GOLF COURSE FUTURE OPTIONS APPRAISAL

STAGE 2 SHORT-LIST OPTIONS ASSESSMENT

TAMWORTH BOROUGH COUNCIL

A

FINALREPORT

BY

FMG CONSULTING

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1. Introduction

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1.1 FMG Consulting Ltd ('FMG') was commissioned by Tamworth Borough Council ('the Council') to carry out a needs assessment and options appraisal for the future 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 direction 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 informed the project drivers against which the options were assessed in Stage 2) and determined a long list of options for the future delivery of the golf course.

1.4 The initial long-list of options is set out in table 1.1.

Table 1.1 - Long-List 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.

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

- **Option 1** - Continued in-house management of the golf course;
- **Option 2** - Outsourced management of the golf course via a lease / management contract to an existing external provider;
- **Option 3** - set up of a new local social enterprise management vehicle (Company Limited by Guarantee / Charitable Incorporated Organisation / Community Interest Company), which would then have a lease / contract to manage the golf course.

1.6 As a result of the Stage 1 work, a number of project outcomes were identified and weighted (approved at Cabinet 30/05/13) which the development and management options were subsequently evaluated against. The project outcomes and their weightings are summarised in table 1.2.

Table 1.2 - Long-List Options

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%

1.7 Following Officer and Member approval of the Stage 1 report, a high-level Options Appraisal was undertaken, involving a more specific analysis of the long list options against the key project drivers, from which a shortlist was identified.

1.8 The long list testing process comprised a weighted scoring of the options against the project drivers which was informed by consultation with key Council Officers and Members, soft market testing with golf course operators and consultation workshops with both members of the golf course and members of the Tamworth Citizens Panel. This resulted in the options listed in table 1.3 being short-listed for further analysis (the results of which are set out in this report).

Table 1.3 - Short-Listed Options

Option	High-Level Description
B	Retention of 18-hole golf course, plus development of ancillary provision (clubhouse / health & fitness gym / complimentary leisure facilities).
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).
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.
I	Complete disposal of entire site to generate capital receipt to be utilised for wider strategic aims.

1.9 These options are described in more detail in section 2 of this report. As part of this short-list analysis, financial models have been produced for each of the shortlisted options taking into account the capital and revenue costs / incomes and overall financial impact on the Council. This report presents a summary of the financial implications of each option in order to inform the decision on the preferred option to be implemented which will be taken by Council Members.

1.10 The methodology for this stage of the options appraisal has included the following elements:

- Further consultation with users and members of the public via the Citizens Panel;
- 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.

1.11 The remainder of this report is structured as follows:

- Section 2 –Summary of Short-Listed Options;
- Section 3 – Strategic Implications and Risks;
- Section 4 – Financial Implications; and

- Section 5 – Summary and Conclusions.

Basis of information

1.12 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. Summary of Short-Listed Options

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2.1 This section sets out the potential facility mixes (including ancillary provision) that are included in each option in order to form the basis for the capital and revenue modelling associated with the options. The proposed improvements to the course quality, clubhouse and driving range are informed by the results of a customer satisfaction survey of golf course users that was carried out by the Council in 2013 and the findings of the previous two stages of this project.

2.2 The final facility mix might well change subject to development constraints and the final business model. The facility mixes shown here provide an opportunity to assess likely scenarios and the costs they might incur.

2.3 Table 2.1 summarises the high-level description of the development options that have been shortlisted for detailed analysis.

Table 2.1 -Summary of Short-Listed Development Options

Option B	
Golf Course	18 holes. No change to the course layout. Investment into course quality improvements.
Clubhouse	Development of a new clubhouse. Including staff office / reception, male and female changing facilities (toilets and showers), storage space, bar / cafe area, kitchen, function room and meeting room. Preferred location is overlooking the 18th green.
Health and Fitness Suite	Development of a 50 station health and fitness suite within the clubhouse. Shared changing facilities with clubhouse.
Driving Range	Development of a driving range on the unused area currently allocated for this use on the site. Maximum length likely to be circa 220 yards. Incorporates targets to focus users on pitching practice and accuracy rather than distance driving.
Housing	No houses provided.
Option D	
Golf Course	9 holes. Disposal of front 9 holes for development. Investment into course quality improvements. Practice putting green and bunker / chipping areas to be provided.
Clubhouse	Development of a new clubhouse. Including staff office / reception, male and female changing facilities (toilets and showers), storage space, bar / cafe area, kitchen, function room and meeting room. Preferred location is overlooking the 18th green.

Health and Fitness Suite	Development of a 50 station health and fitness suite within the clubhouse. Shared changing facilities with clubhouse.
Driving Range	Development of a driving range on the unused area currently allocated for this use on the site. Maximum length likely to be circa 220 yards. Incorporates targets to focus users on pitching practice and accuracy rather than distance driving.
Housing	New housing provided on the site (as per DVS 'Revised Notional Scheme' estimate from April 2013 report).
Option F	
Golf Course	9 holes. Disposal of back 9 holes for development. Investment into course quality improvements. Practice putting green and bunker / chipping areas to be provided.
Clubhouse	Development of a new clubhouse. Including staff office / reception, male and female changing facilities (toilets and showers), storage space, bar / cafe area, kitchen, function room and meeting room. Likely to be in a similar location to the current clubhouse.
Health and Fitness Suite	Development of a 50 station health and fitness suite within the clubhouse. Shared changing facilities with clubhouse.
Driving Range	Development of a driving range on the unused area currently allocated for this use on the site. Maximum length likely to be circa 220 yards. Incorporates targets to focus users on pitching practice and accuracy rather than distance driving.
Housing	New housing provided on the site (as per DVS 'Revised Notional Scheme' estimate from April 2013 report).
Option G	
Golf Course	18 holes. Shortening of holes 8 and 9 to allow a small housing development. Investment into course quality improvements.
Clubhouse	Development of a new clubhouse. Including staff office / reception, male and female changing facilities (toilets and showers), storage space, bar / cafe area, kitchen, function room and meeting room. Preferred location is overlooking the 18th green.
Health and Fitness Suite	Development of a 50 station health and fitness suite within the clubhouse. Shared changing facilities with clubhouse.
Driving Range	Development of a driving range on the unused area currently allocated for this use on the site. Maximum length likely to be circa 220 yards. Incorporates targets to focus users on pitching practice and accuracy rather than distance driving.

