
STRESSHOLME GOLF COURSE

**Responsible Cabinet Member - Councillor Stephen Harker,
Efficiency and Resources Portfolio**

**Responsible Director –
Paul Wildsmith, Director of Resources**

SUMMARY REPORT

Purpose of the Report

1. This report recommends the sale of Stressholme Golf Course to Blackwell Grange Golf Club (BGGC), the acquisition of 24 acres of BGGC freehold land and the surrender of BGGC lease on Council land surrounding Blackwell Grange Hotel.

Summary

2. A report on options for the future of Stressholme Golf Course was considered by Cabinet at the meeting on 11 September 2012. The recommendation was a commercial deal with BGGC subject to consultation with residents, Stressholme golfers and staff.
3. The results of the consultation is now known and summarised in this report.
4. It remains the view of Officers that of those options considered by Cabinet in September 2012, the proposed commercial deal with BGGC, remains the most favourable for the Council.
5. There is still a risk that planning permission for housing development may not be granted. This would leave the Council still owed £0.500m from BGGC and also having outlaid £1m for the purchase of BGGC freehold land. However, these costs would be more than offset by not continuing to subsidise Stressholme Golf Course.

Recommendation

6. It is recommended that :-
 - (a) Members consider the outcome of the consultation
 - (b) Stressholme Golf Course be sold to Blackwell Grange Golf Club for £0.750m in accordance with the terms set out in paragraph 15 the report.
 - (c) The freehold interest of Blackwell Grange Golf Club's land be acquired for £1m in accordance with the terms set out in paragraph 16 the report.

- (d) Blackwell Grange Golf Club are paid £0.250m for the surrender of the lease on Council land surrounding Blackwell Grange Hotel in accordance with the terms set out in paragraph 17 of the report.
- (e) The Director of Resources be given delegated powers to conclude the sale and purchase as set out in the report.
- (f) Both parties work towards a target relocation date of 1st July 2013.
- (g) The above recommendations are subject to the approval of the financial consequences of this report by Council when it considers the Medium Term Financial Plan at its meeting on 28 February 2013.

Reasons

7. The recommendations are supported by the following reasons :-

- (a) To make a final decision having regard to consultation results.
- (b) To achieve the best commercially advantageous deal for the Council
- (c) To provide flexibility to reach agreement on the detail of any arrangement and conclude the deal

Paul Wildsmith
Director of Resources

Background Papers

Equality Impact Assessment

Brian Boggon : Extension 2305

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 proposes a change to the budget framework and is to be referred to Council.
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

8. At the meeting on 11 September 2012 Cabinet considered options on the future of Stressholme Golf Course and the report is attached at **Appendix 1**. At the meeting Members resolved:
 - (a) That the principle of merging Stressholme Golf Club with Blackwell Grange Golf Club, in accordance with the terms outlined in the submitted report, be agreed.
 - (b) That 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) That a further report be presented to Cabinet following the outcome of negotiations and consultation.

Deal with Blackwell Grange Golf Club

9. In order to evaluate options, the basis of a deal with BGGC was reported to Cabinet on 11 September 2012. Subsequent to this, BGGC members voted 92 per cent in favour of the proposed deal at an extraordinary general meeting on 8 November 2012.
10. Primarily, the deal with BGGC provides the greatest potential financial return to the Council.
11. This alleviates the Council of a subsidy averaging £0.175m pa (including support service costs of £0.050m) over the last 5 years.
12. Although the land plots are still subject to being allocated for development through the planning allocation process and subsequently subject to detailed planning approval, they have the potential to provide a return of between £4m-£8m to the Council over the medium to long term. This return is also subject to there being market demand for the plots when sites 2 and 3 are brought to the market.
13. This potential for development carries a significant risk and should be viewed as a medium to long term commercial investment. It far outweighs the next best option and although subject to planning risk it is considered to be in the best commercial interests of the Council.
14. The deal with BGGC will also still leave the Borough with above average golf provision and provide land for executive housing, which is a Council priority and should improve the economic prosperity of the Borough.

