and hard working staff this will be an issue if they are no longer employed by NFDC as the rules on Fair Deal are changing and enclosed is information on the likely impact to staff. (see Appendix 7)
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- 14.4 It states in para 4.5 that if the business is run in house it would have to have a specialist golf course consultant or specialist general manager to oversee the strategy of the business and operational performance. It is believed that we potentially have staff in house who could be tasked with this role. If we have not what is the potential one off cost of a consultant?
 - 14.5 The union believe what they perceive has been a problem is that the club house has been beset by problems in the last twelve months because the council have been engaging temporary or agency staff. This area of the Golf centre in the past has been a strength and is in need of an immediate review.

- 14.6 The Dibden Golf Centre is regarded by many as one of the best Municipal golf courses in the south, it has always been in operating profit and has made a positive contribution to the councils finances. If a lease is granted to one of the companies listed this potential profit may not be available to the council, and a private company will enjoy the benefit.
- 14.7 As part of the Council's efficiency programme an in house review was instigated at Dibden in order to seek ways to improve financial performance. Employee side believe it would be worthwhile if this was looked at again.
- 14.8 What Employee side find disconcerting is that if the golf course is seen as a possible burden why are so many different parties interested.
- 14.9 In para 3 under preferred arrangements for determination of prices it states the above companies would not want to have pricing dictated by the council. This would potentially give them free licence to do as they wish. Municipal Golf Courses have always been run on a pay and play basis, players do not have to have handicaps and there are no membership fees. If the council forfeit control how do they know that prices will not increase and make the course more exclusive thereby depriving those with less money from being able to afford to play.
- 14.10 However, there was an expectation among a number of operators that the Council would maintain the fabric of the buildings and replace major capital items such as irrigation systems. Therefore it would appear there would be no savings gained there as buildings are expensive to maintain and so are irrigation systems very expensive.
- 14.11 Mark Smith who helped with the soft market testing has worked with John Ashworth Associates and on their website it states " that private operators bring specialist management skills and in some cases much needed investment in courses and other facilities by providing the authorities with a guaranteed rental income and take away the risk of losses". Worryingly the above statement is qualified by this alarming caveat " However in these difficult economic times willing operators are not so easy to come by and only the **right deals** will attract the market.
- 14.12 Employee side are alarmed at the proposed speed that is suggested to offload one of the council's most valuable assets. Although fully understanding why there is a review believe it should be tempered by fully looking at all the options over an extended period to ensure the right decision is made.

15. RECOMMENDATIONS

- 15.1 It is recommended that:
- (a) The Council looks to formally identify potential partners through an EU tender process to secure the future on going provision of golf at Dibden;
 - (b) Tenders are invited on the basis of a medium term lease for the operation and management of Dibden Golf Centre;

- (c) In line with the Council's Standing Orders as to Contracts, the Council appoints a specialist golf advisor to assist in managing the tender process;
- (d) The proposed date of implementation for the new arrangements to be April 1st 2012; and
- (e) The detail of the tender to be approved by the relevant Portfolio Holder.

About Smith Leisure:

Smith Leisure

Introduction:

Smith Leisure was formed by Mark Smith in 2005. Mark has 19 years experience in dealing with virtually nothing else but golf related properties and their associated businesses within the UK. Background information on Mark's career to date can be found in Information Sheet One. The firm has created a niche position within its marketplace choosing to focus its business activities on very specific areas within the UK golf market. The aim of the firm is simple: to provide market leading advice backed up with practical experience in very specific areas within the golf market.

Within this information sheet are details of the markets in which it operates and the specialist services that it provides to those markets together with a schedule of clients and properties that Mark Smith has worked with/on over his career. If you feel that Smith Leisure may be able to help you solve a golf related problem or create an opportunity, then please do contact Mark on 01985 214147 or e-mail at mark.smith@smithleisure.com

Specific Areas in which the Firm Operates:

Geographically the firm focuses on England, Scotland, Wales and Ireland with the majority of work being undertaken in England.

In terms of golf properties worked on these include the following:

- Stand-alone golf courses, driving ranges, golf academies, golf hotels, golf courses with associated leisure, development sites for golf, and golf projects using imported inert landfill.
- The whole spectrum of the market in terms of pricing: from small scale/very low cost venues to very exclusive/tournament venues.