Housing	New housing provided on the site (as per DVS 'Revised Notional Scheme' estimate from April 2013 report).
Option I	
Golf Course	Complete development of the course. No golf course remaining.
Clubhouse	Not applicable.
Health and Fitness Suite	Not applicable.
Driving Range	Not applicable.
Housing	New housing provided on the site (as per DVS 'Revised Notional Scheme' estimate from April 2013 report).

2.4 Further details regarding the strategic, risk and financial implications of each development option are set out in the next two sections of this report.

3. Strategic Implications and Risks

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3.1 This section summarises the strategic implications and risks associated with each option for the Council. Whilst there is a clear budgetary target that needs to be addressed through the option to be implemented (as set out in Section 4), the Council also has a number of wider strategic priorities and responsibilities against which the decision for the most appropriate future option for the golf course must be taken.

3.2 The Council's Corporate Plan reflects its wide variety of strategic priorities and responsibilities. These include issues such as promoting health and well-being; tackling crime and anti-social behaviour; promoting growth, employment and business; and improving physical infrastructure. These priorities need to be considered when making a decision on the preferred option for the golf course as the options can contribute to the achievement of these priorities in different ways.

3.3 There are also a number of sustainability objectives that need to be considered when considering the options including provision of housing, community services, leisure facilities, protecting and enhancing biodiversity and open spaces etc.

3.4 The provision of housing is a key priority for the Council. Between 2013 and 2031 there are an additional 5,000 houses required to be delivered to meet Tamworth's needs with limited land availability. The site could potentially contribute to this provision but whether the site is appropriate for development needs to be considered in light of the Council's planning policy and priority for town-centre development and protecting open spaces.

3.5 There are also major issues with health and obesity in Tamworth. Increasing participation and physical activity is a major part of addressing these issues and the importance of this needs to be factored into the final decision.

3.6 The contribution of each of the options to these priorities was evaluated in detail in the previous Stage 2 long-list evaluation report through assessment of their contribution to achieving a series of 'Project Outcomes'. As a result of this, the strategic implications of each option have not been re-evaluated and scored as part of this short-list options assessment but are summarised in this section as a reminder of the wider context in which the decision must be made.

3.7 The Project Outcomes assessed at the previous stage were as follows:

- Potential for and likely level of contribution to the Council's annual revenue deficit from 2016/17 onwards (Covered in Section 4 of this report);
- Contribution to economic regeneration and growth in the Borough (including the provision of new housing development);
- Potential for the option to generate a capital receipt for the Council and likely level of capital receipt (Covered in Section 4 of this report);
- Promotion of exercise and healthy lifestyles and contribution to increasing participation and reducing obesity;

- Ability to meet the leisure needs of the Borough's residents and the Council's wider vision / strategy for sport and leisure provision;

- Cost and timescales of implementation (Covered in Section 4 of this report) and level of risk involved / likelihood of delivery; and

- Contribution to the delivery of the Council's environmental and sustainability objectives including protecting green and blue spaces.

3.8 We have included a summary of the implications of the development option in relation to each of the strategic outcomes (financial outcomes covered in more detail in Section 4) in table 3.1. Three additional categories have also been added:

- Impact on equalities, customers and local residents – analysis of whether any of the options are likely to have a negative impact on equality of opportunity for different people and groups;

- Views of key stakeholders – summary of the views of the key stakeholders consulted with at this stage: Sport England; England Golf; golf club members and residents (through the Citizen's Panel); and

- Financial risk – the strength of the business case for each option (as reflected in Section 4).

3.9 These additional categories have been identified and assessed through the short-list analysis process. Detailed equalities impact assessments and risk assessments for each development option have been prepared to support this analysis.

Table 3.1 - Summary of Strategic Implications

Outcome	Option B	Option D / F	Option G	Option I
Contribution to economic regeneration and growth in the Borough (including the provision of new housing development)	Option B makes the lowest contribution to the achievement of this project outcome as it provides some new jobs as part of the increased range of facilities on site but it does not allow for the provision of any new housing towards the Council's targets.	Options D / F make a significant contribution to the achievement of this outcome as they enable a large housing development to be provided on the site.	Option G makes a greater contribution to the achievement of this outcome than Option B but less than Options D, F and I as it only allows a limited number of houses to be developed on the site.	Option I is the strongest performing of all options against this project outcome because of the significant amount of housing that could be provided on the site (the largest of all options), delivering against both the Council's housing target and supporting additional construction employment if local companies are involved in the development.

