
STRESSHOLME GOLF COURSE OPTIONS

**Responsible Cabinet Members - Councillor Stephen Harker,
Efficiency and Resources Portfolio
Councillor Nick Wallis, Leisure and Local Environment Portfolio**

**Responsible Directors – Richard Alty, Director of Place
Paul Wildsmith, Director of Resources**

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is to review the future of Stressholme Golf Course.

Summary

2. The Council has operated Stressholme Golf Club for many years, the complex includes an 18 hole course, a driving range and a clubhouse.
3. Stressholme is a well-regarded municipal golf course which is operating in an increasingly competitive market. Darlington currently has a significantly higher proportion of golf courses per head of population than average. Stressholme continues to be well used, with membership and usage increasing, however over the last three financial years, the level of subsidy from the Council has increased.
4. An option analysis was started in January 2012 and looked at the following options:
 - (a) Option 1 - Retain in-house (or put in a Leisure Trust) and reduce subsidy
 - (b) Option 2 - Sell or lease the facility to a private operator
 - (i) Option 2a - Sell land and club house together
 - (ii) Option 2b - lease land and club house together
 - (iii) Option 2c - Keep Course and lease Club House
 - (c) Option 3 - Close and convert to farmland
 - (d) Option 4 - Negotiate with neighbouring Blackwell Grange Golf Club (GC) for them to run a joint club at Stressholme.
 - (e) Option 5 - Darlington Together – Golf Club members run Stressholme Golf Club or community group to run at zero risk and subsidy to DBC

5. The criteria for testing the options were as follows:
 - (a) To ensure that DBC no longer needs to subsidise Stressholme Golf Club
 - (b) To ensure that there is still adequate provision of golf in Darlington.
 - (c) To achieve the greatest economic benefit to the Borough.
 - (d) To ensure the greatest return and least expenditure.

6. The options analysis concludes that option four a merger with Blackwell Grange GC should be pursued. Although there is a risk that planning permission may never be granted for housing development on any of the Blackwell Grange GC land, this is risk deemed to be low, as there are good planning reasons eg to meet a known need in the economy for top-end executive housing to grant permission at some stage.

Recommendations

7. It is recommended that:
 - (a) Members agree the principle of merging Stressholme Golf Club with Blackwell Grange Golf Club in accordance with the terms outlined in this report.

 - (b) The Director of Resources be granted delegated power to conduct negotiations and agree the terms of any proposed land transaction with Blackwell Grange Golf Club and the Scheme of Delegation be amended under Exceptions in relation to Specific Projects to reflect that.

 - (c) A further report be presented to Cabinet following the outcome of negotiations and consultation.

Reasons

8. The recommendations are supported by the following reasons:-
 - (a) This best meets the criteria as set out in the options analysis.

 - (b) To provide flexibility to reach agreement on the detail of any arrangement

 - (c) To inform Members about the details of the final agreement and make a final decision having regard to consultation results.

Richard Alty
Director of Place

Paul Wildsmith
Director of Resources

Background Papers

No background papers were used in the preparation of this report

S17 Crime and Disorder	The content of this report will not impact on Crime and Disorder.
Health and Well Being	Sustainable golf provision by a reduction in clubs.
Carbon Impact	There is little impact on carbon emissions as a result of this report.
Diversity	There are no diversity issues specific to this report.
Wards Affected	Park West ward
Groups Affected	Golf players and local residents
Budget and Policy Framework	This report does not recommend a change to the budget and policy framework.
Key Decision	This is a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	The proposal is consistent with Healthy Darlington by ensuring sustainable golf provision in the borough and Prosperous Darlington by providing land for executive housing which in turn should improve employment.
Efficiency	The recommendation should improve the budgetary position of the Council.

MAIN REPORT

Information and Analysis

Background

9. The Council has operated Stressholme Golf Club for many years, the complex includes an 18 hole course, a driving range and a clubhouse.
10. Stressholme is a well-regarded municipal golf course which is operating in an increasingly competitive market. Darlington currently has a significantly higher proportion of golf courses per head of population than average. Stressholme continues to be well used, with membership and usage increasing, however over the last three financial years, the level of subsidy from the Council has increased.

