



**GOLF COURSE FUTURE OPTIONS APPRAISAL
STAGE 2 LONG-LIST OPTIONS EVALUATION**

TAMWORTH BOROUGH COUNCIL



A

DRAFT REPORT

BY

FMG CONSULTING

SEPTEMBER 2013

TABLE OF CONTENTS

1. Introduction	1
2. Evaluation Methodology	2
3. Long-List Evaluation Results	5
4. Recommendations and Next Steps	11

Appendix A - Description of Development Options

Appendix B - Evaluation Criteria - Project Outcomes

Appendix C - Long-List Options Evaluation Matrix

1. Introduction

01

- 1.1 FMG Consulting Ltd ('FMG') was commissioned by Tamworth Borough Council ('the Council') to carry out a needs assessment and initial options appraisal for the future management of Tamworth Golf Course ('the Golf Course').
- 1.2 The Golf Course is owned by the Council and was leased by the Council to Tamworth Golf Centre Ltd in 2006 but the course closed in February 2013 after the management company went into liquidation. The Council re-opened the course and is currently managing it on a short-term, in-house management basis.
- 1.3 FMG has been commissioned to help identify the most suitable option for the future long-term management of the golf course. The first stage of our work involved a Needs Assessment which defined the outcomes required from the project (which in turn formed the project drivers against which the options have been assessed in Stage 2) and determined a long list of options for the future delivery of the golf course.
- 1.4 Following Officer and Member approval of the Stage 1 report, a high-level Options Appraisal has taken place involving a more specific analysis of the long list options against the key project drivers, from which a shortlist can be identified and tested in more detail.
- 1.5 The long list testing process comprised a weighted scoring of the options against the project drivers which has been informed by consultation with key Council Officers and Members, soft market testing with potential golf course operators in the market and consultation workshops with both members of the golf course and members of the Tamworth Citizens Panel.
- 1.6 The short list testing at the next stage will involve financial modelling of each shortlisted option to understand the capital and revenue costs / incomes and overall financial impact on the Council in more detail. A preferred option will then be recommended for approval and implementation.
- 1.7 This report provides a high level summary of the results of the long-list evaluation process and makes recommendations for the options to be shortlisted for further more detailed assessment at the next stage. The remainder of this report is structured as follows:
 - Section 2 -Evaluation Methodology;
 - Section 3 - Long-List Evaluation Results; and
 - Section 4 - Recommendations and Next Steps.

Basis of information

- 1.8 It is not possible to guarantee the fulfilment of any estimates or forecasts contained within this report, although they have been conscientiously prepared on the basis of our research and information made available to us at the time of the study. Neither FMG as a company nor the authors will be held liable to any party for any direct or indirect losses, financial or otherwise, associated with any contents of this report. We have relied in a number of areas on information provided by the client, and have not undertaken additional independent verification of this data.

2. Evaluation Methodology

02

- 2.1 This section sets out the methodology utilised to evaluate the long-list options and recommend the shortlist for further consideration. It includes a summary of the long list options, the project outcomes each option was evaluated against and the raw scoring scale used to score each option.

Long-List Options for Evaluation

- 2.2 As a result of the Stage 1 work the following long-list options were identified for evaluation in Stage 2 of this project. The options have been split between physical development options and management options.

Table 2.1 - Physical Development Options

Option	High-Level Description
A	Retention of 18-hole golf course (status quo).
B	Retention of 18-hole golf course, plus development of ancillary provision (clubhouse / health & fitness gym / complimentary leisure facilities).
C	Disposal of front 9 holes for development, with retention of back 9 holes.
D	Disposal of front 9 holes for development, with retention of back 9 holes plus development of ancillary provision using part of any capital receipt (clubhouse / health & fitness gym / complimentary leisure facilities).
E	Disposal of back 9 holes for development, with retention of front 9 holes.
F	Disposal of back 9 holes for development, with retention of front 9 holes plus development of ancillary provision using part of any capital receipt (clubhouse / health & fitness gym / complimentary leisure facilities).
G	Part disposal of site, retention of 18-hole golf course through remodelling of holes to reduce land-take.
H	Part disposal of site for development, but retention of 18-hole golf course through purchase of additional land adjacent to eastern boundary of the course and re-provision of lost holes.
I	Complete disposal of entire site to generate capital receipt to be utilised for wider strategic aims.