Outcome	Option B	Option D / F	Option G	Option I
Promotion of exercise and healthy lifestyles and contribution to increasing participation and reducing obesity	This option is likely to make a significant contribution to the achievement of this project outcome (with Option G) because it protects and enhance the existing provision. However it doesn't provide for capital investment into other leisure provision.	Although these two options do result in the loss of part of the course potentially resulting in some users no longer wishing to use the course (given their preference for playing 18 holes of golf), it is possible that the 9 hole course will attract a new type of casual user who did not use the previous 18 hole course. It may also release capital to invest in a new facility that could broaden the leisure/health opportunities.	This option is likely to make a significant contribution to the achievement of this project outcome because it protects and enhance the existing provision with only a minor remodelling of the course.	Option I is likely to make the smallest direct contribution to the achievement of this project outcome of all options because there will be no sports facilities remaining and it will result in a closure of the golf facility. This could be offset somewhat by incorporating accessible open space within the housing development and investing some of the capital receipt from the site into the provision of new sport and leisure facilities and activities elsewhere in the Borough.

Outcome	Option B	Option D / F	Option G	Option I
Ability to meet the leisure needs of the Borough's residents and the Council's wider vision / strategy for sport and leisure provision	All of the options perform similarly against this project outcome. Option B protects and enhance the existing golf course provision which was identified as being required in the Council's 'Joint Indoor and Outdoor Sports Strategy' in 2009, however it does not allow for the possibility of delivering some of the Council's wider sport and leisure objectives identified in this document such as a leisure centre with a swimming pool and sports hall, via release of a large capital receipt for re-investment.	All of the options perform similarly against this project outcome. Options D / F only leave a 9 hole golf course remaining, however they do provide other additional facilities such as the driving range and health and fitness suite and also provide a capital receipt for potential reinvestment into other facilities and services that are required in the Council's Sports Strategy.	All of the options perform similarly against this project outcome. Option G protects and enhances the existing golf course provision (with only a minor remodelling of the course required) which was identified as being required in the Council's 'Joint Indoor and Outdoor Sports Strategy' in 2009, however it does not allow for the possibility of delivering some of the Council's wider sport and leisure objectives identified in this document such as a leisure centre with a swimming pool and sports hall, via release of a large capital receipt for re-investment.	All of the options perform similarly against this project outcome. Whilst Option I removes the golf course in its entirety, which is clearly negative for sport and leisure provision, it does provide the most significant capital receipt which could be used to reinvest into facilities and services that are required in the Council's Sports Strategy.

Outcome	Option B	Option D / F	Option G	Option I
Level of risk involved / likelihood of delivery	Option B is likely to present the lowest level of risk in terms of the successful delivery of the project as it does not involve significant housing development (so less risk of planning problems and objections). The only development under this option is the new clubhouse and as it is intended to be a single-story replacement building this is also a low risk planning option. It is likely that the level of external operator interest in this option would be high so the likelihood of securing market interest in the project is also high, which lowers the implementation and sustainability of operation risks. Full risk assessments for each option have been prepared to support the options appraisal.	Options D / F are relatively high risk as they involve significant housing development. They do result in a golf course remaining rather than the total loss of the course (as in Option I) however there is a risk of the course not performing as well as it should and the Council being subject to increased revenue costs. This risk could be mitigated by externalising the management of the course, however the 9 hole option is likely to result in a lower level of market interest from golf operators, with operators who manage both golf and sport / leisure facilities being the only interested parties. However, it does involve the Council managing two complex projects to identify a development partner for the housing and an operator partner to redevelop the clubhouse and manage the course. Option D is likely to generate less objections from local residents but Option F is likely to be a higher risk delivery option due to the smaller developable area with the material tipped onto the back 9 of the course and the need for new transport and services infrastructure.	Option G could be seen as a lower risk than the other options that involve housing development because the scale of the housing development is not as significant as the other options so planning issues and objections may be more surmountable and it retains and enhances the 18-hole course format (as per Option B) which should maximise operator interest. However, it involves the Council managing two complex projects to identify a development partner for the housing and an operator partner to redevelop the clubhouse and manage the course. This will involve significant Officer time and resources. The scale of the housing development is also large enough to lead to potential objections from local residents which means that there are still a number of significant risks involved in this option.	Option I appears to be a high risk option as it involves the most significant housing development which could be influenced by planning issues, local objections, land values, ground conditions, fluctuations in the economy etc. However, the political, reputation and planning risks are all short-term risks and if Option I can be successfully implemented then there is no long-term risk to the Council's revenue position as there will be no golf course remaining and a significant capital receipt will have been generated.

Outcome	Option B	Option D / F	Option G	Option I
Contribution to the delivery of the Council's environmental and sustainability objectives including protecting green and blue spaces	Option B is positive for its contribution to this project outcome because the course is protected and so there is no adverse environmental impact.	Options D / F are only marginally better than Option I because they do not involve the full development of the course.	Option G is positive for its contribution to this project outcome because the course is mostly protected (with only a relatively small development) and so there is likely to be minimal adverse environmental impact.	Option I is likely to be the most negative for environmental sustainability due to the larger redevelopment site (although the provision of housing is a part of the definition of sustainability in this context). This could be offset to an extent through careful master planning of the site to ensure it includes accessible open spaces and using some of the capital receipt to contribute to the enhancement of nature reserves and open space in the Borough.