Information and Analysis

11. A review was started into the future of Stressholme in January 2012. This was part of the continuing review of all Council services due to reduced Government Grant income. A range of options was developed with criteria with which to measure each option.
12. The options under consideration are:
 - (a) Option 1 - Retain in-house (or put in a Leisure Trust) and reduce subsidy .
 - (b) Option 2 - Sell or lease the facility to a private operator
 - Option 2a - Sell land and club house together
 - Option 2b - lease land and club house together
 - Option 2c - Keep Course and lease Club House
 - (c) Option 3 - Close and convert to farmland.
 - (d) Option 4 - Negotiate with neighbouring Blackwell Grange GC for them to run a joint club at Stressholme.
 - (e) Option 5 - Darlington Together – Golf Club members run Stressholme Golf Club or community group to run at zero risk and subsidy to DBC.
13. The criteria for testing the options were as follows:
 - (a) To ensure that DBC no longer needs to subsidise Stressholme Golf Club
 - (b) To ensure that there is still adequate provision of golf in Darlington.
 - (c) To achieve the greatest economic benefit to the Borough.
 - (d) To ensure the greatest return and least expenditure.

14. The assessment criteria are now looked at in detail.

15. **To ensure that DBC no longer needs to subsidise Stressholme Golf Club** -- the Council is reviewing all services in the light of significant reduced Government grant income. With so many calls on the reduced spending capacity the direct funding of golf needs to be challenged. The out-turn net subsidies (expenditure minus income) for Stressholme for previous years are as follows:

	Actual Costs				Budget	Year end prediction
	2008/09	2009/10	2010/11	2011/12	2012/13	
	£000	£000		£000	£000	£000
Golf course and driving range	65	23	56	149	25	67
Catering	47	40	45	57	0	30
Total cost	112	63	101	206	25	97

NB - 2011/12 outturn was impacted on by adverse weather affecting income levels, in addition, there was over £50k of infrastructure spend incurred including essential drainage works of £18.5k.

16. Not included in the above figures are support costs as follows.

	Budget
	£000s
Support Services	30
Capital	5
Catering Administration	18
	53

17. The budget for the current year (2012/13) is £0.025m; however, the current forecast is to outturn at £0.097m.

18. **To ensure that there is still adequate provision of golf in Darlington** - golf provision in Darlington has been assessed by Sport England using the strategic planning tool, Active Places Power (APP). The result of that assessment is that the current level of provision in Darlington is over 50% greater than the national average. The Office for National Statistics (ONS) notes that the following Local Authorities are considered to be “most similar” to Darlington in terms of their profile.

Their level of provision compared to Darlington is:

Location	Holes per 1,000 population
Darlington	1.01
Similar Local Authorities	
Dover	0.77
Chesterfield	0.46
North Tyneside	0.33
Stockton	0.51
Regional Average	0.70
National Average	0.67

19. Should Darlington provision reduce by one 18 hole course, it would be left with a level of provision of 0.83 holes per 1,000, which would still be above both the national and regional averages, and would still compare favourably to the ONS “near neighbours”.
20. Reduced capacity would be of benefit to the remaining clubs as some are known to be struggling financially.
21. **To achieve the greatest economic benefit to the Borough** - this criteria has been measured by the ability of each option to provide top-end executive housing - the definition of top-end executive housing is taken from page 49 of the adopted Local Plan Core Strategy ie “Top-end executive housing is set in its own grounds at a density of no more than 6 dwellings per hectare. It has 4 or more bedrooms, above average levels of garaging, security and privacy and individual, high quality designs and finishing. It comprises both new and older period homes”.
22. The Tees Valley Statement of Ambition acknowledges the need for the sub-region to provide a range of housing that caters for a wide spectrum of needs and aspirations, not least by providing for households identified as being fundamental to Tees Valley’s future economy. The 2007 Sub-regional Housing Strategy noted that research had identified an aspirational demand for more ‘executive’ housing in the Tees Valley, particularly if regeneration targets were to be achieved. The 2008 Tees Valley Strategic Housing Market Assessment recognised the importance of diversifying the current housing stock and generating a mixed housing supply, including the executive/middle/upper tiers of the housing market. It made a connection between the purchasers of executive houses and the creation of jobs. “Purchasers of executive housing tend to be high-earning entrepreneurs and professionals involved in the development of Knowledge Intensive Business Services. They are often mobile and prepared to commute long distances. Sometimes they work or operate businesses from home. Therefore quality of dwelling and environment rather than proximity to place of work is generally the predominant influence on their choice of location. Moreover, research suggests that growth and new jobs follow the locational decisions of the creative class and not the other way round”.