15. The proposed deal is as stated in paragraphs 53-57 of the 11 September 2012 Cabinet report (attached at **Appendix 1**). Further to that Heads of Terms have been drafted which will form the basis of a contractual deal subject to the decision of this meeting and Council on 28 February 2013. The draft Heads of Terms are as follows:

Site 1 - Stressholme Golf Club (Freehold owned by Darlington BC)

- a) Darlington Borough Council (DBC) to transfer freehold of Stressholme Golf Club to BGGC subject to a charge in favour of the Council and subject to a restrictive covenant for use as a golf course, driving range etc.
 - b) Price of £0.750m on deferred payment basis linked to the sale of Site 2.
 - c) Sale of any part of the course to be restricted and DBC may require proceeds to be applied to outstanding sale proceeds.
 - d) Lettings to be permitted with DBC prior consent.
 - e) Further charge only with consent of DBC
 - f) No development other than reforming golf course without DBC approval.
 - g) A consideration to a maximum of 50% of the potential redundancy liability of DBC staff transferring to BGGC by way of TUPE transfer – the potential redundancy costs are currently £0.124m therefore the maximum contribution by DBC to be £0.062m. This sum to be used to contribute 50/50 to redundancy costs incurred by BGGC including their own staff. This amount to be deferred and offset against the purchase price for Stressholme.
 - h) Costs - each party to bear their own.
16. Based on the current market conditions; the overprovision of golf in Darlington, the current subsidy required at Stressholme and the TUPE liability for any potential purchaser, the disposal of Stressholme as detailed above is considered to be a reasonable commercial deal.

Site 2 - Blackwell Grange GC – Freehold Golf Course (Freehold owned by Blackwell Grange GC)

- a) Freehold title transfers to DBC for a consideration of £1m
- b) DBC undertakes to market the site as and when the land is allocated for residential development.
- c) Sale proceeds to provide DBC with £1.5m as a priority return and the balance to be shared 75%-25% in favour of BGGC.
- d) Until the proceeds from Stressholme has been cleared to apply 100% of the receipts including income from the existing telecoms mast lettings and any grazing licences to:-
 - I. DBC expenditure and costs in connection with maintenance and management of the land.
 - II. DBC associated costs with promotion, marketing, selection and sale of the land for development.
 - III. To reduce the charge on Stressholme.

- e) Land is not to be used as a golf course or for golf associated activities prior to disposal.
 - f) Subject to planning the land is to be offered to the market with a Planning Brief and conditional on the purchaser/developer obtaining detailed planning permission and offers received are then to be considered by BGGC/DBC. In the event of a dispute on which offer to accept the matter can be referred to an arbitrator / independent expert (reflecting the Council's position under S123 of the Local Government Act 1972).
 - g) Costs - Each party to bear their own.
17. Although this part of the overall deal offers the potential for DBC to share in the released development values of the land and make a return on the investment, it should be viewed as an investment risk with no guarantees of reaching the predicted income. Furthermore, as per the Exit Strategy below, should the land not sell for development then DBC would bear the cost of purchasing site 2 (£1m) and forgo the net proceeds from the sale of site 1 and the surrender value of site 3 (£0.5m) but would retain site 2.

Site 3 - Blackwell Grange GC – leasehold - Leased to Blackwell Grange GC by Darlington BC for 60 years with 19 years remaining.

- a) BGGC to Surrender Lease co-terminus with transactions on site 1 and 2 for a payment of £0.250m, offset against the payment owed for Stressholme.
 - b) Council to make reasonable endeavours not to use the surrendered land for golf course or golf associated activities.
 - c) Costs - Each party to bear their own.
18. As the majority of the potential income in this deal arises from the potential to develop this site this should be viewed as a medium to long term investment with some risk.