Outcome	Option B	Option D / F	Option G	Option I
Impact on equalities, customers and local residents	All options score similarly in relation to their impact on equalities as they should not disadvantage one group or type of person over any other particular group / type. Equalities Impact Assessments for each option have been prepared to support the options appraisal.	All options score similarly in relation to their impact on equalities as they should not disadvantage one group or type of person over any other particular group / type. Options D / F will potentially be perceived as having a negative impact on the current users of the course and local residents whose homes back onto the course, although this could be mitigated through the planning process. These people could be represented by all sexes, races, ages etc. so the options are not likely to have a negative impact on one specific group / type more than any other.	All options score similarly in relation to their impact on equalities as they should not disadvantage one group or type of person over any other particular group / type. Option G will potentially be perceived as having a negative impact on the current users of the course and local residents whose homes back onto the course due to the planned development, although this could be mitigated through the planning process. These people could be represented by all sexes, races, ages etc. so the options are not likely to have a negative impact on one specific group / type more than any other (and the development is a lot smaller than under Options D, F and I).	All options score similarly in relation to their impact on equalities as they should not disadvantage one group or type of person over any other particular group / type. Option I will potentially have the most negative impact on the current users of the course and local residents whose homes back onto the course, although these people could be represented by all sexes, races, ages etc. so the options are not likely to have a negative impact on one specific group / type more than any other. Current users can access golf at other local courses however the risk with Option I is that the Council cannot control the access policies of the alternative golf providers in the surrounding areas so cannot guarantee equality of access beyond its borough boundaries.

Outcome	Option B	Option D / F	Option G	Option I
Views of key stakeholders	Users (golf club members) and residents (Citizens Panel members) all favoured the options that retained the 18 hole golf course. The development of the ancillary facilities was extremely popular as it will improve the offer to golfers and open the facility up to non-golfers. However, without development to provide a capital receipt this is unlikely to be affordable. Sport England and England Golf would not object to this option. Further detail on the consultation with Sport England and England Golf is provided below this table.	Options D / F were only marginally more acceptable than Option I with most consultees expressing the view that a 9 hole course was not enough and that housing development on half of the course was too much. Residents who live locally to the course were particularly unhappy with the options that involve housing development on the course. Sport England is likely to object to any planning application as it will result in the loss of part of the golf course unless it can be evidenced that there is not enough demand to justify the 18 hole course. A separate golf needs assessment is being carried out to ascertain this. The preferred option for England Golf is to convert the course to a 9 hole course (see below for further details).	Development on the course was not a favoured scenario, however Option G which includes some development and retains the 18 hole course was the most palatable of the development options. The development of the ancillary facilities was extremely popular as it will improve the offer to golfers and open the facility up to non-golfers. However, without development to provide a capital receipt this is unlikely to be affordable. Residents who live locally to the course were particularly unhappy with the options that involve housing development on the course. Sport England is unlikely to object to any planning application as it will result in the retention of an 18 hole course and enhanced ancillary provision. England Golf is likely to be supportive of this option.	Option I was not deemed as being acceptable to the users or residents due to the loss of the course / an attractive open space. Residents who live locally to the course were particularly unhappy with the options that involve housing development on the course. Sport England is likely to object to any planning application as it will result in the loss of the golf course unless it can be evidenced that there is not enough demand to justify the 18 hole course. A separate golf needs assessment is being carried out to ascertain this. England Golf would not be supportive of the total loss of the golf course and would prefer it to be retained.

Outcome	Option B	Option D / F	Option G	Option I
Financial Risk (see Section 4 for more details)	This option is only likely to generate a revenue return to the Council if the Council funds the capital investment into the ancillary facility improvements and an external Trust manages the facility. Even in this scenario, the revenue return is not likely to be sufficient enough to cover the financing cost of the capital investment and with the lack of a capital receipt generated from housing there is unlikely to be an overall business case for this option. If the operator was to fail to achieve the revenue targets there is a long-term risk of the facility being handed back to the Council.	Both options are similar to Option B in that the course could return a revenue stream to the Council but only in the event of the Council investing the capital to make the improvements and the course being managed by an external Trust. The key difference is that, under both of these scenarios, a capital receipt is generated from the housing which could fund the capital investment and make the overall business case viable if some of the capital receipt is reinvested. The long-term risk still remains that if the operator was to fail to achieve the revenue targets it could result in the facility being handed back to the Council. The nature of the more fundamental changes to the course under these options (i.e. reduction to 9 holes) may mean that this risk is slightly higher under these options.	Option G could also return a revenue stream to the Council in the event of the Council investing the capital to make the improvements and the course being managed by an external Trust. The key risk with this option is that the capital receipt for the housing is unlikely to be significant enough to make the overall business case viable. As per Option B, there is still a long-term risk that if the operator was to fail to achieve the revenue targets it could result in the facility being handed back to the Council.	Option I is the lowest financial risk option as there is no golf course that may require on-going revenue support and no capital investment required by the Council. The Council is likely to be in the best financial position from this option because of the large potential capital receipt that could be achieved from the sale of the land. The key risks are linked to the sale and value of the land and likely objections to the project.

3.10 Each of the potential development options has a number of strategic advantages and disadvantages and risks. These need to be considered within the context of the Council's overall Medium Term Financial Strategy and government targets in relation to housing land allocation. The financial implications are analysed for each option in more detail in the next section.

