



BUSINESS PLAN FOR MAJOR LAND TRANSACTION

GOLF COURSE OPERATOR

CARRAMAR GOLF COURSE AND MARANGAROO GOLF COURSE

The City of Wanneroo acknowledges the Traditional Owners of this land, the Whadjuk people of the Noongar Nation; the Custodians of the lands on which the City is located and where we conduct our business.

We pay our respects to ancestors and Elders, past, present and future.

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Introduction

The following Business Plan has been prepared in accordance with Section 3.59 of the *Local Government Act 1995* and corresponding Regulations.

It outlines the proposed appointment of an operator for both Carramar and Marangaroo Golf Courses, planned to occur prior to the end of 2022, together with associated potential minor facility upgrades.

Overview

1. Background

The two golf courses subject of this Business Plan are known as Marangaroo Golf Course and Carramar Golf Course ('the Golf Courses'). The Golf Courses were developed by the City of Wanneroo ('City') as public golf courses and include 18-holes, with associated amenities including pro-shop, clubhouse with kiosk, cart storage and grass driving ranges.

The Golf Courses are currently operated on the City's behalf by a third-party golf operator (Controller), Crosbie & Duncan Golf Pty Ltd and Duncan Crosbie Pro Golf WA Pty Ltd (trading as DC Golf or Duncan and Crosbie), with the Lease and Facility Management Agreements expiring 31 October 2022.

The maintenance of the Golf Courses and general environs is outsourced to contractors under a separate maintenance agreement, expiring 17 March 2023 (plus options).



In October 2019, the City adopted its *Golf Courses Strategic Plan*. The objective of this plan is:







"to describe activities and opportunities to revitalise the civic golf courses in the City of Wanneroo (Marangaroo and Carramar) over the next 15 years. This Plan describes how the golf courses will become more appealing to a wider range of users by introducing new services and facilities, and ensuring that they are relevant to changing community expectations and remain profitable".



The plan recognises the importance of both Golf Courses within the municipality as a place of recreation as well as community engagement and socialisation. While both Golf Courses continue to generate revenue for the City, it is

recognised that the current buildings (e.g. pro shop, kiosk and ancillary buildings) are outdated and no longer support the requirements of a successful golfing experience.

The Golf Course Strategic Plan sets out the following key objectives for each course:

	Presentation of the tees, greens and fair ways		Clubhouse and amenities		Course improvements
	Preservation of the natural environment		Attraction and retention of patrons		Financial resourcing

2. Site Summary

The particulars of the Golf Courses are summarised below.

CARRAMAR GOLF COURSE



Item	Description
Address	Golf Links Drive, Carramar
Distance from CBD	29 Kilometres
Site Area	67 Hectares (approximate)
No. of Golf Holes	18 Holes
Year Built	1994
Tenure	<ul style="list-style-type: none"> • Freehold Portion (North): 51.32 ha (approximate) • Crown Reserve (South): 15.41 ha (approximate)
Power to Lease	35 Years

MARANGAROO GOLF COURSE



Item	Description
Address	Aylesford Drive, Marangaroo
Distance from CBD	14 Kilometres
Site Area	58 Hectares (approximate)
No. of Golf Holes	18 Holes
Year Built	1986
Tenure	Crown Reserve (eastern portion of site classified as Bush Forever)
Power to Lease	35 Years

3. Current Status

An operator procurement process is being progressed by the City, in accordance with the following stages:

- Expression of Interest (Completed): Open market Expression of Interest for an operator (both golf operator and course maintenance); and
- Restricted Request for Tender: Request for Tender to shortlisted respondents (x5) from the EOI process.

The Restricted Request for Tender closed in May 2022 and the Tender responses are being evaluated by the City to determine a preferred candidate for approval by Council.

Upon completion of the procurement process, a successful operator will be appointed, commencing in late 2022. It is then expected that minor facility upgrades will be implemented by the operator, in conjunction with the City.

Details of Proposal

1. Operator Procurement and Governance

PROCUREMENT PROCESS

A procurement process for a suitably capable and experienced golf course operator for the management and maintenance of the Golf Courses is being undertaken.