23. During the preparation of the Making Places and Accommodating Growth Development Plan Document, a number of sites were suggested for top-end executive housing and these are contained in Executive Housing Assessments at:

<http://www.darlington.gov.uk/Living/Planning/Planning+Policy/makingplacesaccommdatinggrowth.htm>

Both the Blackwell Grange GC freehold land (site 2) and the Blackwell Grange GC leasehold land (site3) are included in the consultation.

24. Whilst the outcome of the planning processes cannot be prejudged, and will eventually go before an independent planning inspector at a public inquiry, there are good planning reasons for the provision of top-end, executive housing (to support economic growth) and parts of sites 2 and 3 appear to have planning advantages in meeting this need.
25. **To ensure the greatest return and least expenditure** – as each option has a complicated mix of capital and revenue items over a period of time a model has been developed and is attached at **Appendix 2**. This model shows the impact over the 15 year period and allows each option to be compared in financial terms.

Option Analysis

26. A plan of the various land holdings discussed below is attached at **Appendix 1** and are summarised below.

Site	Plan Reference	Status	Area (acres)
Stressholme Golf Club	Site 1	Freehold owned by Darlington BC	151.8
Blackwell Grange GC – freehold golf course	Site 2	Freehold owned by Blackwell Grange GC	24.0
Blackwell Grange GC – leasehold	Site 3	Leased to Blackwell Grange GC by Darlington BC for 60 years with 19 years remaining. Rent of c£10k pa.	57.2
Blackwell Grange GC – freehold clubhouse & car park	Site 4	Freehold owned by Blackwell Grange GC	0.7

Option 1 - Retain or put in a Leisure Trust and Reduce Subsidy

27. As part of the Strategic Options for Place project, one of the options assessed was for Darlington to establish a leisure trust. However, this option is still in doubt due to the workings of the localisation of Business Rates. Therefore, this option has concentrated on the ‘reduce subsidy’ in-house option.
28. Whilst operated in house, Stressholme does have the potential to achieve a break- even level in terms of the Golf Course side of the business. However, there are significant risks to achieving this given the volatility of Green Fee income due to weather conditions. The

budgeted takings for Green Fees at Stressholme for 2012/13 can be assumed as broken down as follows - (all figures are net).

Membership Type	Income based on current member numbers
7 Day Memberships	£117,468
5 Day Memberships	£49,705
Couples Memberships	£2,102
18/21 Memberships	£1,989
Junior Memberships	£2,905
Total Membership Fees	£174,169
Income Type	Income
Weekday Green Fees	£93,346
Weekend Green Fees	£73,343
Total Pay as you Play Income	£166,689
Total Golf Income	£340,858

29. These figures illustrate that almost 50% of Golf income at Stressholme is through pay as you play Green Fees. This can be severely affected by periods of adverse weather - there has been a significant impact throughout April, May, and June 2012 due to extremely unseasonal weather which leads to course closures and limits income from casual green fees.
30. Stressholme has a strong membership base that compares very favourably with courses throughout the county. Benchmarking data from the Durham County Golf Union Club for calendar year 2011 illustrates that out of the 46 clubs (municipal and private), Stressholme is positioned 14th out of 46 in terms of number of members. Blackwell Grange GC and Darlington GC both came out below Stressholme - Blackwell Grange GC quite significantly.