Sport England / England Golf / Operator Consultation Findings

3.11 The consultation identified that Sport England is likely to object to any planning application for development of the course for housing as it will result in the loss of part or all of the golf course. It stressed the need for a refresh of the Council's sports strategy (which previously confirmed the need for a golf course) and suggested that a golf needs assessment should be carried out to identify whether there is latent demand for an 18 hole course in the area or if this demand can be satisfied by other golf courses in the surrounding areas. Whilst Sport England understood the Council's efforts and difficulties in operating the golf course, it highlighted that any case to reduce / remove the golf course would need to be supported by a strong evidence base and that England Golf (the governing body for amateur golf in England) would need to be consulted. A separate golf needs assessment is being carried to identify the supply and demand balance in the area.

3.12 Consultation with England Golf identified that it would not be supportive of the total loss of the golf course and would prefer it to be retained. The preferred option for England Golf is to convert the course to a 9 hole course as it is aware of the decreasing numbers playing golf and sees a move towards more accessible, user-friendly golf attractions as the way forward to encourage more new users into the game. The inclusion of a driving range and chipping / putting practice areas would be a very popular element in the opinion of England Golf. The facility at Tamworth would be part of a development pathway for golfers who wish to start playing the game and those who may not have the time and money to play 18 holes. Enthusiasts of the game could then move on to courses outside of Tamworth if they wished to play 18 hole golf.

3.13 Potential external golf course operators were also consulted as part of this process. There is interest in operating the course and ancillary facilities, although the 9 hole option would not be of interest to dedicated golf course operators. There are operators who have experience of managing both leisure centres and golf courses and a 9 hole option would be of interest to some of them. Some operators expressed a view that the driving range is not likely to be a big income generator and it may not be long enough to justify spending the money to develop it, however this does not concur with the view of England Golf. This evidences the need for further market testing before beginning any project to implement the preferred option.

4. Financial Implications

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4.1 This section summarises the Council's current and future budgetary requirements and presents the financial implications of each development option. Before examining the projected net financial position of each option we have summarised the Council's wider budgetary position.

Financial Context for the Council

4.2 The Council has faced funding cuts of circa 40% in recent years and although it produced a balanced General Fund Medium Term Financial Strategy for the next 3 years in February 2013, updated base budget projections in November 2013 show a significant deficit in the longer term. These projections, updated to include the impact of the Comprehensive Spending Review on Government Grant levels and other cost pressures, show a General Fund (GF) shortfall of £2.8m by year 3followed by an ongoing annual deficit of over £3m p.a. (£8.9m over the next 5 years). There is on-going work commissioned by the Executive Management Team (Cabinet/CMT) under the umbrella of the Sustainability Strategy to address this through a combination of income generation / revenue savings from housing, business rates and service reviews.

4.3 Within this context, the Council allocated a budget from contingency funds for the management of the golf course of £80k per annum for 2013/14 and 2014/15. There is then a potential funding gap for the golf course from 2015/16 onwards that will need to be addressed through the recommended solution for the site. In addition to this, the council has lost the £36k per annum that it was budgeting to receive from Tamworth Golf Centre Ltd. Any ongoing cost for the golf course from 2015/16 onwards would be added to the c.£2m corporate deficit.

4.4 The selected option for the future of the golf course must therefore remove the on-going revenue subsidy required from the Council towards the operation and maintenance of the facility from 2015/16 onwards and ideally contribute towards the funding of the Council's £2m deficit from 2016/17 onwards.

Financial Performance of the Golf Course

4.5 Following the liquidation of Tamworth Golf Centre Ltd and the course closing in February 2013 the Council re-opened the course and put in place a two year business plan for it to manage the course on an in-house basis. This resulted in the £80,000 per annum contingency provision being identified based on projected total income of £226,470 and expenditure of £306,470 per annum (membership target of 150 members).

4.6 After six months of the 2013/14 financial year the course was below target compared to its business plan projections. The financial performance of the golf course from April to September 2013 is set out in table 4.1.

Table 4.1 - Golf Course Profit and Loss April - September 2013

	Year to Date Spend	Year to Date Budget	Year to Date Variance	Total Annual Budget
Income	168,302	177,000	8,698	227,470
Expenditure	168,613	170,470	-1,857	307,470
Profit / (Loss)	(311)	6,530	-6,841	(80,000)

4.7 It can be seen from the table above that income is circa £8.7k below target for the year to date. Considering this was the spring / summer peak season for golf then it is unlikely that income will reach target during the autumn / winter season. Whilst there has been a saving on expenditure of circa £1.8k, this is not enough to fully mitigate the income loss and results in a net position of circa £6.8k under target after 6 months of the financial year.

4.8 Member numbers are actually up at 229 compared to the target figure of 150 members which is reflected in the season ticket income. Pay and play green fees is the area where the course is underperforming, most notably for 18 hole rounds which is significantly below target.

Table 4.2 - Golf Course Income April - September 2013

All £	Year to Date Income	Year to Date Budget	Year to Date Variance	Total Annual Budget
Green fees – 18 hole	53,414	101,020	-47,606	132,920
Green fees – 9 hole	36,511	27,390	9,121	39,410
5 day season ticket	21,022	22,250	-1,228	26,250
7 day season ticket	38,272	14,090	24,182	14,090
Secondary spend	19,084	12,250	6,834	14,800

4.9 Table 4.2 shows that the majority of income areas are over-performing against budget but 18 hole green fees are significantly under-performing by nearly £48k. It can be seen that green fees account for a higher proportion (53%) than season ticket income (35%). Of the green fee income, 59% is generated from 18 hole rounds and 41% from 9 hole rounds.