The operator procurement process has been separated into the following stages:

- **Expression of Interest ('EOI')**: An EOI document was released to the open market, with respondents asked to provide a proposal including experience, capability and organisational structure, financial capability and potential capital contribution and suggested upgrade / redevelopment works for each course.
- **Restricted Request for Tender ('RRFT')**: The respondents to the EOI were shortlisted, with a selection (x5) invited to participate in a restricted tender process. This process requested a price submission, including business plans with indicative financial models, together with details of Occupational, Health and Safety systems, organisational structure and experience and course maintenance proposal and experience.

GOVERNANCE STRUCTURE

The governance structure dictates how the Golf Courses will be managed on a daily basis. Figure 3 illustrates this hierarchy, with a requirement for clear reporting lines between each entity.

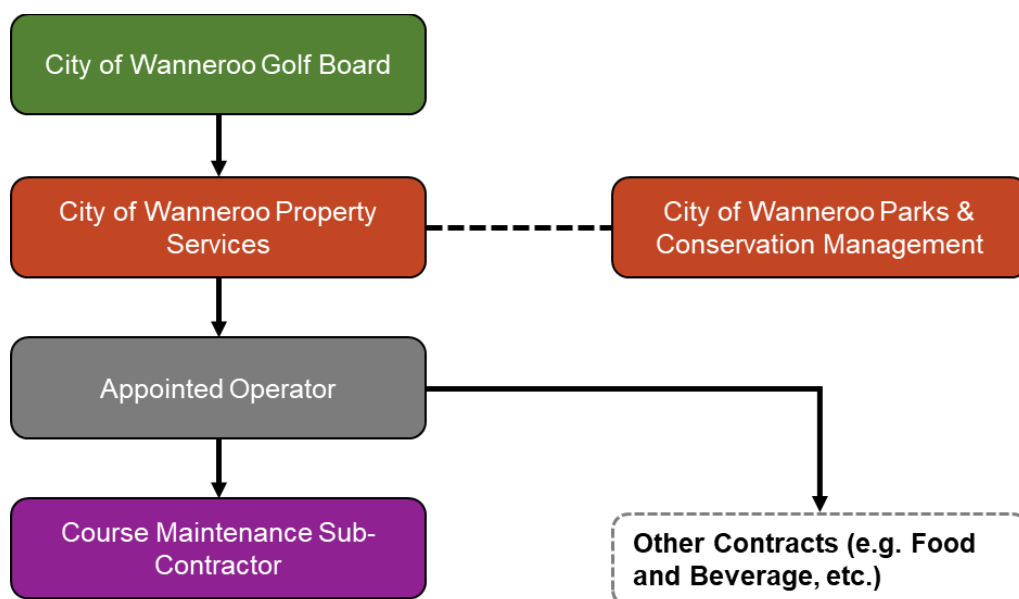


Figure 1: Proposed on-going management and governance structure for the golf course operations.

2. Summary of Proposed Transaction

This Business Plan has been prepared to comply with the provisions of the *Local Government Act 1995* (WA), with respect to the following transaction:

- the appointment an operator (both golf course operator and course maintenance) for the Golf Courses, to be achieved via a Services Contract; and
- Leases to the operator of:
 - Carramar Golf Course; and
 - Marangaroo Golf Course.

The Services Contract and Leases are linked, in that the lessee of the Leases will be the successful operator under the Services Contract. Accordingly, the Leases will not proceed without the Services Contract (and vice versa).

Summaries of the Services Contract and the Leases are set out below (these are not intended to be an exhaustive list of all terms to be included in the Services Contract and the Leases). Further details will be disclosed in the report to Council for consideration the outcomes of the RFRT evaluation and recommendation.