	2010	2011
Stressholme	541	543
Blackwell Grange Golf Club	434	365
Darlington GC	551	521

31. Action is in hand to reduce the subsidy; the catering service has been completely re modelled from April 2012 and this should significantly reduce the deficit. However, it is not guaranteed that Stressholme can operate consistently year on year at a nil subsidy, income is subject to significant fluctuations related to weather conditions and competition from other courses and catering establishments.

Option 2 - Sell or Lease (land and club house together or separately)

32. This was broken down into the three sub-options below:

- (a) Option 2a - Sell land and club house together
- (a) Option 2b - Lease land and club house together
- (b) Option 2c) - Keep Course (possibly in a trust) and lease Club House

33. The valuations of the asset can be calculated in a number of ways and the variation in value depending upon which calculation is used can vary significantly. Unfortunately, valuing a loss making Golf Course and catering establishment is not quite so easy as a house or piece of agricultural land, therefore, a number of methods have been used.

34. Four methods of arriving at a marketing figure have been considered:

- (a) Looking at a multiplier on the net profit
- (b) Consider a figure based on the possible agricultural/hope value of the land
- (c) Comparing asking/selling prices of other golf clubs
- (d) Treating the Rateable Value as a guide to the rental value and capitalising

35. These valuations are:

- (a) Unable to calculate as making a loss
- (b) £1,125,000
- (c) £750,000 - £850,000
- (d) £700,000

36. A realistic valuation of the property is thought to be £750,000, based on the current market state and the clubs profitability, however, a true figure would only be established by putting it on the market.

37. There may be demand, either for the whole course and clubhouse, or the clubhouse in isolation. The market may be interested in either a leasehold or freehold opportunity. Demand could not be classed as "fierce", due to the problems relating to raising finance, but there should be interest, if for no other reason than the high level of income/takings.

38. The question of an "asking rent" to be used in connection with any marketing would need further serious consideration. The Rateable Value of the whole place (clubhouse and course) is £45,750 so a conservative rent would be in the region of £40,000 pa.

39. On the strength of the takings for the clubhouse it is reasonable to assume a minimum rent of circa £30,000 pa may be achievable, though the TUPE situation would likely have the effect of reducing the initial rental potential, if a leaseholder has to take on existing Council staff and their contracts.
40. Specific "marketing" has not been undertaken as this may have an adverse effect on club income and membership and also because of the discussions on going with Blackwell Grange GC.
41. The Council would ensure that any sale included a claw back to account for any changes in planning resulting in future development of the site.

Option 3 - Close and Convert to Farmland

42. Using a broad brush, applying £7,500 per acre to the entire 150 acres of the asset produces £1,125,000. This figure may be on the high side, if there were to be extensive capital costs in returning the course to farm land. On the other hand, the clubhouse may have potential to be converted in to a house, though this would again have a cost.
43. The farmland market is buoyant at the moment and notwithstanding up front capital costs in returning the course to farmland it is believed there would be sufficient potential purchasers prepared to take a long term investment view. Also, prior to the course being established, the land was part of Stressholme Farm in full agricultural production.

Option 4 - Negotiate with neighbouring Blackwell Grange GC for them to run a joint club at Stressholme.

44. This option was chosen due to the particular inter relationships between the two clubs, including sharing the same golf professional. The Council lease 57 acres of land (site 3) surrounding the Blackwell Grange Hotel to Blackwell Grange GC. This is on a 60 year lease with 19 years remaining. The annual rent is c£10K pa.
45. Due to the general decline in golf, Blackwell Grange GC is suffering from a falling membership and as a consequence its finances have been weakened. Also, due to the fact the club only own part of the course the representatives are keen to secure the future of the club on freehold land.
46. Over the last six months discussions have been taken place with Blackwell Grange GC representatives to ascertain whether there is a mutually beneficial outcome.
47. This option would join the two clubs and operate the combined membership from Stressholme. Blackwell Grange GC has produced a provisional business plan and it demonstrates the combined club could run at a small surplus.
48. This option would envisage:
 - (a) A merged golf club on the Stressholme site under the current Blackwell Grange GC governance