Financial Modelling Assumptions

4.10 A financial model has been produced for each development option in order to identify the strongest business case for the future of the golf course. The core capital development assumptions utilised to produce the business case for the development options are set out in table 4.3.

Table 4.3 - Financial Models - Development Options Capital Assumptions

	Option B	Options D / F	Option G	Option I
Capital cost - clubhouse	£1,995,575 for clubhouse development (estimated by Entrust). Includes provision for construction of building, site works, abnormals, risk and fees.			Not applicable.
Gross internal floor area	Clubhouse 797 sqm (estimated by Entrust).			Not applicable.
Capital cost - driving range	£300,000 for development of driving range. Based on mid-point between two estimated costs received (a detailed capital cost assessment is currently being prepared).			Not applicable.
Capital cost - hole modifications	Not applicable (see 'golf course improvements' for general investment into the course).	Not applicable (see 'golf course improvements' for general investment into the course).	£52,700 for amendments to holes 8 and 9 as per cost estimate from May 2013 Mytime Active report.	Not applicable.
Capital cost - demolition	Demolition of existing building included within Entrust's clubhouse capital cost estimate.			Assumes demolition cost is covered by the developer when purchasing the site.
Capital cost - funding	Capital costs amortised over 25 years. Assumes Council funded. Borrowing rate of 4.32% (taken from PWLB annuity rates over 25 year period).			Not applicable.
Construction period	Assumes that the new facility opens in Q4 2016 (October).			Not applicable.
Capital receipt	N/A	The capital receipt is based on the DVS valuation from 2013. This is a notional scheme and provides a robust basis for modelling to differentiate between different scenarios. However, the final capital receipt will only be clear at the point of sale and depends on a number of factors.		
Capital receipt - amount	Zero	Front 9 - £6.78m Back 9 - £6.955m (estimated by DVS in March 2013)	£250,000 (estimated by DVS in March 2013)	£13.655m (estimated by DVS in March 2013).

	Option B	Options D / F	Option G	Option I
Fit-out costs	Included within operator costs (amortised).			Not applicable.
Golf course improvements	Included within operator costs (amortised).			Not applicable.
Procurement / set-up costs	If outsourced to existing company - £40,000 for leisure, finance, legal and procurement advice. Assumes procurement of operator who will also manage capital build. If new company established - £115,000 for leisure, finance, legal and procurement advice. Assumes new trust will be established (c£75k) and Council will procure and manage capital build itself (c£40k). If remain in-house - £40,000 for leisure, finance, legal and procurement advice. No procurement or set-up costs for operator but Council will procure and manage capital build itself (c£40k).			Not applicable.

4.11 The financial models for each development option were then varied to take account of the three potential management options. The core revenue assumptions utilised to vary the business case for the development options depending on the type of management model implemented are set out in table 4.4.

Table 4.4 - Financial Models - Management Models Revenue Assumptions

	In-House	Outsource - Existing Company	Outsource - New Company
Timetable	Assumes that the facility is in open for operation in October 2016.		
VAT	All income is subject to VAT however the Council can recover all of the VAT on its expenditure.	Assumes organisation would be a charitable trust. Income exempt from VAT with the exception of retail and catering income. However, the Trust is only able to recover 20% of the VAT on its expenditure.	Assumes organisation would be a charitable trust. Income exempt from VAT with the exception of retail and catering income. However, the Trust is only able to recover 20% of the VAT on its expenditure.
Income assumptions - pricing	Current golf fees remain unchanged. Health and fitness memberships priced at £20 per month (£15 for concessions), in line with the latent demand assessment.		

	In-House	Outsource - Existing Company	Outsource - New Company
Income assumptions - health and fitness	950 members based on 19 members per station (50 station gym). Latent demand modelling by the Leisure Database Company identified 1,061 members as maximum latent demand. Industry average is 25 members per station.	1,050 members based on 21 members per station (50 station gym). Latent demand modelling by the Leisure Database Company identified 1,061 members as maximum latent demand. Industry average is 25 members per station.	950 members based on 19 members per station (50 station gym). Latent demand modelling by the Leisure Database Company identified 1,061 members as maximum latent demand. Industry average is 25 members per station.
Income assumptions - golf	40% uplift on current membership numbers and 20% uplift on green fees for Options B and G i.e. main benefit will be members returning. Options D / F - 58% reduction in number of members for 9 hole model compared to 18 hole model (based on industry benchmark for 18 hole v 9 hole course members numbers). 18 hole pay and play rounds (using double tees) decreased by 50% compared to 18 hole course model. 9 hole pay and play rounds increased by 25% compared to 18 hole course model.	50% uplift on current membership numbers and 30% uplift on green fees for Options B and G i.e. main benefit will be members returning. Options D / F - 58% reduction in number of members for 9 hole model compared to 18 hole model (based on industry benchmark for 18 hole v 9 hole course members numbers). 18 hole pay and play rounds (using double tees) decreased by 50% compared to 18 hole course model. 9 hole pay and play rounds increased by 25% compared to 18 hole course model.	40% uplift on current membership numbers and 20% uplift on green fees for Options B and G i.e. main benefit will be members returning. Options D / F - 58% reduction in number of members for 9 hole model compared to 18 hole model (based on industry benchmark for 18 hole v 9 hole course members numbers). 18 hole pay and play rounds (using double tees) decreased by 50% compared to 18 hole course model. 9 hole pay and play rounds increased by 25% compared to 18 hole course model.
Income assumptions - catering	Externalised / franchised to a third party operator for a lease payment in line with current market rate for Tamworth. Vending and retail income retained.		
Expenditure assumptions - staffing	All salary and wage levels remain unchanged. Additional staff recruited as a result of the larger ancillary facility. 50% reduction in green keeping costs for 9 hole options (D / F) under external management models. 25% reduction under in-house management model.		
Expenditure assumptions - premises	Utilities and maintenance based on a £ / sqm rate from similar developments and benchmarked against existing operation with necessary increases for increased range and quality of facilities e.g. electricity cost for floodlighting driving range. Minor reduction in water costs applied for 9 hole options (D / F).		