Services Contract Operation and Maintenance of Carramar and Marangaroo Golf Courses	
Item	Information
Contract Price	[To be confirmed]
Services Start Date	[To be determined]
Contract Period	10 years.
Services	<p>The provision of all services required to be carried out by the operator for the operation, management and maintenance of the Golf Courses.</p> <p>The scope of the services will provide for the:</p> <p>(a) operation, management and maintenance of the Golf Course; and</p> <p>(b) redevelopment and upgrades to the Golf Courses.</p>
Objectives	To achieve the City's objectives for the Golf Courses having regard to the City's Golf Courses Strategic Plan.
Experience and expertise	The operator is to have sufficient experience, expertise and personnel to ensure high levels of service.
City's Reservations	<p>Reservation of the City's right to resume possession of or utilise (either temporarily or permanently) any part of the relevant Land.</p> <p>The City will have unfettered access to use the Golf Courses in the event of an emergency or natural disaster affecting the locality.</p>
Plant and Equipment to be provided by City	<p>Nil.</p> <p>The operator is required to provide all necessary plant and equipment for the operation and management of the Golf Courses.</p>

Golf Course Management Committee	A management committee for the Golf Courses will be established, incorporating key personnel from the City and the operator. The committee members will be appointed by the City and the operator.
KPI's and Customer Service Standards	Appropriate key performance indicators and customer service standards to ensure high levels of service.
Grounds Maintenance	The technical specifications, maintenance requirements and standards for the Golf Courses to be determined by the City.
Reporting requirements	Operator to provide financial statements and operational information to the City on a monthly and annual basis, as required by the City.
Record Keeping	Operator to keep and maintain accurate and complete records relating to the management and operation of the Golf Courses.
Business plan and budget	Operator to prepare and submit to the City for approval a business plan and budget.
Management plans	The operator, in consultation with the City, to develop and implement plans for the operation and management of the Golf Courses, including all business plans and budgets, marketing, human resources management, asset management, natural area management, risk management, emergency evacuation and bushfire response plans.

A summary of the Lease is set out below (this is not intended to be an exhaustive list of all terms to be included in the Lease).

Lease Carramar and Marangaroo Golf Courses	
Item	Information
Lease Area	The whole of the land, including all buildings and improvements.
Commencement Date	The Services Start Date under the Services Contract.
Lease Term	10 years.
Permitted Purpose	Golf Course Operations. Golf pro shop and cafe. Any other permitted use will be at sole and absolute discretion and approval of the City.
Rent	[To be confirmed]
Rent Reviews	[To be confirmed]
Rates & Taxes and Outgoings	The Lessee must pay all rates, taxes, levies, charges and outgoings which are attributable to the Leased Premises.

Insurance	<p>The Lessee will be required to obtain and maintain all insurances required by Law or as reasonably required by the City, including:</p> <ul style="list-style-type: none"> • building insurance • workers' compensation • insurance for replacement value of the Lessee's fixtures, fittings and chattels • public liability for an amount of \$50 million for any one occurrence • sprinkler and water damage • plant and equipment • motor vehicle • third party damage
Indemnity and release	<p>Indemnity and release is to be granted in favour of the City and the Minister for Lands.</p>
Safety	<p>All occupational, health and safety obligations sit with the Lessee.</p>
No fetter	<p>No fetter of the City's discretion in the lawful exercise of any of its functions and powers as the relevant local government.</p>
Maintenance, cleaning and repairs	<p>The Lessee is responsible for all repairs, cleaning and maintenance, including repairs due to fair, wear and tear and capital and structural repairs.</p> <p>The City will have no repair, replacement and maintenance obligations or capital and structural obligations in relation to the Leased Premises.</p> <p>The Lessee will be required to maintain a maintenance register.</p>
Lease Security	<p>Bank Guarantee.</p>
Lessee's other obligations	<p>The Lessee must comply with all laws.</p>
Works and Fit Out	<p>All fit outs to be undertaken by the Lessee.</p>
Redevelopment	<p>Reservation of the City's right to resume possession of or utilise (either temporarily or permanently) any part of the relevant Land.</p> <p>The City will have unfettered access to use the Golf Courses in the event of an emergency or natural disaster affecting the locality.</p>
City's Works	<p>The City will undertake certain works to the Golf Courses as notified to the Lessee.</p> <p>The City will be permitted to access the Leased Premises in order to carry out the City's Works.</p>

3. Minor Facility Upgrades Scope

As part of the operator procurement process, potential capital contributions from an operator and the minor facility upgrades that this may fund are being investigated.