- (b) Blackwell Grange GC becoming the freehold owner of the Stressholme site (site 1) with a suitable covenant limiting the use to golf and protecting the Council's interest should the site be ever developed in the long term.
 - (c) The Blackwell Grange GC lease on land surrounding Blackwell Grange hotel (site 3) revert to the Council.
 - (d) Blackwell Grange GC investing in the Stressholme facility as funds become available.
 - (e) Blackwell Grange GC selling their existing car park and club house (site 4) to a developer to part fund the move for Blackwell Grange GC. Planning advice has already been given as to the likely development that could be permitted.
49. The aspirations detailed in paragraph 48 can only be met with Blackwell Grange GC generating value from its freehold land. The Blackwell Grange GC freehold land (site 2) has been submitted for inclusion in the Making Places and Accommodating Growth Development Plan Document (the Local Plan) for executive housing. The timetable for Making Places and Accommodating Growth Development Plan Document (the Local Plan) is produced below:
- (a) Assess land submissions for high end housing & rank submissions – July 2012
 - (b) Consultation on the technical merits of the Assessment – August-October 2012
 - (c) Preferred Options of Local plan Published – Early 2013
 - (d) Consultation period – Spring/Summer 2013
 - (e) Result of consultation and likelihood of inclusion in Local plan known – Autumn/End 2013
 - (f) Examination in public by independent inspector (from end of 2013)
 - (g) Local Plan adopted – Summer 2014
50. Therefore, certainty of residential planning consent is at least two years away.
51. Clearly, should the preferred option be to join the two clubs together then any decision could be deferred for two years or more pending the planning process. However, there has been uncertainty generated for both the staff and players from both clubs so an option in advance of planning consent has been developed and it is this that is pursued in this report. Moreover, notwithstanding the view of this Council, 75% of Blackwell Grange GC members present at the Extraordinary General Meeting need to vote in favour of any deal.
52. The availability of land allocations will be a factor in the planning process, in deciding whether the Local Plan is deliverable; agreeing a land swap at this stage, which makes parts of sites 2 and 3 available, could be helpful in the planning process.

Possible Deal

53. With the back drop of planning uncertainty which is needed to unlock value in Blackwell Grange GC land any advance deal would have an element of risk for both parties. The structure of the deal has a number of principles:
- (a) Blackwell Grange GC to purchase the freehold of Stressholme (site 1) for use as a golf course. Payment of £0.750m to be deferred until the sale of Site 2. .
 - (b) Blackwell Grange GC to benefit from the sale of the land on which their current club house and car park currently stand (site 4).
 - (c) Blackwell Grange GC to surrender the lease on 57 acres of DBC land (site 3) and DBC to pay £0.250m for the potential development value unlocked. The £0.250m to be netted off the payment for Stressholme.
 - (d) Both sets of members and players to be consulted and involved in the setting up of a joint club.
 - (e) The terms and conditions of staff be protected in accordance with statute in the event of transfer.
 - (f) The Council to purchase the freehold of Blackwell Grange GC land (site 2) excluding the land at (b) (site 4) for £1m on completion of the exchange deal. On sale of the site proceeds to be split 75/25 in favour of Blackwell Grange Golf Club after deducting the £1M purchase price and the £0.5m owed by Blackwell Grange Golf Club to Darlington BC in respect of Stressholme eg the Council will receive the first £1.5M of any sale value and the 25% thereafter.
54. The option reflects the need for Blackwell Grange GC to have sufficient funds for modifications to cater for the enlarged membership and working capital to see through the transition and stabilisation of the merged club.
55. The structure of the deal is summarised below using estimated land sale figures for site 2 (£3.6m), site 3 (£6.4m) and site 4 (£0.5m)..