- 2.3 A more detailed description of each of these development options was developed as part of the Stage 2 work and can be found at Appendix A.

2.4 In addition, three different potential management options were applied to each of the development options and evaluated. These were as follows:

- **Option 1** - Continued in-house management of the golf course;
- **Option 2** - Outsourced management of the golf course via a lease / management contract;
- **Option 3** - set up of a local social enterprise management vehicle (Company Limited by Guarantee / Charitable Incorporated Organisation / Community Interest Company).

2.5 As a result of the Stage 1 work a number of project outcomes were identified and weighted (in agreement with Council Officers and Members) which the development and management options have been evaluated against. The project outcomes and their weightings are summarised in the table below. Appendix B contains a more detailed description of each project outcome used in the evaluation process.

Table 2.2 - Evaluation Weightings of Project Outcomes

Project Outcome	Weighting
Potential for and likely level of contribution to the Council's annual revenue deficit from 2016/17 onwards.	20%
Contribution to economic regeneration and growth in the Borough (including the provision of new housing development).	15%
Potential for the option to generate a capital receipt for the Council and likely level of capital receipt.	15%
Promotion of exercise and healthy lifestyles and contribution to increasing participation and reducing obesity.	15%
Ability to meet the leisure needs of the Borough's residents and the Council's wider vision / strategy for sport and leisure provision.	15%
Cost and timescales of implementation and level of risk involved / likelihood of delivery.	10%
Contribution to the delivery of the Council's environmental and sustainability objectives including protecting green and blue spaces.	10%

2.6 Each development / management option was awarded a raw score between 0 and 5 for its contribution to each of the above evaluation criteria. The raw score was then multiplied by the appropriate weighting for the evaluation criteria to produce the weighted score for the option. The 0 - 5 raw scoring scale utilised is set out overleaf.

Table 2.3 - Raw Scoring Scale

Raw Score	Description
0	The Option is unlikely to make any positive contribution to the successful achievement of the Project Outcome. It may even have a negative impact on the achievement of the Project Outcome.
1	The Option is likely to make a very minimal contribution to the successful achievement of the Project Outcome. It will not have a negative impact on the achievement of the Project Outcome.
2	The Option is likely to make a contribution to the successful achievement of the Project Outcome however the level of the contribution is uncertain and may not be fully realised even if the Option is pursued.
3	The Option is likely to make a reasonable contribution to the achievement of the Project Outcome however it does not provide enough benefits to guarantee a significant contribution to the achievement of the Project Outcome.
4	The Option is likely to make a significant contribution to the achievement of the Project Outcome but does not provide enough benefits to fully achieve the Project Outcome.
5	The Option is likely to maximise the ability for the Council to fully achieve the Project Outcome.

2.7 Draft raw scores were proposed by FMG and discussed with Council Officers at a project workshop before a final moderated score was agreed. The final agreed scores are summarised in the next section.

3. Long-List Evaluation Results

03

- 3.1 This section sets out an overview of the long-list evaluation results. The table below summarises the key issues and results for each option. The detailed evaluation commentary for each option can be found in Appendix C.