Typical Clients:

These predominantly tend to be golf property owners and operators, local authorities with municipal golf courses, and people/organisations looking to buy a UK golf property. The firm provides advice to many of the UK's leading golf course operators and a number of private membership clubs. Occasionally the firm does provide help and support to other organisations such as property developers, banks, accountants and lawyers.

The firm also often acts as a sub-contractor to other consultants within the UK golf industry so as to provide a client with a team hand-picked to cater for its needs. Also, where a client wishes for Smith Leisure to lead a project, but where Smith Leisure does not have the full expertise to provide a robust and reliable solution to the overall problem or opportunity, then it is able to draw upon other leading experts within the golf industry to act as sub-contractors to the firm to provide the needed advice.

Areas of Expertise:

Golf property brokerage: the firm can assist clients in purchasing UK golf properties. This can start with site/property finding (often we are aware of properties that can be bought 'off-market'). We can help evaluate a purchase for a client providing advice on whether we think that it is a good strategic long-term buy including forecasts on profit potential, and we can advise on what the property is worth. In addition we can negotiate the purchase, if required, and assist in the due diligence process once a deal has been agreed in principle. We can also sell golf properties on behalf of clients with a particular expertise in placing them confidentially to a shortlist of reputable buyers who we know are active in the market.

Opinions of worth: the firm is well placed to advise clients on the worth of a golf property and its potential worth if the trade is improved and/or the property is developed further.

Local authorities and their municipal golf courses: over the last six years the firm has helped a significant number of local authorities secure the long-term future of their municipal golf courses. Many such courses have seen revenues fall in recent years and are in real need of new investment to make them sustainable for the long-term. Smith Leisure is able to provide independent advice which clearly set out the various options open to local authorities to help them decide on how they wish to see their municipal golf courses operated in the future. If required, the firm is able to help the local authorities effectively deliver the preferred solutions.

Granting leases and management contracts: the firm has helped a number of golf course owners in leasing their golf courses to specialist golf course operators or granting management contracts to them. This has been particularly useful to owners who do not wish to sell their property outright but at the same time no longer want to operate the business on a day-to-day basis.

Business rates appeals: the firm is arguably the UK's leading authority on handling business rates appeals for golf course owners and operators. It acts for many of the UK's leading operators on their various golf portfolios. By successfully handling appeals on the Rateable Values of golf properties, the firm has been able to save clients substantial sums of money. It is not uncommon for the five-year rates savings to be in the order of £20,000 to £100,000 plus depending on the scale of the property. In virtually all cases the firm acts on a 'success only' basis, ie as a fee it takes a percentage of the cash saved as a result of the appeal. In essence, no cash saving means no fees due to Smith Leisure.

Expert witness work: given Mark Smith's specialist expertise within a niche market he has the credentials to provide expert evidence in tribunal and court proceedings, and provides such evidence from time to time.

Rent reviews and lease renewals: given the firm's first-hand activity in the UK golf market it is well placed to advise clients, both landlords and tenants, on the rental values of their properties at specific points in time.

Landfill projects: the firm has good experience of developing golf courses using inert imported soils. It has successfully obtained a number planning consents for clients that have been worth six to seven figure sums in terms of landfill revenue.

Strategic evaluation: the firm helps people and organisations to formulate strategic views on the future of their golf properties, and helps set key objectives for the property and business.

Project feasibility and financial viability: the firm is well placed to assist people and organisations in developing and testing business plans and models for new developments or additions to existing venues.

Compliance and Regulation:

Smith Leisure is a 'Regulated Firm' within the Royal Institution of Chartered Surveyors. This means that it abides by the rules and regulations of the RICS. The RICS's slogan is 'property professionalism worldwide'.

As part of being a Regulated Firm it is mandatory for Smith Leisure to hold an appropriate level of professional indemnity insurance in order to protect the interests of its clients and the integrity of the RICS.

The firm also operates a complaints handling procedure in accordance with the RICS code of conduct.

'Smith Leisure' is the trading name of a company called Springate Ltd (company number 5909649) which is wholly owned by Mark Smith and his family.