	Darlington BC	Blackwell Grange GC
Phase One	£m's	£m's
<ul style="list-style-type: none"> • DBC purchase Site 2 from BGGC • BGGC sell Site 4 • BGGC purchase Stressholme Course – payment deferred 	(1.0) - -	1.0 0.5 -
Phase One Totals	(1.0)	1.5
Phase Two		
<ul style="list-style-type: none"> • DBC sell Site 2 for £3.6M (£3.5M net) <ul style="list-style-type: none"> ○ DBC shares <ul style="list-style-type: none"> ▪ £1.M purchase ▪ Stressholme deal - net ▪ 25% of value over £1.5M • BGGC share 75% over £1.5M 	1.0 0.5 0.5	1.5
Phase Two Totals	2.0	1.5
Phase Three		
<ul style="list-style-type: none"> • Sale of site 3 - 100% DBC 	6.4	-
Phase Three Totals	6.4	-
TOTALS – ALL PHASES	7.4	3.0

56. After the initial phase the status would be:

- (a) Darlington BC would own the freehold of former Blackwell Grange GC freehold land (site 2)
- (b) Darlington BC would have access to land surrounding Blackwell Grange Hotel having bought out the lease on site 3
- (c) Blackwell Grange GC would own the freehold of Stressholme (site 1)
- (d) Blackwell Grange GC would have £1m from the sale of the freehold of site 2 plus the proceeds of site 4.

57. On completion of the second phase (sale of freehold of former Blackwell Grange GC freehold land) for a hypothetical £3.6m the following would occur:

- (a) Darlington BC receives £1.5m outstanding from phase 1.
- (b) £0.100m deducted to cover estimated costs of holding land before development.
- (c) Darlington BC receives £0.500m being 25% of the residual sum.
- (d) Blackwell Grange GC receives £1.5m being 75% of the residual sum.

Golf and Governance Implications of Blackwell Grange GC running a combined club at Stressholme.

58. The Head of Culture for DBC has worked with Blackwell Grange GC representatives to support development of Blackwell Grange GC's proposed business model to merge the memberships of the two clubs on the Stressholme site.
59. Blackwell Grange GC's Club Committee has issued some key principles for consideration to its existing membership which provides an overview of their priorities with any Blackwell Grange GC/Stressholme merger. This includes course improvements, extended car parking, new expanded changing/shower/toilet facilities, a lounge extension and improved security.
60. The Head of Culture is in agreement with Blackwell Grange GC representatives that an expansion of Stressholme Clubhouse facilities is essential to accommodate a shared membership (potentially 750 members accounting for some attrition as a result of any merger). The single biggest priority is the carrying capacity of existing changing provision at Stressholme which would be totally inadequate for an expanded membership.
61. Consideration should also be given to the long term implication for existing Stressholme members within any merger. Stressholme currently has considerably more members than Blackwell Grange GC and this must be considered within the management and governance arrangements that are developed for a merged club. At present Blackwell Grange GC's thinking is based very much around 'uplifting' existing Blackwell Grange GC governance structure to oversee a merged club but this will also need to meet the requirements of the 560+ current Stressholme GC Members who have committed their fees to a Municipal model that is not governed by traditional Private Club structure.
62. A merged operation has considerable potential. Consolidation of memberships at the two clubs, with economies of scale around management of green fees, sub-contracting arrangements with Golf Professional, green keeping, retail, tuition and significantly through the club house operation has the potential to create a single viable business. Carrying capacity of the 145 acre course at Stressholme needs to be worked through to satisfy the playing demands of approximately 750 members plus casual green fees. This may necessitate restrictions on frequency of access to tee times by members particularly at peak times - an analysis of existing usage at Stressholme alongside Blackwell Grange GC's representatives confirmed this.
63. Blackwell Grange GC is a registered Community Amateur Sports Club (CASC) which means it can get 80% mandatory business rate relief. It also regulates how the club runs and what happens if it is wound up. Key principles are:
 - (a) Membership of the Club shall be open to anyone interested in the sport on application regardless of sex, age, disability, ethnicity, nationality, sexual orientation, religion or other beliefs. However, limitation of membership according to available facilities is allowable on a non-discriminatory basis.
 - (b) Winding up -The members may vote to wind up the Club if not less than three quarters of those present and voting support that proposal at a properly convened general meeting. The Committee will then be responsible for the orderly winding up of the Club's affairs.

- (c) After settling all liabilities of the Club, the Committee shall dispose of the net assets remaining to one or more of the following:
- (i) to another Club with similar sports purposes which is a registered charity and/or
 - (ii) to another Club with similar sports purposes which is a registered CASC and/or
 - (iii) to the Club's governing body for use by them for related community sports.