Table 3.1 - Summary of Evaluation Findings

Option A - Retention of 18-hole golf course (status quo)
<p>This option has been scored as zero for all management options as it is unlikely to remove the requirement for the Council to subsidise the golf course by 2015/16 onwards (identified as a minimum pass / fail criteria by the Council).</p> <p>Based on the historical trading costs and the current on-going subsidy attached to the operation of the golf course it is highly unlikely that the course will breakeven from a revenue position with no investment into the course. The net cost may even increase in the long-term as maintenance costs are likely to increase in the future as the asset ages. This verdict is supported by the results of the soft market testing with specialist golf management companies.</p>
Option B - Retention of 18-hole golf course, plus development of ancillary provision (clubhouse / health & fitness gym / complimentary leisure facilities)
<p>This option has the potential to remove the operating subsidy for the Council by 2015/16 because the capital investment and subsequent improvements to the course under this option will increase the commercial viability of the course. Other strengths of this option include a positive impact on healthy lifestyles, meeting the leisure needs of local residents and the environment as the course is being retained and improved facilities are being offered onsite which should increase participation and have a minimal adverse environmental impact. The option is also deliverable by 2015/16 with lower levels of risk compared to some of the other development options.</p> <p>Disadvantages associated with this option are that it does not produce a capital receipt for the Council or make a contribution to the new housing required within the Borough.</p> <p>The outsourced management option scores highest when combined with this development option as it will bring greater opportunities to benefit from external expertise, economies of scale and NNDR / VAT savings (if the organisation has a charitable structure). An established organisation could also potentially bring access to capital to fund the ancillary facilities and the widening of the offer is likely to attract wider market interest from leisure operators (with golf experience) who can bring increased expertise and are less likely to be subject to financial pressure from fluctuations in the golf market when compared to golf-only operators.</p> <p>The in-house operation has less access to entrepreneurial skills and less freedoms when compared to the other management options and does not have access to VAT / NNDR benefits that some external organisations can bring so is less likely to improve the revenue position. The option of establishing a new organisation has higher levels of risk as such a company will be untested and will not have other contracts and funds to rely on if the financial projections for the golf course are not achieved. A new company will also need to provide its own senior management team and central support services which will increase costs. Access to capital may also be more limited under these management options.</p>

Option C - Disposal of front 9 holes for development, with retention of back 9 holes

This option has been scored as zero for all management options as it is unlikely to remove the requirement for the Council to subsidise the golf course by 2015/16 onwards.

Whilst there would be savings in expenditure from reducing the course to a 9 hole course this would be likely to be cancelled out by the lost income from the loss of members / users. Consultation with members of the golf course indicated that they would not use the course in the future if it was converted to a nine hole course.

In addition, the lack of investment into new facilities to improve the offer to the public under this option would restrict the ability of a 9 hole course to generate enough income to cover the operating costs. This verdict is supported by the results of the soft market testing with specialist golf management companies.

Option D - Disposal of front 9 holes for development, with retention of back 9 holes plus development of ancillary provision using part of any capital receipt (clubhouse / health & fitness gym / complimentary leisure facilities)

Under this option the on-going course maintenance costs would decrease significantly as the course would be halved in size however the savings in course maintenance expenditure would need to be balanced against the lost income as a result of having to reduce the cost of a round of golf and the loss of some members / users who would move to another 18 hole golf course rather than play on a 9 hole course.

This lost income would be offset somewhat with the investment into improving the existing facilities and providing new complementary facilities (as opposed to options C/E where no additional investment is envisaged). These facilities would be likely to generate additional income required to ensure that the revenue subsidy is removed however the key risk is the amount of lost golfers as a result of losing 9 holes and whether the improved ancillary provision would be enough to retain / replace the income from these users. It is likely that the golf course would become more of a junior development course / casual pay and play user course although it should be noted that current statistics show that the number of rounds on the course are approximately split 50/50 between 9 hole rounds and 18 hole rounds.

This option will allow the development of circa 500-600 homes on the site which will generate significant revenue under the New Homes Bonus scheme and a large capital receipt.

This option would result in the loss of members at the site (consultation with members of the golf course indicated that they would not use the course in the future if it was converted to a nine hole course) however this may be offset by the increased users for the ancillary facilities provided onsite. Other disadvantages are the impact on the environment from losing half of the course and the implementation and delivery risk as the development is subject to planning permission and authorisation from the Coal Board Trust.