Contact Details:

Please do contact Mark Smith on 01985 214147 or mark.smith@leisure.com for an initial discussion to see whether Smith Leisure may be able to help you. All matters are treated in strict confidence.

Alternatively write to him at Smith Leisure, 84 Clay Street, Crockerton, Warminster, Wiltshire, BA12 8AX.

A Selection from Smith Leisure and Mark Smith's Client List – Both Past and Present:

'Chain' Golf Operators

American Golf (UK)/Crown Golf (now Europe's leading dedicated golf operator); Blue Green Group (in 1999 this was Europe's largest golf chain with 28 courses); Burhill Golf & Leisure (owned by the Guinness family trust); Clubhaus plc (now rebranded as Club Company and the UK's largest operator of combined golf / health & fitness clubs); Playgolf plc (developers of Northwick Park with its 9 hole course replicating famous golf holes around the world); Baydrive Ltd (previous owners of the TopGolf Centres in the UK with computer chips in their golf balls); World of Golf (arguably Europe's most success golf range operator); Jack Barkers Golf Company; Mack Trading Amenity Management; Mytime Active; Premier Golf Developments; Pentland Golf; Altonwood Golf Group; Parpost Ltd.

Stand-Alone Golf Courses and Driving Ranges

Abbey Hill GC, Addington Court GC, Ansty GC, Aston Wood GC, Badgemore Park GC, Barnehurst GC, Birchwood Park GC, Blue Mountain GC, Bolton Open GC, Boughton GC, Brent Valley GC, Bridlington Links GC, Brockley Hill GC, Broke Hill GC, Broome Park GC, Calverley GC, Cams Hall GC, Canford Magna GC, Chessington GC, Chirk GC, Chelsfield Lakes GC, Chesfield Downs G&CC, Cobtree Manor Park GC, Cookridge Hall GC, Cotgrave Place G&CC, Cowdray Park GC, Dudsbury GC, Duxbury Park GC, Elton Furze GC, Enmore Park GC, Farnham Park GC, Frodsham GC, Grange Park GC, Hampton Court Palace GC, Harleyford GC, Haste Hill GC, Heaton Park GC, Hoebridge GC, Horton Park G&CC, Inchmarlo GC, Ingol GC, Kingswood G&CC, Lydd GC, Maylands GC, Mentmore G&CC, Merrick Park GC, Merrist Wood GC, Mollington Grange GC, Moors Valley GC, Pine Ridge GC, Playgolf Manchester, Playgolf Northwick Park, Newport GC, Northop Park G&CC, Orchardleigh GC, Orpington GC, Pedham Place GC, Potters Bar GC, Pyrford GC, Ramsdale Park GC, Redlibbets GC, Richmond Park GC, Rickmansworth Public GC, Romanby GC, Ruislip GC, Sand Martins GC, South Winchester GC, Studley Wood GC, Surrey National GC, Tamworth Municipal GC, Thamesview GC, The Bristol GC, The Drift GC, The Lambourne GC, The Kendleshire GC, The Shropshire GC, The Vale G&CC, Thornbury GC, Traditions GC, Uxbridge GC, Vale Royal Abbey GC, West Hills GC, West Chiltington GC, Westerham GC, World of Golf – Beverley Park and Sidcup, Wrag Barn G&CC, Wycome Heights GC.

Major Golf Hoteliers / Resort Venues / Trophy Courses / Golf Hotels

De Vere plc, Whitbread plc, Abbotsley Golf Hotel, Aldwalk Manor Golf Hotel, Bowood Park Golf Hotel, Collingtree Park Golf Course, Cottesmore Golf & Country Club, Dartmouth Hotel Golf & Country Club, Farthingstone Golf Hotel, Five Lakes Hotel Golf & Country Club, Golf Hotel Mont Griffon (Paris), Golf Hotel Seignosse (Biarritz), Golf Hotel Grenoble Charmeil (south east French Alps), The Links Country Park Hotel (Norfolk), London Golf Club, London Beach Golf Hotel, Lostwithiel Golf Hotel, The Machrie Hotel & Golf Links (Scotland), Matfen Hall Golf Club, Orleans Limere Golf Course (France), Remedy Oak Golf Club, Roehampton Club, Royal Mid Surrey Golf Club, St Maxime Golf Club (French Riviera), Slaley Hall Hotel & Golf Resort, St Mellion International, Sunningdale Golf Club, The Warwickshire, Windmill Village Golf Hotel, The Wisley, Witney Lakes Resort, Woburn Golf & Country Club.

