

**Minutes of the Extraordinary Meeting  
of Shellharbour City Council  
held at the Council Chambers, Council Administration Centre  
Shellharbour City Centre  
on Monday 11 August 2014 commencing at 6.32 pm**

**Present**

Mayor	M Saliba
Deputy Mayor	P Rankin
Councillor	K Marsh
Councillor	D Boyle
Councillor	H Stewart
Councillor	J Murray
Councillor	P Moran

**In attendance**

General Manager	M Willis
Director City Outcomes	C McIntyre
Director Corporate Policy	L Furness
Director Shellharbour Enterprises	M Youell
Executive Manager / Public Officer	F MastroDomenico
Group Manager Infrastructure Services	M Boenisch
Manager Property & Recreation	D Flanagan
Business Performance & Development Manager	M Henning
General Manager The Links Shell Cove	R Stephenson
Media Officer	C Lewis
Senior Executive Assistant (Minute Taker)	L Davey
Council Liaison Officer	J Frasca

**1. Acknowledgement to Country**

Shellharbour City Council acknowledges the Traditional Owners and Custodians of the Land on which we are meeting and pays its respects to Elders past and present.

**Webcasting and Emergency Plan Statement**

The Mayor read the usual advice regarding the webcasting of the meetings of the Council and the emergency plan for Council Meetings.

**2. Apologies / Leave of Absence**

Nil

**3. Confidential Business (Committee of the Whole)**

In accordance with the *Local Government Act 1993*, and the *Local Government (General) Regulation 2005*, in the opinion of the General Manager, the following business is of a kind as referred to in Section 10A(2) of the Act, and should be dealt with in a Confidential Session of the Council meeting closed to the press and public.

**Set out below is Section 10A(2) of the Local Government Act 1993, in relation to Confidential Business:**

**10A(2) Which parts of a meeting can be closed to the public? The matters and information are the following:**

- (a) personnel matters concerning particular individuals;
- (b) the personal hardship of any resident or ratepayer;
- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business;
- (d) commercial information of a confidential nature that would, if disclosed:
  - (i) prejudice the commercial position of the person who supplied it, or
  - (ii) confer a commercial advantage on a competitor of the council, or
  - (iii) reveal a trade secret,
- (e) information that would, if disclosed, prejudice the maintenance of law;
- (f) matters affecting the security of the council, councillors, council staff or council property;
- (g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.

## **CONFIDENTIAL ITEMS**

### **3.1 The Links Shell Cove (10222894)**

#### **Reason for Confidentiality**

This item is classified CONFIDENTIAL under the provisions of Section 10A(2)(c) and (d)(i) and (ii) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following:

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business
- (d) commercial information of a confidential nature that would if disclosed:
  - i) prejudice the commercial position of the person who supplied it, or
  - (ii) confer a commercial advantage on a competitor of the council

Council will be considering the possible divestment of a significant, valuable, strategic asset. Whilst any decision to divest such assets should be made in the public domain, early consideration of alternative divestment strategies is best conducted in confidential session, to enable candid debate of commercial details, options and strategies and to protect the public interest and the debate, from the influence of vested interests.

## **4. Pecuniary Interest and Conflict of Interest Declarations**

**Councillor Murray:** Item 3.1 The Links Shell Cove

**Nature of Interest:** Councillor Murray declared a non pecuniary interest as he is a senior member of The Links Shell Cove.

## **5. Addresses to Council**

The Mayor noted that there were no people in the public gallery to address the meeting in relation to the reasons why Item 3.1 The Links Shell Cove should not be held in Confidential Session (closed to the public).

**6. Committee of the Whole in Closed Session: Adjournment**

233 RESOLVED: Murray/Rankin

1. That Council resolve into Committee of the Whole (in Confidential Session) to consider the above business as listed, together with any late reports tabled at the meeting.
2. That pursuant to Section 10A(1-3) of the *Local Government Act 1993*, the press and public be excluded from the proceedings on the basis that the business to be considered is classified confidential under the provisions of Section 10A(2)(c) and (d)(i) and (ii) of the Act as outlined above.
3. That the correspondence and reports relevant to the subject business be withheld from access to the press and public in accordance with Section 11(2) of the *Local Government Act 1993*.

