

**1.1 GOLF PROFESSIONAL SERVICES AND PRO-SHOP MANAGEMENT**

IS: CF 2008086

Responsible Director: Andi Diamond

**RECOMMENDATION**

*That Council award Contract No. 2008086, "Golf Professional Services and Pro-Shop Management" to Belgravia Leisure Group Pty Ltd for the fixed management fee of \$734,478 (including GST) for the initial 4 year term of the contract.*

**INTRODUCTION**

The purpose of this report is to advise Council on the results of the Tender process for the Golf Professional Services and Pro-Shop Management, Contract No. 2008086.

**BACKGROUND**

As the current contract for the provision of Golf Professional Services and Pro-Shop Management is due to expire on 31 March 2008, public tenders for a new contract were called on 13 October 2007. The current contract is held with Belgravia Leisure and covers the provision of golf management services for both the Glen Waverley and Oakleigh Public Golf Courses.

The new contract sought to secure the services of an experienced and innovative organisation for an initial term of four (4) years, with a further term of two (2) years able to be exercised at the Council's sole discretion. The tender called for a Fixed Management Fee to be paid by Council for the initial term of the contract for the management of the facilities.

The structure of the contract is such that Council receives all income associated with green fees and the practice fairway at Glen Waverley, whilst all other income from equipment, merchandise and food and beverage sales, club repairs, club fitting, coaching and teaching services is retained by the contractor.

**Tender Evaluation**

Following the closing date of tenders on 9 November 2007, five (5) submissions had been received for consideration. These were from:

1. BCB Golf
2. All-4-Golf Pty Ltd
3. ID's Golf Enterprises Pty Ltd
4. Trevor Flakemore Pty Ltd and Diaction Pty Ltd
5. Belgravia Leisure Pty Ltd

Management fees ranged in price from \$506,219 to \$1,034,033.

The tender evaluation panel comprised:

- Ian Swan, Manager Recreation Services (Chair)
- Martin Teplik, Manager Capital Works and Contracts
- Phillip Plumb, Manager Horticultural Services
- Danny Wain, Manager Finance Services
- Miles Davine, Senior Recreational Services Coordinator (Secretary)

In accordance with Council policy, the criteria used to evaluate the tenders were:

- i. Service Price
- ii. Service Delivery
- iii. Service Quality

The full Tender Evaluation Panel Report has been circulated separately to all Councillors.

## ***DISCUSSION***

### **Initial Evaluation**

The evaluation process was conducted in accordance with Council's Tendering Policy, with non-price criteria weighted at not more than 40% and the tender price not less than 60% of the total score for each tender. An initial assessment of the compulsory tender schedules and sections of the non-price criteria was also conducted on a pass/fail basis.

The following group of tenders failed to pass this initial evaluation and were not considered further:

1. BCB Golf Pty Ltd
2. All-4-Golf Pty Ltd
3. Trevor Flakemore Pty Ltd & Diaction Pty Ltd

ID's Golf Enterprises' submission and subsequent presentation met the criteria of the Tender and on this basis the submission proceeded to the next stage of financial and qualitative evaluation.

Similarly, Belgravia Leisure's submission and subsequent presentation also met the criteria of the Tender. As such its tender also proceeded to the next stage of financial and qualitative evaluation.

### **Final evaluation**

Both tenderer's management fees were closely aligned, recognising that Belgravia Leisure's tendered fee includes a commitment to capital expenditure at each pro shop regardless of trading performance. After taking this into consideration, both company's management fees can then be considered on equal terms.

Council's experience in managing golf contracts identifies that the financial success of the contractor's pro shop operations is very important to the overall success of the tender. In this regard two matters are of concern with ID's Golf Enterprises submission:

- the estimated total number of golf rounds and
- the anticipated merchandise/secondary spending levels over the initial term of the contract

In relation to the estimated number of golf rounds over the initial term of the contract, ID's Golf Enterprises is predicting an increase of 9% and 12% at the Glen Waverley and Oakleigh courses respectively. This is contrary to the continuing declining national trend in golf participation since 2001 of approximately 8% and Council's extensive history at both courses and is not achievable. (This corresponds with Belgravia Leisure's estimates of a minimal increase in rounds at both courses over the contract term.).

The projected profit and loss figures included in ID's Golf Enterprises submission predicts a level of merchandise sales at both courses that is regarded as extremely optimistic.

Current and historical data on merchandise and player spend dating back several years does not support the possibility of ID's Golf Enterprises achieving this level of income. Given that its submission is heavily weighted toward significantly increasing merchandise sales at the Glen Waverley course but in particular, the Oakleigh course, there is a significant and very real risk to contract performance should these income streams to the contractor not be achieved.

After completing the full evaluation of the 2 submissions against both the price and non-price criteria, the following rankings were formed:

Tenderer	Ranking
<b>Belgravia Leisure</b>	<b>1</b>
<b>ID's Golf Enterprises</b>	<b>2</b>

As part of Council's contract management processes, Belgravia Leisure's performance over the preceding 6 years of the current contract has been regularly monitored. It has consistently scored in the mid 90% range on its on-site inspections and has produced timely management reports and attended promptly to golf course management issues. It has also received positive feedback from customers and has fostered productive relationships with the on-course golf clubs, the Stuart Appleby Foundation and Women's Golf Victoria and staged successful junior tournaments and holiday programs.

***FINANCIAL IMPLICATIONS***

An allowance of approximately \$150,000 has been included in the 2007/2008 operational budget for golf course contract management fees to June 2008.

Belgravia Leisure's price for the first year of the contract (which begins on 1 April 2008) is \$159,600 (ex GST). This level of expenditure can be accommodated in the budget.

***CONCLUSION***

Following analysis of the tenders received it is recommended that Council award Contract No. 2008086, "Golf Professional Services and Pro-Shop Management " to Belgravia Leisure Pty Ltd for the fixed management fee of \$734,478 (inc GST), for the initial 4 year term.