Local Authorities

Birmingham City Council, Bolton Metropolitan Borough Council, Bracknell Forest District Council, Cherwell District Council, Cheshire East Council, Christchurch Borough Council, Chorley Borough Council, Dacorum Borough Council, Derby City Council, East Dorset District Council, London Borough of Barnet, London Borough of Bexley, London Borough of Ealing, Edinburgh City Council, London Borough of Hillingdon, London Borough of Merton, Rotherham Metropolitan Borough Council, Solihull Metropolitan Borough Council, Wokingham District Council.

Miscellaneous

Allied Irish Bank, Anglo Irish Bank, Arrowcroft plc, Arthur Anderson, Bank of Scotland, Barclays Bank, Bearwood College, Casey Group, Coutts & Co, Duke Street Capital, Grant Thornton, Hill Samuel, KPMG, Lloyds TSB, NatWest Bank, Packington Estate/Lord Guernsey, Queenswood School, Royal Bank of Scotland, The Crown Estate, Thornhill Estates.

Dellanzo Group:

Paul Dellanzo has been involved in the golf business for 30 years and grew up on a municipal golf course. He is linked to Troon Golf (now the world's largest specialist golf course management company with over 200 venues worldwide) having opened its first office in Scottsdale, Arizona - and so has very good experience of managing some of the best-known golf courses on three continents, including Turnberry in 2002 (the Open Championship venue). Paul's company is based in Switzerland. See dellanzogroup.com/

Glendale Golf:

Glendale Golf is a subsidiary of Parkwood Holdings Plc, a group which is a leading provider of support services to public and private sector clients. It employs over 6,000 people throughout the UK on projects such as grounds maintenance, leisure management, healthcare and management of PFI projects. See parkwood-holdings.co.uk .Glendale Golf was set up a few years ago with a view to becoming one of the leading operators of municipal golf courses in the UK. The group currently has eight golf courses within its portfolio with the nearest one being at Portsmouth. See glendale-golf.com .

Glendale Golf are showing interest in Dibden although Bob Millard and I did not meet with them as part of the soft market testing exercise. I have spoken to Gary Warren, the Managing Director of Glendale Golf about their specific interest in Dibden and have a good initial understanding of their likely position. John Ashworth and I acted for Chorley Borough Council in leasing Duxbury Park Golf Course to Glendale Golf.

Mack Trading Amenity Management:

This is a private limited company which has its roots in Ireland. Its founders are brothers Liam and Colm McCabe. The company's main strategic objective is to build a market leading position in the management and operation of municipal golf courses. The company originally had a handful of short-term municipal golf course contracts in Ireland but was keen to grow, and a few years ago looked to expand in England.

They now have 10 municipal golf courses under their control including the nearby Moors Valley Golf Course. This was a transaction which I was involved in on behalf of East Dorset District Council. I was also involved in leasing the three London Borough of Hillingdon golf courses to them. The company is still very keen to take on further contracts. It is particularly committed to encouraging junior golf and promotes the highly successful junior 'First Tee' programme (which promotes nine core life values through the game of golf: honesty, integrity, sportsmanship, respect, confidence responsibility, perseverance, courtesy and judgement). See thefirsttee.org .

Bob Millard and I met with Colm McCabe. The company's website address is macktrading.net/ .

Maple Leaf Golf:

The principals of this company are Richard and Sally Haygarth. They own the substantial Chichester Golf Centre and acquired Hill Barn Golf Course some years ago from Worthing Borough Council. They acquired Horton Park Golf & Country Club (in Epsom, Surrey) out of receivership.

Richard and Sally are both chartered accountants having previously been partners with PricewaterhouseCoopers before they set up Maple Leaf Golf around 11 years ago. They are keen to acquire further golf businesses in the UK.

Bob Millard and I met with Richard Haygarth. The company's website is mapleleafgolf.co.uk .