	In-House	Outsource - Existing Company	Outsource - New Company
Expenditure assumptions - NNDR	The Council is subject to NNDR. Estimated rateable value based on benchmarking against similar facilities and VOA rateable valuation calculation linked to the capital cost of the building.	The Charitable Trust is subject to NNDR but with 80% mandatory relief. Estimated rateable value based on benchmarking against similar facilities and VOA rateable valuation calculation linked to the capital cost of the building.	The Charitable Trust is subject to NNDR but with 80% mandatory relief. Estimated rateable value based on benchmarking against similar facilities and VOA rateable valuation calculation linked to the capital cost of the building.
Expenditure assumptions - Advertising and marketing	1% of income.	2% of income.	1% of income.
Expenditure assumptions - Central costs and profit	£56,000 per annum. Based on the Council's 2014/15 budgeted central recharges for the golf course.	Combined at 8% of income. Based on existing trust bids for similar contracts.	Combined at 15% of income. Increased to reflect need to procure central support, build contingency and additional management team costs.
Expenditure assumptions - building lifecycle costs	1% of capital value per annum.		
Expenditure assumptions - equipment lifecycle costs	Cyclical replacement included within operator costs (amortised).		
Expenditure assumptions - golf course lifecycle costs	Options B / G - £460,700 included for greens, bunkers, tees, irrigation and green keepers shed as per cost estimate from May 2013 Mytime Active report (amortised over 10 years). Options D / F - £230,350 for greens, bunkers, tees, irrigation and green keepers shed as per 50% of cost estimate from May 2013 Mytime Active report (amortised over 10 years). Option I - not applicable.		

4.12 The text below sets out the results of the financial modelling based on applying the above assumptions to each development option and combining each development option with the three management options.

Financial Implications - Revenue

4.13 The 5 year net operating costs for each development option combined with each management model are set out in table 4.5 below (excluding Option I which does not have any operating costs. The net cost implications of Option I are incorporated within the affordability section later in this report). This represents the subsidy that the Council would be required to pay / surplus that it would receive from the operation of the course however excludes the cost of the initial capital investment into the course (which is incorporated within the affordability section).

Table 4.5 - Net Revenue Return to the Council - Annual Surplus / (Deficit) per Option*

Development Option	Management Option	Year 1	Year 2	Year 3	Year 4	Year 5
B	In-house	(235,675)	(154,083)	(106,888)	(102,064)	(102,064)
B	Existing trust	(96,829)	858	58,195	63,822	63,822
B	New trust	(166,343)	(84,803)	(37,788)	(32,890)	(32,890)
D / F	In-house	(252,120)	(183,380)	(148,199)	(146,173)	(146,173)
D / F	Existing trust	(79,844)	6,146	52,765	55,128	55,128
D / F	New trust	(139,782)	(68,547)	(30,984)	(28,927)	(28,927)
G	In-house	(236,202)	(154,610)	(107,415)	(102,591)	(102,591)
G	Existing trust	(97,356)	331	57,668	63,295	63,295
G	New trust	(166,870)	(85,330)	(38,315)	(33,417)	(33,417)

* excludes the cost of the upfront capital investment into the facility

4.14 It is clear from table 4.5 that the only options that break even and potentially offer a return to the Council from an annual revenue position are those involving operation by an existing operator through a lease / management contract, given their expertise in golf course operations and ability to translate economies of scale and 'lessons learnt' from other courses in their portfolio. Each of the development options can return a surplus to the Council after year 2 under this management model although it should be noted that this does not include the financing of the c£2m capital investment into the new ancillary facilities, which is considered below.

4.15 It appears from the table that the cost of operating the course is actually projected to be higher after the new development is completed than it currently costs under the Council's in-house management. This is because income levels in a new facility generally take 2-3 years before reaching maturity and because the operating expenditure includes provision for building and equipment lifecycle costs and an initial investment of between £230k and £460k (9 hole or 18 hole) into improving the quality of the course, plus provision for £56,000 of central recharges per annum, all of which are not currently accounted for / incurred by the Council under its current in-house management arrangement.

Financial Implications - Affordability

4.16 The capital assumptions set out earlier in this section have been applied to the revenue implications over a 25 year period to provide an overall indication of affordability in table 4.6. It is important to note that this is based on the Council borrowing the capital to invest into the facility and does not factor in any capital receipt from housing that could be used to offset this borrowing.

4.17 The c£2m estimated capital cost for the new clubhouse has been prepared by quantity surveyors from Entrust. It includes provision for abnormals and contingencies to ensure that it is a realistic and prudent cost estimate.

4.18 Year 1 in table 4.6 is 2016/17. It is assumed that the new facility opens after 6 months of the year i.e. October 2016. Whilst this opening date is not ideal in relation to golf seasons, it provides a realistic timeframe for procurement, planning and construction phases. The table presents the net annual return / cost that the Council would expect to receive / incur from the golf course after factoring in the Council's borrowing costs for the capital investment.