In terms of the management options under this development option, outsourcing to an existing company has not been scored higher in this scenario because the soft market testing revealed that there is not strong interest in managing a 9 hole course (although the potential to incorporate improved ancillary provision such as a health and fitness suite may positively influence some of the leisure operators who have golf experience). The option of establishing a new organisation has been scored slightly lower because of the higher levels of risk as such a company will be untested and will not have other contracts and funds to rely on if the financial projections for the golf course are not achieved. A new company will also need to provide its own senior management team and central support services which will increase costs.

Option E - Disposal of back 9 holes for development, with retention of front 9 holes

This option has been scored as zero for all management options as it is unlikely to remove the requirement for the Council to subsidise the golf course by 2015/16 onwards.

Whilst there would be savings in expenditure from reducing the course to a 9 hole course this would be likely to be cancelled out by the lost income from the loss of members / users. Consultation with members of the golf course indicated that they would not use the course in the future if it was converted to a nine hole course.

In addition, the lack of investment into new facilities to improve the offer to the public under this option would restrict the ability of a 9 hole course to generate enough income to cover the operating costs. This verdict is supported by the results of the soft market testing with specialist golf management companies.

Option F - Disposal of back 9 holes for development, with retention of front 9 holes plus development of ancillary provision using part of any capital receipt (clubhouse / health & fitness gym / complimentary leisure facilities)

Option F is very similar to Option D as there are no major differences between developing the front or back 9 in terms of evaluation at this stage. Under this option the on-going course maintenance costs would decrease significantly as the course would be halved in size however the savings in course maintenance expenditure would need to be balanced against the lost income as a result of having to reduce the cost of a round of golf and the loss of some members / users who would move to another 18 hole golf course rather than play on a 9 hole course.

This lost income would be offset somewhat with the investment into improving the existing facilities and providing new complementary facilities (as opposed to options C/E where no additional investment is envisaged). These facilities would be likely to generate additional income required to ensure that the revenue subsidy is removed however the key risk is the amount of lost golfers as a result of losing 9 holes and whether the improved ancillary provision would be enough to retain / replace the income from these users. It is likely that the golf course would become more of a junior development course / casual pay and play user course although it should be noted that current statistics show that the number of rounds on the course are approximately split 50/50 between 9 hole rounds and 18 hole rounds.

This option will allow the development of circa 500-600 homes on the site which will generate significant revenue under the New Homes Bonus scheme and a large capital receipt.

This option would result in the loss of members at the site (consultation with members of the golf course indicated that they would not use the course in the future if it was converted to a nine hole course) however this may be offset by the increased users for the ancillary facilities provided onsite. Other disadvantages are the impact on the environment from losing half of the course and the implementation and delivery risk as the development is subject to planning permission and authorisation from the Coal Board Trust.

In terms of the management options under this development option, outsourcing to an existing company has not been scored higher in this scenario because the soft market testing revealed that there is not strong interest in managing a 9 hole course (although the potential to incorporate improved ancillary provision such as a health and fitness suite may positively influence some of the leisure operators who have golf experience). The option of establishing a new organisation has been scored slightly lower because of the higher levels of risk as such a company will be untested and will not have other contracts and funds to rely on if the financial projections for the golf course are not achieved. A new company will also need to provide its own senior management team and central support services which will increase costs.

Option G - Part disposal of site, retention of 18-hole golf course through remodelling of holes to reduce land-take

This option has the advantage of retaining 18 holes and, if combined with the development of new ancillary provision (as per Option B, D and F), would also potentially be able to deliver the Council's desired revenue neutral position by 2015/16. Not investing in the course and ancillary provision under this option has been ruled out because it is clear that the course is not sustainable in its current condition without investment.