Mytime Active:

This is a charitable leisure trust based in Bromley in south-east London which originated out of the London Borough of Bromley. Over the last few years it has taken a strategic decision to take a leading role in the management of municipal golf courses. It now has around 10 municipal golf courses under its management, including the nearby Southampton Municipal Golf Course, which it took over last year.

The company is well funded (by UK golf industry standards) and given it's local authority roots is well used to working with councils. I was involved in the granting of the short-term management contract to Mytime Active for the London Borough of Ealing's three municipal golf courses; and I also acted for the London Borough of Bexley in leasing Barnehurst Golf Course to Mytime Active.

Bob Millard and I met with Ian Mitchell, the development director for Mytime Active. The company's website address is mytimeactive.org.uk/ .

Troon Golf:

This company is the world's largest dedicated management company for golf courses and is normally associated with high-end destination/tournament standard golf venues. It is an American-based company and manages golf courses in 23 countries. Its website is troongolf.com .

The interest came from Jon Schauder, Business Development Director for Troon Golf Europe, who is based in Switzerland. Before my work on Dibden I was not aware that Troon Golf was actively looking to take on municipal/pay and play operations in the UK but it appears that the company does have a number of such operations in America. Whilst it is very encouraging that we are having interest from the likes of Troon Golf, it is still early days to assess their full appetite for taking on an English municipal golf course, which is different from most of their upmarket portfolio.

Wescom Group/ Phil Stevens:

Wescom Group is a well-funded privately held international company that specialises in the leisure and media sectors and has its head office in London. Wescom Group is a relatively new entrant to the UK golf course market and took its first position by acquiring the Playgolf portfolio of golf properties when the latter went into administration. They have also acquired the relatively nearby Iford Golf Complex in Bournemouth which has been rebranded as a Playgolf venue and recently acquired the 100 year old Leatherhead Golf Club in Surrey. Wescom Group are interested in acquiring more golf properties in the UK and have the funds to do so.

Phil Stevens is an experienced golf course operator who works for himself and who runs a number of UK golf venues on behalf of various owners. He used to be a shareholder in the relatively nearby Hamptworth Golf Club and currently runs Cowdray Park Golf Club and Chiddingfold Golf Course on behalf of the Cowdray Park Estate. He is also closely involved with Wescom Group in overseeing the running of their golf courses.

Bob Millard and I met with Phil Stevens. The website for Wescom group is wescomgroup.com and the Cowdray Park Estate is cowdray.co.uk .

Dibden Golf Centre – Market Feedback Questionnaire

New Forest District Council is reviewing the operation of its busy 27 hole golf complex and is seeking views on the long term operational arrangements.

As you have expressed an interest in working in partnership with the Council we would be grateful if you could complete the survey below by the deadline of Monday 28th February 2011. If you wish to provide any supporting information to the answers that you give via separate documents then that is absolutely fine.

You can either provide written answers to the questions yourselves or you can provide answers when we meet to discuss Dibden Golf Centre (or shortly thereafter). Once we have discussed matters with you we may have a few extra questions to ask so that we can gain an informed view on how to progress matters for the next stage of decision making for the Council. The questions are as follows:

1. What is the name and address of your Company and what kind of trading entity is it – limited company, partnership, leisure trust etc?
2. How long has your Company been in the golf management business? Has your Company been involved in any other similar businesses?
3. What is your Company's view on the golf management market in general at this present time and of that in local authority provision in particular?
4. Taking account of your past experience, what are your Company's expectations for the golf market over the next 3 to 5 years?
5. What has been your recent corporate strategy with respect to new business?
6. Would your Company's preference be a long term lease or a management contract?
7. What would be the minimum and maximum length of contract arrangement that you would consider?
8. Would your Company consider investing significantly, at its own cost within the first five years of the contract, in any of the following areas: a) the clubhouse and golf shop; b) the physical development of the golf courses and/or driving range; and c) greenkeeping equipment?
Which areas do you initially perceive to be the highest priority and why?