It is anticipated that these works may include such items as:

- Pro-shop / food and beverage upgrades;
- Driving range upgrades; and / or;
- Mini-golf course.

The final scope of the minor facility upgrade works will be agreed between the City and the appointed operator.

It is not proposed that any works will include reconfiguration of the tees or greens at either course.

4. Opportunities and Risks

The key opportunity presented is to upgrade two well utilised public golf courses for the benefit of the community. This may include upgrading ageing infrastructure, together with additional amenities which create a welcoming environment for all members of the family and attract a greater market outside of the traditional golf course users.

Procuring an operator in parallel presents the opportunity to appoint a qualified and experienced operator who can not only contribute funding and expertise towards the upgrades however, also having the capability to assist with the design and delivery and ensure effective management to continue and build on the success of the courses.

A risk analysis completed identified the following key risks:

- Procuring an operator who does not have the skills, capability and experience to manage a golf course comparable to the upgraded Carramar and Marangaroo golf courses.
- Continued escalation in the construction market, increasing the capital cost to deliver any upgrade works.
- The capital contribution offered by the operator is lower than expected, requiring a contribution (or increased contribution) by the City.
- Inability to stage the development, meaning the operations of the course will need to pause during upgrade works, impacting revenue to the City.

Appropriate mitigation strategies have been developed for the risks identified above and a full risk workshop will be undertaken once the operator is appointed and there is formal approval to progress the upgrades.

5. Operational Responsibilities

Upon completion of the RRFT process, a preferred operator will be endorsed by the City to be appointed as the operator for Golf Courses. This is proposed to be for a term of 10 years.

It is expected that the likely operational structure to be adopted will be:

- The operator manages all day-to-day operating expenses and responsibilities of the building (e.g. staff, wages, utilities, administration, course maintenance, etc.) in exchange for the payment of rent, fees and / or profit share (or other payment structure); and
- The City is responsible for all capital allowances (building and maintenance sinking funds), tee, greens and pathway renewals and any finance repayments.

The operational structure is further detailed in the Services Contract and Lease summaries in section 2 and ensures that the operator achieves the City's objectives for the operation and maintenance of the courses and is incentivised to optimise their performance and the operations, while allowing for all expenditure to be addressed, preventing the facility from falling into disrepair.

More specifically, the objectives for the operation (and maintenance) of the Golf Courses include the following:

- optimise the profitability of the courses while maintaining the integrity of the site and the natural environment;
- operate and maintain the courses in a safe, functional and attractive state at all times;
- improve the golfing experience and attract a wider audience to enhance the courses as a place for community recreation, engagement and socialisation having regard to the City of Wanneroo's Golf Courses Strategic Plan;
- attract a wider audience of users from outside the district of the City of Wanneroo;
- maximise community access to and utilisation of the courses;
- ensure the courses remains accessible to, and inclusive of, and is promoted for, all people regardless of ethnicity, cultural or religious background, gender, age and mobility;
- improve the health and well-being of the community;
- maintain the playing surface to the required condition;
- maintain a high standard of amenity in the courses for users, residents and the broader community;
- enhance and preserve the natural environment; and
- perform all functions required in its capacity as 'controller' under the City of Wanneroo Public Places and Local Government Property Local Law 2015.

6. Financials

CAPITAL COST

The capital cost of the minor facility upgrades is anticipated to total up to \$5,000,000 across the courses. The final scope will be agreed with the successful operator.

FUNDING

It is expected that an operator(s) will contribute up to \$2,250,000 of funding towards minor facility upgrades, with applicable requirement to achieve a return on this contribution.

Accordingly, any balance capital, if required, will need to come from the City, noting no commitment to any funding has been made by the City. The extent, timing and source of funding will be determined by the City in collaboration with the operator, and in accordance with the City’s budget processes.

OPERATIONAL FINANCIALS

A 10-year, operational feasibility has been prepared for each course to inform the projected financial viability of operations.

Revenue and expenditure assumptions were developed based on existing performance and visitation data, as well as benchmarked from other golf courses and industry standards.