The remodelling of the holes to allow housing development will have minimal impact on the current revenue position of the facility in terms of direct golf related revenues streams. This option will also allow the development of circa 100 homes on the site which will generate a small capital receipt and additional revenue income under the New Homes Bonus scheme.

This option scores the highest of all options as it combines the above economic benefits with protecting and improving the 18 hole golf course and so should have a positive impact on healthy lifestyles and participation.

The disadvantages associated with this option are that it does not maximise the potential for housing and regeneration in the area and that it has an element of risk associated with it as the development will require planning permission and authorisation from the Coal Board Trust (although this risk is lower than under any of the other options that involve more substantial development).

The outsourced management option scores highest when combined with this development option as it will bring greater opportunities to benefit from external expertise, economies of scale and NNDR / VAT savings (if the organisation has a charitable structure). An established organisation could also potentially bring access to capital to fund the ancillary facilities and the widening of the offer is likely to attract wider market interest from leisure operators (with golf experience) who can bring increased expertise and are less likely to be subject to financial pressure from fluctuations in the golf market when compared to golf-only operators.

The in-house operation has less access to entrepreneurial skills and less freedoms when compared to the other management options and does not have access to VAT / NNDR benefits that some external organisations can bring so is less likely to improve the revenue position. The option of establishing a new organisation has higher levels of risk as such a company will be untested and will not have other contracts and funds to rely on if the financial projections for the golf course are not achieved. A new company will also need to provide its own senior management team and central support services which will increase costs. Access to capital may also be more limited under these management options.

Option H - Part disposal of site for development, but retention of 18-hole golf course through purchase of additional land adjacent to eastern boundary of the course and re-provision of lost holes

This option has been scored as zero for all management options as it is unlikely to remove the requirement for the Council to subsidise the golf course by 2015/16 onwards.

This option may be an acceptable long-term option if an improved quality golf course could be re-provided with the development of complementary ancillary facilities (beyond the replacement of the existing) through the use of a land swap agreement which could help the course to reach a breakeven position from purely golf course related revenues.

In addition, there is potential for a capital receipt and New Homes Bonus received in return for the development of the site. However, considering the amount of time and risk associated with implementing this option it is clearly not able to achieve the minimum requirement of removing the revenue subsidy for the course by 2015/16.

This development option has therefore been ruled out as unaffordable in the short term. It may be a viable long-term option for the Council depending on the progress of the planned wider development of the area adjacent to the golf course and it may be an option that the Council wishes to investigate in parallel with the implementation of the eventual preferred option with a view to a long-term solution for the course.

Option I - Complete disposal of entire site to generate capital receipt to be utilised for wider strategic aims

This option will guarantee the removal of the subsidy for the golf course as there will no longer be a golf course operating on the site. A significant number of houses could be developed on the site of the golf course (circa 1,000) which would generate a significant New Homes Bonus, some of which would be reinvested into the achievement of the Council's wider strategic aims which may off-set some of the negative impact on participation and healthy lifestyles that the disposal of the course would result in.

It will also generate a major capital receipt for the Council (estimated at over £13m) and will provide in the region of 1,000 new homes.

The primary disadvantages of this option are that it will result in the loss of the golf course which could have a negative impact of healthy lifestyles and participation in physical activity and a large amount of lost open space with consequential negative environmental implications. The intention would be that some of the capital receipt is used to invest in new provision, activities and programmes that would mitigate the lost open space and negative impact on participation.

There is risk involved in this option relating to the need to secure planning permission and the amount of time that it will take to deliver the development and reap the associated financial benefits.

The three different management options were not assessed under this development option as there would be no golf course to manage in the future.

- 3.2 The table overleaf summarises the weighted long-listing evaluation results for each option. The scores awarded for each option under each evaluation criteria can be found in Appendix C.