Option 5 - Club members or Community Group to run

64. Other authorities have been able to find a community group that were interested and had the necessary skills to be able to run their municipal courses at a nil subsidy even in a situation where their current operators have been paid an annual subsidy to keep running the club on behalf of the authority.
65. However, during the publicity around the options appraisal for Stressholme, DBC have not been approached by any organisation expressing an interest in offering to run the club. Moreover, the Council has not directly advertised for a community group to come forward and would not suggest doing so until a decision as to the favoured option has been decided.

Options Assessment

66. The options described in the preceding paragraphs are assessed against the criteria as set out in paragraph 13.

Option	Measures of success			
	To ensure that DBC no longer needs to subsidise Stressholme Golf Club	To ensure that there is still adequate provision of golf in Darlington.	To achieve the greatest economic benefit to the Borough.	To ensure the greatest return and least expenditure. £m
Option 1 Retain at zero subsidy possibly (in a Trust)	No - this will be difficult to achieve	No – still over provision of golf	No	-0.820
Option 2a <u>Sell</u> land and club house together	Yes	No – still over provision of golf	No	0.511
Option 2b <u>lease</u> land and club house together	Yes	No – still over provision of golf	No	0.236
Option 2c Keep Course and <u>lease</u> Club House	No – although improved financial position	No – still over provision of golf	No	-0.460
Option 3 Close Stressholme and convert to Farmland	Yes	Yes – one less club	No	0.839
Option 4	Yes	Yes – one less	Yes – land	6.921

Merge with Blackwell Grange GC		club	provided for high end housing	
Option 5 Darlington Together or community group	Reduced Risk	No – still over provision of golf	No	-0.439

67. A full financial analysis is attached at **Appendix 2**.

68. The only option that hits all the criteria and also has the best financial return is to merge Stressholme with Blackwell Grange GC. However, the option is predicated on residential planning permission being granted on the two sites. To help Members assess the risk associated with the planning uncertainty, three scenarios are presented below and the impact shown for this Council.

Scenario	Impact and Risks
Delay possible deal with Blackwell Grange CC until planning situation clearer	<ul style="list-style-type: none"> • Membership and staff uncertainty • Loss of members • Opportunity for deal disappears due to reaction of Blackwell Grange GC membership • Subsidy of c£0.100m pa continues or worsens due to uncertainty
Planning permission eventually granted in the medium term – say 10 years' time	<ul style="list-style-type: none"> • There would be a delay for the Council in receiving income; however, this could be offset by a rise in land value. • Maintenance of land and residents' concerns in the interim
Planning permission never approved	<ul style="list-style-type: none"> • Impact for the Borough as opportunity lost to provide land for top end executive housing. • Maintenance costs continue • Outlay of £1m land purchase sum not recovered although impact the Council's overall budget would still be positive as the costs of borrowing would be more than offset by the Council no longer subsidising golf.

69. The first two scenarios compare positively with all the other options, however, the case of planning permission being never approved fairs poorly. However, this would seem an unlikely outcome as land of this quality with the associated benefits should eventually be developed.

Impact Assessment

70. The closure of one golf course within Darlington borough will have the impact of reducing the number of courses available, however, as is illustrated elsewhere in the report golf is well provided for and there is spare capacity within Darlington. The members of both clubs will have the opportunity to join the Blackwell Grange at Stressholme Golf Course or join other clubs within the area. Casual players will also be able to "pay as you play" at the Stressholme course or others within the borough and surrounding areas. In terms of membership and casual play costs there are comparable prices to those offered by Stressholme at other courses within and surrounding Darlington. Given the wide range of facilities and comparative prices available the impact of closure of Stressholme can be mitigated and there would not be an unequal impact on any groups within the current users of Stressholme. **Appendix 3** shows alternative golf courses within reasonable travelling of Darlington.
71. Further consultation is planned as set out in paragraphs 79-82 to ascertain the impact on affected groups – staff, golf players, and residents.