CARRIED 5/2

FOR VOTE - Cr Boyle, Cr Saliba, Cr Murray, Cr Rankin, Cr Marsh  
AGAINST VOTE - Cr Moran, Cr Stewart

**Meeting adjourned at 6.35pm**

**Meeting resumed at 8.10pm**

**3.1 The Links Shell Cove (10222894)**

The following Recommendation to Council from the Committee of the Whole Council (confidential) was read to the Meeting.

**COMMITTEE RECOMMENDATION:**

1. As Council did not receive a complying tender, it declines to accept all tenders and cease the tender process.
2. That Council:
  - a. Retain responsibility for the operations of The Links, Shell Cove.
  - b. Immediately implement the actions outlined in the Business Plan to improve the business viability of The Links.
  - c. Proceed with subdivision and sale of the lands adjacent to Dunmore Road in line with the 42 Battleaxe lot model. Evaluate all methods of sale to maximise our yield, in the most opportune timeframe. All funds

realised from these sales to be placed in The Links Capital Backing Fund, to be used to underwrite future capital and operating expenditures at The Links.

- d. General Manager implements this resolution and continues to develop a business plan, so as it is in final operation by the end of the financial year (by 1/7/15).

**7. Committee of the Whole: Consideration of Adoption of Decisions Reached in Closed Session**

234 RESOLVED: Murray/Marsh

That the Recommendations to Council from the Committee of the Whole Meeting held earlier today be adopted.

CARRIED 5/2

FOR VOTE - Cr Boyle, Cr Saliba, Cr Murray, Cr Rankin, Cr Marsh  
AGAINST VOTE - Cr Moran, Cr Stewart

**Business Arising**

235 RESOLVED: Moran/Marsh

That the recording of the confidential meeting be declassified and that Council staff redact commercial information from the confidential business paper prior to it being declassified.

CARRIED UNANIMOUSLY

**Meeting closed 8.16 pm**

*Please note: Some confidential information contained in this document has been redacted from this copy including the entire attachment*

*11 August 2014*

**Subject 3.1 The Links Shell Cove (10222894)**

To the General Manager

**Directorate: Corporate Policy**

**Department: Finance**

**Manager:** Lee A. Furness – Director Corporate Policy

**Author:** Mark Henning – Business Performance and Development Manager

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### **Summary**

This report contains information related to The Links, Shell Cove requested in a Council resolution on the 8 April 2014. The report discusses the way forward for The Links, Shell Cove under Council management.

The key issues discussed as follows:

- The results of the tender process undertaken by CBRE
- The business corporate governance structures available to Council
- Under a Council controlled facility;
  - Capital backing funds to be generated to underwrite future development and operational needs
  - An outline of the Business Plan key issues.

The report notes that all tenders received were non-conforming and recommends appropriate next steps.

the report provides Council with options available to operate the facility. The report also concludes that it is possible to create a capital backing fund that could finance business improvements. Finally the report includes a business plan framework that notes commercial opportunities which if implemented would result in the business generating cash positive results.

## Background

Council passed the following resolution on the 8 April 2014:

1. *That Shellharbour City Council reaffirms its commitment to the retention and operation of a golf course facility at The Links, Shell Cove. Council recognises the long term complimentary value of this asset to the Shell Cove Project; to the Tourist industry and to the city as a whole.*
2. *That Council retain CBRE to test the national and international market by a tender invitation for a long term lease of the whole Links Hotel and golf course facility. That any tender proposals be analysed by Council and CBRE. The results of this analysis be reported to Council in compliance with the relevant legislation and regulations.*
3. *That parallel to the actions and processes contained in recommendation #2, Council prepares an alternate plan to enable Council to successfully manage the facility for the future, in the advent that recommendation #2 does not unearth a successful result. The alternate plan would include recommendations on a suitable business corporate governance structure; a business plan; the establishment of a 'capital backing fund' to underwrite future operations and other relevant matters to promote the success of this enterprise.*
4. *That the completed results of the actions undertaken in enacting recommendations 2 and 3 be reported back to Council by 29 July 2014.*

### Point 2 of Council resolution --CBRE Tender

CBRE were engaged to undertake item 2 of the Council resolution through an exclusive real estate agency agreement.