Exit Strategy

- a) Should Site 2 not be sold for development within a period of 15 years, Site 1 reverts as freehold to Blackwell GGC with future use and development restrictions in place and Site 2 reverts to DBC ownership with no restrictions.
19. Should Cabinet and Council approve the deal it would be the intention to conclude the transaction by early summer 2013.

Summary of Risks & Consequences

20. The potential return on investment from the development income is subject to planning permission, the likelihood of which may change over the coming year.
21. Predicted income is not guaranteed and is dependent upon market conditions at the time of sale.

22. The exit strategy should the development opportunity fail, leaves the Council with £1.5m expenditure (purchase of land and loss of Stressholme) and ownership (without restriction) of site 2.

Financial Implications

23. The deal presents the most favourable commercial option to the Council. As well as alleviating the Council of a sizable subsidy (average £0.175m over the last 5 years), the deal also opens the way for a considerable return from land disposals subject to planning permission.
24. Until such time as the land is sold any savings will be offset from borrowing costs on £1m of £0.070m pa in respect of the purchase of site 2.
25. If the risks identified in the report materialise and none of the land can be developed, the Council would still see a 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. However, all of the options considered for the future of Stressholme would see the subsidy disappear but the consideration of the risk nonetheless needs to reflect the overall impact on the budget.
26. Up to £0.062m could be incurred in respect of redundancy costs associated with the deal as set out in the Heads of Terms. The costs will be funded from the Council's redundancy reserve.

HR Implications

27. Stressholme staff have been kept fully informed of developments at Stressholme since early 2012 and have had regular meetings with senior managers and Human Resources staff and been given the opportunity to raise questions around the proposal. Should Members approve the deal with BGGC then a formal TUPE consultation with Council staff would commence.
28. Should the proposed deal with BGGC go ahead then Council staff will be in a TUPE situation and would transfer to the employment of BGGC. This would mean that Council staff would transfer over on their current terms and conditions of employment. However, as this is a coming together of two organisations both with existing teams of staff it has been identified that BGGC will need to review staffing requirements alongside the business plan and this is likely to lead to a reduction in staff therefore a redundancy selection process would then take place. Any selection would include staff from both current organisations. It is likely that the management of change policy and selection criteria used currently by the Council will be used for this exercise as these would transfer under TUPE and BGGC do not have any alternative agreements/policies in place.
29. Should Members approve the deal with BGGC then:-
- (a) Formal TUPE consultation with Council staff would commence.

(b) Both parties would work towards a target relocation date of 1st July 2013.

Corporate Landlord Advice

30. The proposal to transfer the Council's freehold title of Stressholme to BGGC and a share of the released development value of the freehold of BGGC's 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 BGGC land.
31. In respect of best consideration, the transfer of Stressholme in return for a payment of £750,000 is considered to be within the parameters of the General Disposal consent.

Equalities Considerations

32. An Equality Impact Assessment has been carried out and there would not be an unequal impact on any groups within the current users of Stressholme.

Consultation

33. Consultation has been undertaken with residents, Stressholme golfers and staff.
34. For staff consultation see paragraphs 27-29.

Residents

35. Residents have been consulted through the Council's web site, the December edition of the Darlington Together magazine and through extensive coverage by local media. In addition 242 letters have been sent out to residents in the immediate vicinity of Stressholme and Blackwell golf courses, with 116 respondents. Residents had up to 31 December 2012 to express their views. Residents were asked four questions which mirrored the Council's criteria for evaluating the various options considered for the future of Stressholme. The results were as follows:

Question	Yes %	No %
Do you think the Council should sell Stressholme Golf Course rather than continuing to subsidise it?	61	39
If the merger went ahead, do you think our Borough would have the right amount and type of golf clubs?	64	36
Do you think the Council should try and sell some of the land at BGGC to raise income to improve other assets in the Borough?	65	35
Do you think the merger would be good for our Borough's economy?	63	37