The summary financials over a 10-year period are provided below:

Item	10 Year Cumulative - Low	10 Year Cumulative - High
Property Rental	\$0	\$2,000,000
Golf Fees	\$11,000,000	\$18,250,000
Other Income (e.g. Sponsorship)	\$0	\$500,000
Profit Share	\$3,000,000	\$2,750,000
Gross City Income	\$14,000,000	\$23,500,000

The “Low” scenario above is based on the continued operations of the Golf Courses by the operator effectively “as is”, with the “High” scenario assuming upgrade works are undertaken, thereby increasing the revenue derived from the courses.

Accordingly, the financials indicate that the City can achieve an average income from the courses of between \$1,400,000 p.a. and \$2,350,000 p.a., or between approximately \$14,000,000 and \$23,500,000 over a 10-year period.

7. Procurement (Delivery)

A suitable contractor(s) will be procured to undertake any relevant upgrade works at the appropriate time. It is anticipated that the minor upgrade works will be undertaken by the operator, as approved by the City at the time however, there may be a requirement for the City to undertake related works dependent upon the final agreed upgrade scope. If this is the case, the City will procure a suitable contractor(s) in line with the Local Government Act and the City’s procurement policies, together with other considerations relevant to:

- Scope of Works;
- Specification and Conditions of Contract;
- Specific and timely performance;
- Safety performance;
- Sustainability and environmental consideration;
- Local employment and community support;
- Innovation and use of new technologies; and
- Social and economic effects on the local community.

8. Programme

No commitment to a delivery timeframe to undertake upgrade works to the courses has been made by the City and is further subject to the operator's funding and capabilities.

An indicative implementation programme has been prepared to outline potential delivery timeframes, noting proposed dates will be subject to change, dependent upon operator and funding requirements and the final scope of the upgrade works.

The indicative milestone schedule is provided below:

Task	Commence	Complete
Approved Operator Commences Role	Late 2022	
Golf & Facility Upgrades	Late 2023	Late 2025

There is the opportunity to stage the upgrade works between the two courses to maintain full operations of at least one course at any time, dependent upon the final scope of these works.

Local Government Act Compliance

The relevant legislation is as follows:

- *Local Government Act 1995*, Section 3.59(3); and
- *Local Government (Functions and General) Regulations 1996*, Regulation 10.

In accordance with the *Local Government Act 1995*, Section 3.59(2), before it commences a major land transaction a Local Government is to prepare a Business Plan.

In accordance with Section 3.59(3), the Business Plan is to include an overall assessment of the major land transaction and is to include details of:

- a) its expected effect on the provision of facilities and services by the local government;
- b) its expected effect on other persons providing facilities and services in the district;
- c) its expected financial effect on the local government;
- d) its expected effect on the local governments planning for the future;
- e) the ability of the local government to manage the undertaking; and
- f) any other matter prescribed for the purpose of this subsection.

The above legislative requirements have been addressed in the below subsections.

1. Expected Effect on the Provision of Facilities and Services by the Local Government

The appointment of an operator for a minimum term of 10 years will enable the Golf Courses to continue their operations and be appropriately maintained, with it further expected that the level of facilities and services offered at the courses will be enhanced through the procurement of a long-term operator and the completion of associated upgrade works to the courses.

Access to the courses by current user groups will, at a minimum, remain at the same level as current, included within the objectives to be achieved by the operator.

In line with current provisions, the City will be required to provide formal approval of any applicable golf course fee structures on an annual basis. Operating days and times will remain as is currently the case, being a requirement of the proposed Services Contract.

With regard to the transition to the long-term operating arrangement, as part of the RRFT process and assessment, operators were required to provide a detailed description of the methodology to be used to manage the transition from the current operators and maintenance contractors, including identification of key risks and how these are proposed to be mitigated, together with marketing and community engagement, activation plans, staff engagement and resourcing.

A specific programme for the upgrade of the courses is yet to be committed however, both are likely to be undertaken within the next three years.

The only potential impact to the provision of facilities may be the temporary closure of some of the facilities at the Golf Courses during construction to facilitate the upgrade works and ensure patron safety.

However, measures will be undertaken at the time through the staging of the developments (i.e. staging the projects so at least one course is fully operational at any given time) and allowance for temporary facilities as required, so that patrons can continue to use the courses while construction works are being undertaken.