#### Summary of Tenderers and Nature of Response

A summary of each Tenderer by area of expertise 'type' and then in alphabetical order, together with the nature of their response, is provided in the table below.

Type	Tenderer and description	Nature of Response	Complying Tender?

Hotel / Pub	<p>– is an Australian proprietary company, limited by shares and registered in December 2009. ASIC searches performed by Council's Solicitor indicate the directors of the company are . The Tenderer states they are an owner / operator of pubs throughout Sydney and Regional NSW.</p>	Express interest in acquiring the hotel component of The Links Hotel and Golf Course (LHGC) asset	No
Hotel / Pub	<p>– is an Australian proprietary company, limited by shares and registered in February 2005. ASIC searches performed by. CBRE indicate the directors of the company are . The company's website indicates it currently owns and/or operates hotels in</p>	Submitted an 'expression of interest' in the hotel component of the LHGC asset	No
Golf Course	<p>– is an Australian proprietary company, limited by shares and registered in February 2002. ASIC searches performed by CBRE indicate the sole director of the company is .</p> <p>The company's website indicates it is a golf management, community administration, business services, telecommunications and private security company</p>	Submitted a 'letter of interest' for the management and operation of the LHGC through a management agreement	No



Golf Course	<p>– is an Australian proprietary company, limited by shares and registered in February 2002. ASIC searches performed by CBRE indicate the sole director of the company is</p> <p>The company's website indicates it is a golf management, community administration, business services, telecommunications and private security company based in</p>	Submitted a 'letter of interest' for the management and operation of the LHGC through a management agreement	No
Golf Course	<p>- is an Australian proprietary company, limited by shares and registered in April 1990. ASIC searches performed by Council's Solicitor indicate the sole director of the company is . The Tenderer states they have provided golf and associated administrative services for over 25 years.</p>	Submitted a letter of interest in relation to managing the golf course facility should Council be unsuccessful in finding a successful tenderer.	No

Golf Course	- is an Australian proprietary company, limited by shares and registered in June 1998. ASIC searches performed by CBRE indicate the directors of the company are	Expressed interest in managing the golf course in partnership with Council	No
Other	- is Australian proprietary company, limited by shares and registered in June 2014. ASIC searches performed by CBRE indicate the sole director of the company is  a hotel group, banking partner and architect'. Of these partners, only Bendigo Bank is identified in the response received. CBRE could not locate a website for this group and is not aware of any previous experience they may have in golf course or hotel ownership/management.	Expressed an interest in tendering for the golf course / hotel and purchase of Lot 1	No

#### Key outcomes of Tender Analysis and Next Steps

From analysis of the tender responses received and further investigations, the following key outcomes are noted:

- Two Groups ) appear to meet the evaluation criteria for demonstrated experience in management of clubhouse / licensed premises, however, do not meet the criteria associated with golf course operation and management. It would also appear that both of these groups have the potential to meet the criteria relating to financial bona fides and demonstrated ability to fund the tenant obligations under the lease
- Three groups ) appear to meet the evaluation criteria in terms of demonstrated experience in golf course operations and management including clubhouse / licensed premises. However, none of these groups appear to have experience in the acquisition and operation of facilities with gaming machines and would require the

expertise of a hotel group to optimise the revenue from such a facility. As a result, these did not express an interest in leasing the LHGC and did not provide information supporting their financial bona fides. They have stated they would participate under a 'management agreement' structure with the owner or a lessee

- did not appear to meet the evaluation criteria in relation to demonstrated experience in golf course operations and management including clubhouse / licensed premises, nor financial bona fides and demonstrated ability to fund the tenant obligations under the lease
- One offer for lease was procured from . However, this offer only related to the Links Hotel asset and was for a term of 3 years upon completion of which the Tenderer offered to purchase asset on a freehold basis. The offer is deemed non-complying from the perspective of the tender process. The value offered for both the lease,

, are equal to or above the values identified in Council's Valuation report for the respective structures

### Recommendation

The following key next steps are identified to further Council's key objectives:

- As Council did not receive a complying tender, nor a tender meeting the mandatory criteria for the Request for Tender (RFT) Process, it is a matter of process to decline to accept any of the Tender Responses submitted
- It was apparent through the RFT Process that the market is of the opinion the majority of the operational improvement for the LHGC asset resides in the operations of the Links Hotel and activation of poker machine licences
- Two groups ( ) with requisite financial and technical bona fides in relation to hotel operations / management have expressed interest in the acquisition of the Links Hotel facility. In addition, three groups ( with requisite technical bona fides have expressed interest in operating the golf course component of the asset
- Whilst not the Tenderers preferred structure, rather than lose the opportunity to operate the Links Hotel facility, there is a prospect that direct negotiations with and/or could procure an offer to lease the hotel and golf course asset if a golf course manager/operator is willing to take some financial/operational risk on the golf courses overall performance
- As such, from a commercial perspective, it may be appropriate to further pursue the lease of the golf course and hotel asset through direct negotiations with and , being the two Tenderers who appear to best meet Council's evaluation criteria.

### **Point 3 of Council Resolution - Council operated Facility Plan**

#### Potential business corporate governance structures available to Council

## Governance options available to Council

There are only a limited number of options available to Council;

**Option 1 – Council continue to explore a long term lease of the course complex with a third party.**

**Option 2** - Council to continue managing the course complex as a community asset as it does at present. It would then continue to assume the ongoing commercial risks associated with that control and management.

**Option 3** - To lease the course complex to the Links Shell Cove Golf Club Inc ("the Club") or another entity formed by members of the local community for the purpose of operating the course complex.

**Option 4**- Council to cease operating the course complex because it formed the view that it did not want to continue to own and manage the complex; with its ongoing risk of financial loss. That decision would be inconsistent with the first resolution of Council made on 8 April 2014.

Further details of these options are as follows:

**Option 1 – Continue to explore the long term lease of the course complex.**

**This option has been discussed in detail in this report under the heading "Point 2 of Council resolution --CBRE Tender". Based on advice received from CBRE as a result of the Tender process undertaken, it has been concluded that further direct negotiations take place with two tenderers.**

### Option 2 -Continue managing the Course Complex

Under this option Council staff have developed the following essential strategies:

#### Capital Backing Fund

An area of Council owned land fronting Dunmore Road is zoned R2 Low Density Residential under Shellharbour LEP 2013. This land currently forms part of the 8<sup>th</sup> and 9<sup>th</sup> hole. One option in the future is to seek a boundary adjustment to remove all or part of the land and sell it for the purpose it is zoned, namely residential housing. A sale of this land would take place with the objective of creating a capital backing fund even after allowing for costs required for course reconfiguration and other works to facilitate the sale of this land.

An initial desktop review of a potential sale has determined the following:

- The proposed subdivision relates to part of Lot 6056 DP1158874 (ie the golf course).

- A number of subdivision options exist. The options are as follows:
  - Simple subdivision of all land with resultant lots having direct access to Dunmore Road. 19 Lots could be created.
  - Battle-axe style subdivision with all lots having access to Dunmore Road. 42 Lots could be created.
  - Loop Road from Dunmore road adjacent to the integral energy land and fronting the golf course. Half of the lots utilise this road the remainder direct access to Dunmore Road. 45 Lots could be created.
- The lots in the different subdivision options would range in size from approximately 1,150sqm to 470sqm.
- All blocks fronting Dunmore Road have an electricity easement covering approximately 10 meters from the road. This requires housing to be set back at least 10 meters.
- The treatment of sewerage would need to be discussed with Sydney Water. The existing blocks in this same area are serviced by pump outs. It is assumed that pumps outs would not be acceptable for land sold under this proposal.
- Five blocks have been sold by Shell Cove in the same area as Council's parcel of land. The existing blocks were sold for prices ranging from . The lot sizes ranged from 1325m<sup>2</sup> to 844m<sup>2</sup>. The prices received should not be taken as prices Council's land will receive, however they are indicative of land sales in the area.
- A water drainage strategy in relation to the nearby SEEP14 wetlands is already in place so this would not be an issue of concern.
- The adjoining property to the south of the land proposed for sale is currently occupied by Integral Energy and is zoned industrial. This needs to be taken into account for the most southerly block in the sale parcel in relation to potential amenity impacts.
- Owners of the land on the western side of Dunmore Road have submitted a planning proposal with Council to rezone the land and develop a residential housing estate. This land is directly opposite the land this report refers to.