9. In initial 'ball park sums' roughly what level of initial capital expenditure do you think is likely to be required in the first five years of the contract?
10. What would you expect the Council liabilities to be in a long term arrangement?
11. The golf centre has a resident golf club. How would your Company work in partnership with the club to ensure the smooth transition of the arrangements?
12. The Council places considerable importance on TUPE transfers. What is your Company's record on TUPE and workforce matters?
13. What is your Company's approach to operating with golf professionals?
14. What would your Company's view be on increasing usage numbers – and in particular for encouraging juniors, ladies and new entrants to the game?
15. What is your view on the Council retaining control of prices of green fees and season tickets throughout the life of the management arrangement (this excludes catering and golf shop product prices)?
16. What would be your preferred arrangements for the determination of prices for golf?
17. How would you envisage managing the catering arrangements including the development of function trade?
18. What would your view be on a profit or income share arrangement with the Council?
19. How would you envisage the staff structure that you would adopt to manage the Golf Centre?
20. In a brief summary, what are the key benefits that you could bring to the Council and Dibden Golf Centre, if the Council chose to work in partnership with your Company?

Prepared 1st February 2011

END

APPENDIX 4

Matrix of Options for Dibden Golf Centre: Advantages and Disadvantages to the Council

Option	Advantages	Disadvantages	Interested Party
Freehold sale	<ul style="list-style-type: none"> Capital lump sum of money. No future financial liability in the property. Council shielded from adverse market trends in the golf business. 	<ul style="list-style-type: none"> No future annual income from the property. No future direct control on how the property is operated or developed. Loss of an asset. 	<ul style="list-style-type: none"> Maple Leaf Golf Wescom Group
Long lease	<ul style="list-style-type: none"> Capital lump sum of money (although less than on a freehold basis). No/limited future financial liability in the property. Council shielded from adverse market trends in the golf business. 	<ul style="list-style-type: none"> No/nominal future annual income from the property. Limited future direct control on how the property is operated or developed. Effective loss of an asset for a long period (99 years or more). 	<ul style="list-style-type: none"> Maple leaf Golf Wescom Group
Operational lease	<ul style="list-style-type: none"> Pass on the majority of the operational financial risk to a tenant in return for an annual rent. Pass on all/the majority of the future capital expenditure liabilities to the tenant. Allow a dedicated and specialist golf course operator to run the business on the Council's behalf with the operator taking most of the risk. The Council is shielded from adverse market trends in the golf business (although the rent will be affected by market performance). 	<ul style="list-style-type: none"> The Council may have to grant a lease of anything between 20 to 50 years in order to secure a good tenant. 25 years is a common length. 	<ul style="list-style-type: none"> My Time Active Wescom Group Mac Trading Phil Stevens Dellanzo Group Glendale
Management contract	<ul style="list-style-type: none"> If the Council has a good specialist operator running the operation then financial trading performance may improve. The Council has a greater share of the financial upside if Dibden performs well. The Council can grant a shorter term contract, say 15 years or less with the most likely length being say 10 years. 	<ul style="list-style-type: none"> The Council is likely to be responsible for future capital expenditure requirements. If trading performance is poorer than expected then this will impact the Council more than on a lease basis. Ultimately, the operating risk remains with the Council. 	<ul style="list-style-type: none"> Troon Golf Wescom Group Phil Stevens My Time Active Dellanzo Group Glendale Mack Trading
Continue in-house	<ul style="list-style-type: none"> The Council continues to have 100% day-to-day control of the business. If trading performance is good then the Council gets the full benefit of this. 	<ul style="list-style-type: none"> The Council retains the full operational risk of future financial deficits The Council retains the responsibility for future capital expenditure The Council bears the full brunt of market conditions in golf if they deteriorate in the future 	<ul style="list-style-type: none"> N.F.D.C.

Evaluation of Business Critical Factors and Management Options

Factor	Sale	Long Lease	Med Lease	Mgt Contract	In house (consultant)
Funding future Deficits					
Yes					
No	✓✓	✓✓	✓✓	✓✓	✓✓
NFDC Capital Inv					
Yes				✓	✓
No	✓✓	✓✓	✓✓		
Operator Capital Inv					
Yes	?	?	✓✓		
No	?	?		✓	✓
Annual Revenue Surplus					
Yes	✓✓	✓✓	✓✓	✓✓	✓✓
No					
Capital Receipt.					
Yes	✓	✓			
No			✓✓	✓✓	✓✓
NFDC Control					
High				✓✓	✓✓
Medium			✓		
Low	✓	✓			
Contract Term					
Long	n/a	✓			n/a
Medium	n/a		✓		n/a
Short	n/a			✓✓	n/a
Financial Risk					
High					✓
Medium				✓	
Low	✓✓	✓✓	✓✓		

Key:

✓✓ - Strongly meets Council objectives.