2. Expected Effect on Other Persons Providing Facilities and Services in the District

The appointment of an operator will enable the Golf Courses to continue their operations and be appropriately maintained. Accordingly, this is not expected to have an effect on other facilities or services, being in line with current circumstances. In particular, as part of the RRFT process and assessment, operators were required to demonstrate an understanding of the needs of the community and how the successful operator can successfully manage and maintain the courses on behalf of the City.

The general scope of the upgrades has been informed by a demand analysis and operator consultation which has indicated opportunities to meet demand not currently satisfied through existing facilities.

In addition, the general scope comprises golf related facility upgrades, complementary to the existing golf uses.

3. Expected Financial Effect on the Local Government

The operator will provide one of the main funding sources for any minor upgrade works to the courses however, the City may be required to contribute funding as well, and would need to determine the funding source (for example, from internal funding or through a loan from the Department of Treasury).

As detailed in section 6 of this Business Plan, the Golf Courses are expected to continue to generate a profit for the City, after allowances for depreciation and other expenses. On the basis that minor course upgrades are undertaken, a higher level of revenue is anticipated to be derived from the courses than if continued to be operated “as is”.

4. Expected Effect on the Local Governments Planning for the Future

GOLF COURSES STRATEGIC PLAN

This appointment of an operator, together with undertaking upgrade works at the courses, will directly address the strategic objectives identified and committed to in the City’s *Golf Courses Strategic Plan*. This will particularly be achieved through:

- Ensuring presentation of the tees, greens and fairways through the appointment of suitably experienced and capable operator(s);
- Improvements to the courses and clubhouses and amenities as proposed through the upgrades / redevelopments;
- Attraction and retention of patrons by maintaining existing golf offerings and providing additional golf and complementary facilities to attract a wider market; and
- Financial resourcing through attracting funding from an operator.

STRATEGIC COMMUNITY PLAN

The City’s Strategic Community Plan 2017/18 - 2026/27 outlines the visions and aspirations of the community, and the key strategies and actions required to achieve these.

The proposed Golf Course upgrades / redevelopments respond to the Society priority theme within the Strategic Community Plan, particularly the following defined strategies:

- 1.1.1 Create opportunities that encourage community wellbeing and active and healthy lifestyles;
- 1.1.2 Facilitate opportunities within the City to access peak and elite activities; and
- 1.4.2 Strengthen community and customer connectedness through community hubs.

TOURISM PLAN

The City’s Tourism Plan 2019-2024 sets out the vision to grow tourism over the five years period from 2019 to 2024. It addresses the likely markets and experiences that can be created and developed further, and the activities and actions required to deliver the objectives of the plan.

The City’s golf courses are identified as one of the ‘Game Changer Transformational Projects’, defined as *“the objective of this project is to formulate strategies for each civic golf course to guide the development and operation of facilities for a proposed period of up to 20 years. The project will devise a clear vision and concept for each golf course, which reflects local demographics, delivers services suitable for the location and attracts new visitors to the area.”*

The appointment of a suitably experienced and capable operator and the general scope of the upgrades of the courses directly addresses this element of the Tourism Plan.

5. Ability of the Local Government to Manage the Undertaking or Performance of the Transaction

The City currently manages the operations and maintenance of the Golf Courses, having a team of professional staff and structure to continue to do so. This will be further simplified by the proposed contracting structure, whereby the operator is responsible for the course maintenance, currently managed as a separate contract by the City.

In the event that upgrade works are undertaken, these are considered to be within the City's management and delivery capabilities. External consultants may be procured if required to assist the City.

6. Any Other Matter Prescribed for the Purpose of this Subsection

The Business Plan for the Major Trading Undertaking for "Procurement of an Operator and Upgrades of Carramar and Marangaroo Golf Courses" will be publicly advertised, as required under the Local Government Act 1995.

Public Consultation and Advertising

Following the public advertising period (Section 3.59(4)), the City will consider all submissions and may decide (by absolute majority) to proceed with the Major Land Transaction as described in this Business Plan in accordance with the provisions of the *Local Government Act 1995*, Section 3.59.

The advertising period will be **forty-two (42) days**.