From a visual viewpoint, the aim of any residential development would be to create land that could maximise views of either the golf course or the western mountain range.

Should this project take place, the golf course would need to be reconfigured. Initial investigations by council officers have concluded that a re-routing of the golf course to accommodate development on land that currently occupies the 8<sup>th</sup> green 9<sup>th</sup> fairway and 9<sup>th</sup> green is indeed possible. Council officers have had discussions with two organisations that specialise in golf course construction. Both organisations along with management firmly believe that any of the suggested routing changes would actually improve the golf course both from a customer's point of view and from an operational point of view. The cost of this work would be funded from the sale of land and is likely to be in the order of \$375,000.

Based on the preferred battle-axe style subdivision option, the sale price of 42 lots with an average area of 464m<sup>2</sup> would be in the range of \_\_\_\_\_ per lot. Assuming the lower sale price of \_\_\_\_\_ revenue totalling \_\_\_\_\_ would be received.

Development costs normally average \_\_\_\_\_ per lot, however assuming an additional allowance of \_\_\_\_\_ per lot to cover the unconfirmed costs of providing power and sewerage, total costs would be \_\_\_\_\_

Therefore the estimated surplus capital backing fund would be in the order of \$5,460,000 before course reconfiguration costs.

Note: this estimate requires further detailed work on the cost of delivering power and sewerage.

### Business Plan

Option 1 would operate under the framework set out in a detailed business plan which has been produced and can be found in attachment 1 to this report. The following is an extract from the business plan of the executive summary which outlines the key issues. These issues relate to both short term and long term components of the business.

### The Links – Executive Summary

*The geographical dispersion of the golfing population, the number of golf courses in the near vicinity and the downward trend in golfing participation over the past decade has resulted in Council owning a facility which has struggled to produce financial results that are even close to being commercially acceptable. The present facility has a hotel as its core non golfing stream, however this does not generate enough profit to subsidise the golfing activities.*

*Golf courses that are profitable do so by having one of the following business models:*

- *Low fixed overheads and low operating costs due to minimal infrastructure needing maintenance and or a large volunteer base available. I.e. Calderwood Valley Golf Club or Shoalhaven Heads Golf Club.*
- *Large scale non-core golfing streams that generate significant profits such as accommodation or poker machines to offset the cost of running the golf activities. I.e. Wollongong Golf Club or Pambula /Merimbula Golf Club. A club house incorporating a bar /hotel is not sufficient.*
- *User pay arrangements whereby memberships are extremely expensive in order that they cover the cost of maintaining the course and infrastructure. This is a declining segment and in NSW is limited to private metropolitan golf clubs.*

*The Links does not currently fit into any of these models so Council should look to transition the business into one of the above models as explained in the Strategic Development Plan noted below.*

*While a large number of objectives are noted throughout the business plan, special emphasis needs to be placed on the following key issues:*

### Golf Operation

- *As has been the case in 2013/14, management must continue to monitor and benchmark both income and expenses. Benchmarking against other golf courses in relation to course maintenance costs, green fees, membership pricing, pro shop retail*

performance, club house building maintenance and general overheads should continue to take place.

- *Special emphasis over coming years needs to be placed on deriving additional income as this provides the best way of ensuring that Council's subsidy is not required. An updated sales and marketing plan is critical to growth as it would aim to broaden our target market and present the right branding image across all our markets. An internal marketing team should be engaged to lead and drive the sales and marketing activities. Detailed sales and marketing actions and objectives need to be confirmed for each key business stream, including the Pro Shop and Golf Course. As an example, plans could focus on golf yield management targeted at customers at certain times to better manage tee sheets and maximise revenues.*
- *Continue work on making the golf course more playable for all market segments as recommended in the latest Golf Australia annual golf census report. Golf should be "fun" and the course set up more in the style of a resort course than a championship course should be the aim.*

#### Hotel Operation

- *After a number of years of rapid growth in revenue, the last 3 years has seen a plateau in sales at a level of approximately \$1m p.a. While management continues to look at promotional activities to change this trend it is thought that there will not be any significant growth in revenue until the hotel footprint is altered to create precincts for drinkers, families, and other customer segments.*
- *Opportunities exist to present a modern facility which appeals to a wide market segment as opposed to the traditional hotel of yesteryear which was the domain of only the stereotype male drinkers. Just like major sports are working to broaden their appeal, so is the hotel industry and so The Links needs to as well. The above mentioned sales and marketing plan should be the tool to reenergise sales growth in the facility via new branding.*