36. In addition, residents were given the opportunity to comment generally on the future of Stressholme and potential deal with BGGC. The comments were varied and a summary is provided below:
- (a) 54% of comments were in favour of a deal with BGGC with 46% against, the majority of those against were objecting due to the potential development as they were residents neighbouring the Blackwell Grange site
 - (b) There was strong theme that the Council should not subsidise golf but residents equally wanted 'affordable golf available to all'.
 - (c) There was also a strong theme about the environment in the vicinity of the two golf courses and a concern about the impact of additional housing will have on the green space and traffic.
 - (d) Another prominent theme from Stressholme players was the desire to retain a municipal course and a willingness to pay more to remove the Council subsidy
 - (e) Although some respondents were in favour of the sale of the land at Blackwell a number expressed concern over the future development of the land.
 - (f) A number of respondents also commented that they felt the questions were 'leading questions' to prompt respondents to answer in a particular way. However, the respondents also had the opportunity to provide additional comments to the questions asked and a large proportion of the respondents did this.

Stressholme Golfers

37. Stressholme golfers have been consulted both through the residents survey (73% of respondents regularly played golf) and specifically at Stressholme club house. Two sessions were held at Stressholme Clubhouse on 21 November 2012 and a face to face survey was held on 6,7,15 & 16 December 2012.
38. The face to face sessions were well attended by both Stressholme golfers and staff. The session was attended by senior Council Officers together with the secretary of BGGC. The meeting took the form of a short presentation and questions and answers – these were recorded and have been posted in Stressholme club house for all golfers to view. The record of these meetings is attached at **Appendix 2**.
39. The face to face surveys took place on 6,7,15 & 16 December 2012 and a summary is included in the table below.

Do you think the Council should sell Stressholme Golf Course to Blackwell Grange rather than continuing to subsidise it?	Yes 55% No 38% Don't Know 7%
If the merger went ahead, do you think our Borough would have the right amount of golf provision?	Too little golf provision 30% About the right amount 68% Too much golf provision 1% Don't Know 1%

If this proposal goes ahead Stressholme will be operated as a Members club rather than a Council facility, how strongly do you agree or disagree with this	Strongly Disagree 13% Tend to Disagree 10% Neither Agree nor Disagree 8% Tend to Agree 21% Strongly Agree 48%
What would you consider to be an affordable annual membership fee? Full - Weekday - Casual	Full Under £450 10% £450-£500 52% £550-£600 36% £630 2% Casual £15-20 Weekday £300-£350
Do you think that the current facilities (e.g. changing facilities/lockers, car parking, driving range, retail, restaurant/bar provision) at Stressholme would be able to deal with the increase in members by the merger?	Yes 11% No 79% Don't Know 10%
If No what improvements/changes do you think would be required?	Lockers & Changing Facilities 66% Car Park 49% Club House 31%
Will you stay with the new club?	Yes 65% No 6% Don't Know 29%

40. Other comments captured fell into four categories:-

- (a) Members felt it was generally a good move for all
- (b) Members expressed concerns over the cost of the new membership
- (c) Members are unhappy about having to apply for membership, they felt it should be automatic
- (d) Members felt they should have been consulted more and have had more say in the decision to sell Stressholme.

Consultation Conclusion

41. Residents responded 2:1 in support of the deal with BGGC; however, there are significant concerns about the impact on the environment with the possible development of houses. This will be fully addressed through the planning process with residents having the ability to comment on any proposals.

42. The majority of Stressholme golfers are in favour of the deal with BGGC but there were concerns about capacity of a merged club, membership rights and pricing. Should the deal progress current Stressholme members have now been given an assurance that there is capacity within BGGC to accommodate all Stressholme members should they wish to join the club and that BGGC will positively encourage them to join. With regard to pricing, course use and governance it will be the

responsibility of the merged club to resolve these matters to the satisfaction of all the membership. The merged club will be a business and will need to compete with other clubs and keep members satisfied to be sustainable. However, as this is a commercial deal the Council is not in a position to influence the running of the merged club.