✓ - Partially meets Council objectives

✓ - Doesn't meet Council Objectives.

APPENDIX 6

	In House Current Position **	Top Performer (Information only)	Short Sale as a Going Concern	SOFT MARKET		Short (6 mnths min) Short-Term consultancy	Targeted Performance based on internal expectation
				Medium - Long Medium Term Lease	Management Contract		
£							
Trading Income	870,000	1,100,000		100,000	1,000,000	950,000	1,000,000
Net Operating Position / Receipt	125,000	350,000	1,250,000	0	300,000	200,000	250,000
Management Fee/Additional Costs	0	0	0	0	75,000	50,000	50,000
Annual Capital Financing (Depreciation)*	70,000	70,000	0	0	70,000	70,000	70,000
Annual Capital Scheme Obligations	40,000	40,000	0	0	40,000	40,000	40,000
(Potential) Annual Net Profit	15,000	240,000	62,500	100,000	115,000	40,000	90,000
Operating Profit %	14.4%	31.8%	N/A	N/A	30.0%	21.1%	25.0%
Rate of Return on Capital Value (£1.5m base)	1.0%	9.6%	5.0%	6.7%	7.7%	2.7%	6.0%
Financial Risk		(Benchmark)	Low	Low	Medium	Medium	Very High
Workings:							
Indicative Valuation	1,250,000	2,500,000	1,250,000	1,500,000	1,750,000	1,250,000	1,500,000

* Based on 5 yr average of equipment spend at Dibden.

** This is an adjusted position taking into account the provisional 2010/11 outturn position and other adjustments that have been made to the 2011/12 budget during the budget preparation cycle.

Pensions and TUPE Transferred Staff or Fair Deal

- FD is the agreement that enables TUPE transferred staff from public services to either remain in such a scheme where the regulations allow, or be provided with a “certified” broadly comparable scheme
- Before 1999 the government issued advice that it was prudent for employers to provide comparable pensions to avoid possible claims for constructive dismissal- this was never tested.
- FD came in wef 1999 it was guidance that was mandatory in the PASYG schemes but not the LGPS
- The scheme had to be certified as comparable by the Government Actuaries Department (GAD) not all benefits need be the same and some can be traded off like inflation protection.
- FD requires the new scheme to allow members to transfer their service in their former Public Service Scheme to the new scheme and get day for day credit or equivalent value –Bulk Transfer
- Since 2007 a Direction has been in force for the LGPS that requires contractors to offer a comparable pension scheme

Admission Agreements

- -Since 2000 the LGPS has allowed private contractors to enter into an admission agreement with LGPS employer outsourcing the service and the LGPS Administering Authority –the fund
- -Agreements are nearly always ‘closed’ so only transferred staff can remain in the LGPS but can also be ‘open’ allowing new staff working on the service to join.
- -Joint talks continue with DCLG and CBI and other stakeholders to improve guidance and promote admission agreements as the option of choice
- -There is no comparable provision in the NHSPS passport arrangements allowing staff to remain in the NHSPS when they are transferred to arms length organisations or reorganisation are awaiting treasury approval

The Abolition of Fair Deal?

- The Government stated in the CSR that it will launch a consultation on the future of Fair Deal. This should be launched shortly
- There is a big danger that the Government will look to scrap FD because of the relative cost to companies bidding for public service contracts. There has been a lot of criticism from contractors who see the rising cost of private sector pensions as making the bids uncompetitive. Key issues are different discount rates and comparable schemes having to pay a levy to the Pension Protection Fund and the cost of running small schemes
- Diluting Fair Deal would leave TUPE transferred staff at the pensions mercy of private contractors and effectively end any chance of an in house bid winning on financial considerations.