#### Asset Maintenance

- *The golf course is in good condition and only requires regular care and maintenance in coming years. A significant amount of work has occurred to make it the more playable product it now is. Further works to enhance its playability can generally be funded out of day to day operational or capital funding, although provision will need to be made for a phased irrigation upgrade in the medium term.*
- *Infrastructure assets (Hotel/Clubhouse) continue to age and while past asset management has ensured that the facility remains operational and clean, the time is approaching for an injection of funds for internal painting, rectification of an ineffective air conditioning unit and other minor maintenance issues. It is important that a formal asset maintenance plan is devised within Council so The Links assets are maintained via a scheduled maintenance plan as well as the noting of capital needs in Councils Long Term Financial Plan.*

#### Environmental Development

- *The Links needs to focus strongly on environmentally sustainable development in relation to all decisions associated with energy and water usage. Options to increase*

*water storage capacity needs to be fully investigated as do options to reduce electricity purchases from the grid.*

#### Strategic Development Plan

- *To increase revenue and enhance profitability, it is recommended that a number of potential non-core golfing revenue streams be implemented as follows:*
  - *The take up of existing gaming machine entitlements in the business which*
  
  - *The addition of accommodation on the block of land directly west of the current clubhouse. A Council owned case should be explored, however so also should the development and funding by an external party. No work has currently taken place, however a business case should be developed.*
  
  - *The setting up of a drive through or fixed take away liquor service should be implemented. Current knowledge of this area leads staff to feel that this project would be commercially successful and should commence as soon as possible.*
  
  - *Construction of family and child friendly activities adjacent to the clubhouse i.e. mini golf, gazebo's, playgrounds etc.*
  
- *Building modifications to the hotel are needed to accommodate best practice gaming room, transition the hotel with "family friendly" additions and maximise current retail space. Expert advice and costings should be garnered on this subject.*

The underlying operating loss of the business in 2013/14 is forecast to be approximately \$150k which is \$200k lower than any previous year under The improved result is due to benchmarking of costs which resulted in tight cost control combined with increased revenue due to higher membership numbers and an overall improved yield per round played. All improvements achieved are long term sustainable, rather than "once off" improvements. The existing business model has proven to be unsuccessful, so migration towards one of the successful models outlined above via the plans noted in this report should be implemented. Council staff are confident that the implementation of the changes noted in this plan will ensure that The Links would in the future operate on a cash positive basis thereby providing a significant saving to Council's operational budget for The Links.

#### **Option 3 - Leasing the Course Complex to the Club**



There is little doubt that Council could exercise the function of management of the community facility of the course complex jointly with the Club pursuant to section 355 of the Act. This "joint" arrangement would be through a lease. The basic structure for any lease has already been put in place through the current tender process, although a few of the provisions would have to change.

A lease with the Club would be exempt from the tendering provisions of the Act because, pursuant to section 55(3)(e) those requirements do not apply to a contract for the leasing or licensing of land by Council; other than the leasing of community land for a term exceeding five years. The course complex is not community land.

Some issues which might arise from a lease to the Club

a) Incorporation – Registered Clubs Act

Council should not enter into a lease with the Club as an entity under the Association Incorporation Act, because the Club would be required to operate licensed premises, manage the golf course, employ persons and the like. Council should insist that the Club run the course complex (including the hotel building) pursuant to the Registered Clubs Act 1976. *A requirement of that Act is that the Club be a company within the meaning of the Corporations Act 2001 (see section 10(1)(b)).*

Funds will have to be obtained for the incorporation process and meetings duly convened to ensure that the requirements of the Corporations Act are followed.

b) Public private partnership

At present, clauses 14.9 – 14.15 of the tender lease require the lessee to activate the gaming machine entitlements. The potential construction of a gaming area within the Hotel building may enliven the "public private partnership" provisions of the Act ("the PPP provisions") because the Club will be carrying out construction works which will, ultimately, belong to Council upon the termination of the lease.

c) Loan to the Club

The Club could find it difficult to borrow moneys to ensure the proper operation of the course complex in its early days; and later to activate the gaming machine entitlements.