Strategic Asset Management

72. In strategic asset management terms the proposal to transfer the Council's freehold title of Stressholme to Blackwell Grange GC and a share of the released development value of the freehold of Blackwell Grange GC existing golf course is based on the Council taking a medium/long term view and a calculated risk with regard to the development potential of the Blackwell Grange GC land. The Council would be the freeholder of Blackwell Grange GC's land and subject to planning permission being granted at some stage in the future the proposal would place the Council in the position of bringing the Blackwell Grange GC land forward for development and generating a capital receipt from the disposal of the land. Although conditional on the appetite of the residential market for high end housing it is expected that the net Capital receipt would be sufficient to meet the £1.5m priority return to the Council and the residue receipt would then be split 25%/75% between the Council and Blackwell Grange GC respectively.
73. The intention would be to maximise the capital receipt for the benefit of both parties and the parties will need to agree on the timing and phasing of the disposal but it is considered that the sale of a large proportion of the land for top end executive housing in the medium to long term (5 - 10 years) will generate sufficient capital receipt to meet the Council's priority return.
74. The proposal will also see the surrender of the land currently leased to Blackwell Grange GC and provide the Council with the opportunity to explore the potential to develop the land for top end executive housing and generate a capital receipt in due course. In the short term, however, the Council will have to bear the cost of holding and managing both parcels of land.
75. In respect of best consideration, the transfer of Stressholme in return for a payment of £1.5M plus a share of the released development value of Blackwell Grange GC land and the surrender of their leased land is considered to be well within the parameters of a General Disposal consent.

76. To protect the Council's position the transfer of Stressholme would be subject to a Restrictive Covenant ensuring the land is only used for golfing purposes.

Financial Implications

77. The key financial implications are drawn out in **Appendix 2** of the report and subject to the risks identified in the report the preferred option will deliver reduced on-going revenue costs and a considerable capital receipt. However, between the first and second phase of the deal the Council will have a negative cash flow as it will be purchasing Site 2 in advance of any capital receipts and there will be decommissioning and land maintenance costs to be funded. The interim negative cash flow is fundable within the existing MTFP however should a deal be agreed, it will be subject to Council approval as the variation to the MTFP required is beyond the delegated powers of Cabinet.
78. If the risks identified in the report materialise and none of the land can be developed, the Council would still see a marginal positive on-going revenue position as the savings relating to Stressholme will be greater than the costs associated with land maintenance and capital costs associated with the purchase of Site 2.

Consultation

79. Members and staff from Stressholme have been kept in touch with the option appraisal and other than general uncertainty there has not been any particular preference expressed. Members from both clubs would need to be heavily involved in the development and the running of a merged club. Formal consultation with Council employees on the proposal will be undertaken and the outcome reported back to a future meeting of Cabinet.
80. Sport England has been consulted in principle to the closure of one course in the borough. However, a more detailed assessment would be required to support a planning application for residential development on the golf course. To satisfy Sport England, the following would need to be provided:
- (a) Information on usage including reflection of reduction in members.
 - (b) Consideration of capacity in existing golf clubs within the catchment.
 - (c) Examination of viability issues of the club.
 - (d) Consideration of peak time capacity at alternative courses including the accessibility of pay and play provision.
81. Residents living nearby will also be consulted on the proposed deal with Blackwell Grange GC. Residents will be further consulted in Spring/Summer 2013 during the Making Places and Accommodating Growth Development Plan Document (the Local Plan) process as set out in paragraph 49.

82. An indicative consultation timetable is produced below::

Event	Date
Cabinet report considered	11 September 2012
Blackwell Grange GC vote on proposal	early November 2012
Consultation with staff, golf players, residents etc	November – December 2012
Further report to Cabinet with outcome of Blackwell Grange GC vote, possible deal and results of consultation	8 January 2013

Conclusion

83. The merger with Blackwell Grange GC provides the most attractive financial solution together with meeting all the measures of success. However, there are significant risks both around planning and high end housing demand.
84. Cabinet are now asked to approve the preferred option to enable further consultations to take place with Blackwell Grange Golf Club, residents and Council employees.