Table 3.1 - Weighted Long-List Evaluation Results

MANAGEMENT OPTIONS	SUMMARY	MAX SCORE	DEVELOPMENT OPTIONS								
			OPTION A	OPTION B	OPTION C	OPTION D	OPTION E	OPTION F	OPTION G	OPTION H	OPTION I
IN-HOUSE	Raw Score	35	0.00	19.00	0.00	19.00	0.00	19.00	21.00	0.00	21.00
	Weighted Score	100	0.00	51.00	0.00	55.00	0.00	55.00	58.00	0.00	64.00
	Rank		14	13	14	6	14	6	5	14	2
OUTSOURCED	Raw Score	35	0.00	21.00	0.00	19.00	0.00	19.00	23.00	0.00	N/A
	Weighted Score	100	0.00	59.00	0.00	55.00	0.00	55.00	66.00	0.00	N/A
	Rank		14	4	14	6	14	6	1	14	N/A
SOCIAL ENTERPRISE	Raw Score	35	0.00	19.00	0.00	18.00	0.00	18.00	21.00	0.00	N/A
	Weighted Score	100	0.00	53.00	0.00	53.00	0.00	53.00	60.00	0.00	N/A
	Rank		14	10	14	10	14	10	3	14	N/A

3.3 The table above shows that the lowest scoring development options (highlighted in green) are as follows:

- Option G - Part disposal of site, retention of 18-hole golf course through remodelling of holes to reduce land-take;
- Option I - Complete disposal of entire site to generate capital receipt to be utilised for wider strategic aims;
- Option B - Retention of 18-hole golf course, plus development of ancillary provision; and
- Options D / F - Disposal of 9 holes for development, with retention of 9 holes plus development of ancillary provision using part of any capital receipt.

3.4 Options A, C, E and H (highlighted in red) were scored as zeros because they did not meet the minimum pass / fail criteria set by the Council that they need to be potentially capable of removing the need for a revenue subsidy for the course by the end of 2014/15.

4. Recommendations and Next Steps

Recommendations

- 4.1 Utilising the findings from Stage 2 of this project, we recommend short-listing the following options for further detailed analysis:
- Option G - Part disposal of site, retention of 18-hole golf course through remodelling of holes to reduce land-take (all 3 management options to be assessed);
 - Option I - Complete disposal of entire site to generate capital receipt to be utilised for wider strategic aims;
 - Option B - Retention of 18-hole golf course, plus development of ancillary provision (outsourced management option only to be assessed); and
 - Options D / F - Disposal of 9 holes for development, with retention of 9 holes plus development of ancillary provision using part of any capital receipt (in-house and outsourced management options to be assessed).
- 4.2 These are the highest scoring development options, combined with the highest scoring management options under each option. Options A, C, E and H are to be ruled out at this stage because they did not meet the minimum pass / fail criteria set by the Council that they need to be potentially capable of removing the need for a revenue subsidy for the course by the end of 2014/15.
- 4.3 It should be noted that Option H may be a viable long-term option for the Council depending on the progress of the planned wider development of the area adjacent to the golf course and it may be an option that the Council wishes to investigate in parallel with the implementation of the eventual preferred option with a view to a long-term solution for the course.
- 4.4 Options B and G were the two favoured options from the user and public consultation sessions and are both being recommended for progression to the short-list phase.

Next Steps

- 4.5 The next step is for the Council to sign-off the short-listed options. These options will then be the subject of a more detailed assessment which will include:
- Further consultation with users and members of the public;
 - Consultation with Sport England and England Golf;
 - Financial modelling of each shortlisted option to understand the capital and revenue costs / incomes and overall financial impact on the Council;
 - An equalities impact assessment; and
 - A headline risk assessment.

- 4.6 A preferred option will then be recommended to Members for approval and implementation based on the financial modelling and the non-financial advantages and disadvantages (from consultation, risk assessment, equalities impact assessment etc.) of each option in early 2014.
- 4.7 Any queries on the contents of this Stage 2 report should be directed to Damien Adams at damienadams@fmgconsulting.co.uk or Andy Farr at andyfarr@fmgconsulting.co.uk.