It is within existing powers for Council to lend moneys to the Club to assist the Club in its operation of the course complex; particularly in the early period of the lease. This potentially exposes Council to substantial financial risk.

d) Ongoing operations

If Council was concerned about the ability of the Club to properly manage and operate the course complex, the lease could be amended to provide for overriding supervision of aspects of the operation by Council officers.

It is noted that any lease could be terminated if the Club (as lessee) failed to comply with essential elements of the lease. At present, these would include maintenance of both the hotel building and the golf course to the standards prescribed by the lease.

Under a lease with the Club, ownership of the underlying assets will always remain with Council. At the end of the lease or its termination due to a breach of the terms of

the lease, complete control and ownership of the Course Complex will revert to Council.

#### **Option 4 – Council cease operating Course Complex**

This option is not recommended as it is contrary to Councils resolution from the 8 April meeting, Committee of the Whole in Confidential.

#### **Summary of governance options**

Council does have a number of corporate governance structure options available to operate The Links, Shell Cove as noted above.

**Option 1 involves a complete decoupling of Councils operational involvement over the long term.**

Option 2 reflects the status quo plus the addition of a capital backing fund and a detailed business plan framework to follow.

Option 3 potentially confronts complex issues such as public private partnership provisions, loan funding requirements and the need for ongoing operating measures even if arms length operation occurs.

Option 4 is contrary to Council resolutions.

If the Course complex is to remain under full Council control, then Option 2 is recommended as the most appropriate structure going forward. Under this option Council maintains full control of financing and other business changes, as opposed to having lessened control, yet retaining ultimate responsibility if a lease was in place.

#### **Link to Community Strategic Plan**

The Links, Shell Cove supports the following objectives and strategies of the Community Strategic Plan:

Objective: 1.2 Active and healthy community

Strategy: 1.2.3 Provide a range of accessible recreational opportunities and associated facilities to cater for a broad range of ages, abilities and interests

### **Consultations**

#### **Internal**

Manex  
 Group Manager Finance  
 General Manager The Links, Shell Cove  
 Manager Property and Recreation  
 Manager Engineering Services  
 Group Manager Planning Services

#### **External**

CBRE

RMB Lawyers  
Stephen and Co - Project Management and Consulting

**Political Donations Disclosure**

Not Applicable

**Recommendation**

1. That Council receive and note the report.
2. That the matter be reported back to Council for review once the current tender process has been completed as per the CBRE recommendation to further pursue the lease of the golf course and hotel asset through direct negotiations with the two Tenderers who appear to best meet Council's evaluation criteria.

Approved for Council's consideration:



**Attachments**

1. The Links, Shell Cove Business Plan 2014 to 2017

**SHELLHARBOUR CITY COUNCIL**

Committee of the Whole Extraordinary Council Meeting – 11 August 2014

CONFIDENTIAL – CLOSED TO THE PUBLIC

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**Minutes of the Committee of the Whole Meeting  
of Shellharbour City Council**

**Closed to the Public**

**held at the Council Chambers, Council Administration Centre  
Shellharbour City Centre**

**on Monday 11 August 2014 commencing at 6.35 pm**

**Present**

Mayor	M Saliba
Deputy Mayor	P Rankin
Councillor	K Marsh
Councillor	D Boyle
Councillor	H Stewart
Councillor	J Murray
Councillor	P Moran

**In attendance**

General Manager	M Willis
Director City Outcomes	C McIntyre
Director Corporate Policy	L Furness
Director Shellharbour Enterprises	M Youell
Executive Manager / Public Officer	F MastroDomenico
Group Manager Infrastructure Services	M Boenisch
Manager Property & Recreation	D Flanagan
Business Performance & Development Manager	M Henning
General Manager The Links Shell Cove	R Stephenson
Media Officer	C Lewis
Senior Executive Assistant (Minute Taker)	L Davey
Council Liaison Officer	J Frasca

## **Apologies and leave of absence**

Nil

## **Pecuniary Interest**

**Councillor Murray:** Item 3.1 The Links Shell Cove

**Nature of Interest:** Councillor Murray declared a non pecuniary interest as he is a senior member of The Links Shell Cove.

## **Staff reports**

### **3.1 The Links Shell Cove (10222894)**

#### **Reason for Confidentiality**

This item is classified CONFIDENTIAL under the provisions of Section 10A(2)(c) and (d)(i) and (ii) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following:

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business
- (d) commercial information of a confidential nature that would if disclosed:
  - i) prejudice the commercial position of the person who supplied it, or
  - (ii) confer a commercial advantage on a competitor of the council

Council will be considering the possible divestment of a significant, valuable, strategic asset. Whilst any decision to divest such assets should be made in the public domain, early consideration of alternative divestment strategies is best conducted in confidential session, to enable candid debate of commercial details, options and strategies and to protect the public interest and the debate, from the influence of vested interests.

**SHELLHARBOUR CITY COUNCIL**

Committee of the Whole Extraordinary Council Meeting – 11 August 2014

CONFIDENTIAL – CLOSED TO THE PUBLIC

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COMMITTEE RECOMMENDATION: Murray/Rankin

1. As Council did not receive a complying tender, it declines to accept all tenders and cease the tender process.
2. That Council:
  - a. Retain responsibility for the operations of The Links, Shell Cove.
  - b. Immediately implement the actions outlined in the Business Plan to improve the business viability of The Links.
  - c. Proceed with subdivision and sale of the lands adjacent to Dunmore Road in line with the 42 Battleaxe lot model. Evaluate all methods of sale to maximise our yield, in the most opportune timeframe. All funds realised from these sales to be placed in The Links Capital Backing Fund, to be used to underwrite future capital and operating expenditures at The Links.
  - d. General Manager implements the necessary changes outlined in the Business Plan, so as it is in final operation by the end of the financial year (by 1/7/15)

Councillor Marsh FORESHADOWED a MOTION that should the MOTION be LOST, that she would move that this item be deferred to enable Council Officers to brief Councillors.

Following comments made by Councillor Stewart, the Mayor called Councillor Stewart to order and asked her not to be political in her comments. Councillor Moran MOVED a POINT of ORDER in relation to the Mayor's comments. The Mayor called the meeting to order.

Councillor Moran FORESHADOWED a FURTHER MOTION, that should the MOTION and FORESHADOWED MOTION be LOST, that he would move the following:

1. That Council Officers investigate a proposal to sell The Links Shell Cove hotel facility and car park and associated room for expansion.
2. That Council Officers investigate the possibility of rezoning and subdividing sufficient land to recoup Council's losses in the facility.

Councillor Murray proposed the following amendment to 2.(d), which was accepted by the Secunder:

- d. General Manager implements this resolution and continues to develop a business plan, so as it is in final operation by the end of the financial year (by 1/7/15)

**SHELLHARBOUR CITY COUNCIL**

Committee of the Whole Extraordinary Council Meeting – 11 August 2014

CONFIDENTIAL – CLOSED TO THE PUBLIC

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AMENDED COMMITTEE RECOMMENDATION: Murray/Rankin

1. As Council did not receive a complying tender, it declines to accept all tenders and cease the tender process.
2. That Council:
  - a. Retain responsibility for the operations of The Links, Shell Cove.
  - b. Immediately implement the actions outlined in the Business Plan to improve the business viability of The Links.
  - c. Proceed with subdivision and sale of the lands adjacent to Dunmore Road in line with the 42 Battleaxe lot model. Evaluate all methods of sale to maximise our yield, in the most opportune timeframe. All funds realised from these sales to be placed in The Links Capital Backing Fund, to be used to underwrite future capital and operating expenditures at The Links.
  - d. General Manager implements this resolution and continues to develop a business plan, so as it is in final operation by the end of the financial year (by 1/7/15).

CARRIED 5/2

FOR VOTE - Cr Boyle, Cr Saliba, Cr Murray, Cr Rankin, Cr Marsh

AGAINST VOTE - Cr Moran, Cr Stewart

RESOLVED: Murray/Rankin

That Council resolve into Ordinary Council to consider the business paper as listed, together with any late reports tabled at the meeting.

CARRIED UNANIMOUSLY

**Meeting closed 8.10 pm**