Table 4.6 - Council net annual return/ (deficit) after including the cost of capital investment into ancillary facilities*

Development Option	Management Option	Year 1 (16/17)	Year 2	Year 3	Year 4	Year 5	Average Annual Return / (Cost) - 25 Years
B	In-house	(221,993)	(350,643)	(286,299)	(260,342)	(257,985)	**(235,396)**
B	Existing trust	(152,570)	(203,749)	(126,287)	(94,858)	(92,099)	**(74,380)**
B	New trust	(190,671)	(286,339)	(222,113)	(196,210)	(193,817)	**(172,558)**

Development Option	Management Option	Year 1 (16/17)	Year 2	Year 3	Year 4	Year 5	Average Annual Return / (Cost) - 25 Years
D / F	In-house	(230,215)	(373,514)	(321,603)	(303,052)	(302,093)	**(290,172)**
D / F	Existing trust	(144,077)	(192,613)	(126,358)	(101,919)	(100,792)	**(94,542)**
D / F	New trust	(177,391)	(264,931)	(210,583)	(190,827)	(189,855)	**(180,526)**
G	In-house	(224,607)	(354,685)	(290,342)	(264,386)	(262,030)	**(239,398)**
G	Existing trust	(155,184)	(207,791)	(130,330)	(98,902)	(96,144)	**(78,382)**
G	New trust	(193,285)	(290,380)	(226,156)	(200,254)	(197,862)	**(176,560)**

* Includes the cost of the Council financing the capital investment into the facility through borrowing but does not factor in any re-investment of the capital receipt from the housing development to offset this cost

4.19 The table demonstrates that there is no net positive business case to support any of the options based on the Council borrowing the capital funds required to invest into the ancillary facilities and seeking repayment via revenue income streams, without factoring in a capital receipt from housing. We have excluded the implications of the capital receipt from housing that can be generated under options D / F, G and I from this table as at this stage we do not know if the Council will use the capital receipt (or part of it) to fund the investment into the site, if it will reinvest the capital receipt or if it intends to reallocate the capital receipt for other Council projects and services. We have discussed the options for and implications of the reinvestment of the capital receipt from housing in more detail below.

4.20 There are different options to help make the overall business case for the project affordable. The Council could use the capital receipt from the housing to fund or partially fund the capital cost of the investment into the golf course or it could invest the capital receipt in an attempt to receive an annual return on investment and use the interest earned from this to offset the borrowing costs from the capital invested into the golf course.

4.21 The table overleaf presents the net annual return / cost that the Council would expect to receive / incur from the golf course if the Council invested £1m of the capital receipt received from the housing development directly into the cost of upgrading the ancillary facilities and borrowed the remainder of the capital investment required. This table only includes Options D/F as they are the only development options that can generate a capital receipt from housing of over £1m for reinvestment into the golf course.

Table 4.7 - Council net annual return / (deficit) after reinvestment of £1m capital receipt into the ancillary facilities*

Development Option	Management Option	Year 1 (16/17)	Year 2	Year 3	Year 4	Year 5	Average Annual Return / (Cost) - 25 Years
D / F	In-house	(185,620)	(306,822)	(254,890)	(236,316)	(235,334)	**(224,031)**
D / F	Existing trust	(99,482)	(125,921)	(59,645)	(35,184)	(34,033)	**(28,402)**
D / F	New trust	(132,796)	(198,239)	(143,870)	(124,091)	(123,096)	**(114,385)**

* Includes the cost of the Council financing the remainder of the capital investment into the facility through borrowing after reinvesting £1m received from the housing development into the capital cost of the golf course improvements.

4.22 Table 4.7 clearly shows that even investing £1m into the project is not a large enough capital investment in order to make the borrowing for the remainder of the capital cost affordable. In table 4.8 we have carried out the same modelling based on a £1.5m capital receipt investment from the Council to identify whether this will reduce the borrowing costs sufficiently to ensure that the project provides a positive net annual return to the Council.

Table 4.8 - Council net annual return / (deficit) after reinvestment of £1.5m capital receipt into the ancillary facilities*

Development Option	Management Option	Year 1 (16/17)	Year 2	Year 3	Year 4	Year 5	Average Annual Return / (Cost) - 25 Years
D / F	In-house	(163,322)	(273,476)	(221,533)	(202,948)	(201,955)	**(190,961)**
D / F	Existing trust	(77,185)	(92,575)	(26,288)	(1,816)	(654)	**4,668**
D / F	New trust	(110,498)	(164,893)	(110,513)	(90,724)	(89,716)	**(81,315)**

* Includes the cost of the Council financing the remainder of the capital investment into the facility through borrowing after reinvesting £1.5m received from the housing development into the capital cost of the golf course improvements.

4.23 Table 4.8 shows that the project could break even and begin to return a small positive annual surplus to the Council over a 25 year period (under the existing trust management model) if the Council invested £1.5m of the capital receipt received from the housing development into the capital cost of the golf course improvements. This is because the borrowing costs on the remainder of the capital investment required have been minimised through the large upfront capital investment.

4.24 If the Council funded the full capital cost of the project using the capital receipt from the housing and did not need to borrow any funds, the project would begin to show a positive annual surplus return to the Council, as set out in table 4.9 below.

Table 4.9 - Council net annual return / (deficit) assuming full cost of ancillary facilities funded from capital receipt*

Development Option	Management Option	Year 1 (16/17)	Year 2	Year 3	Year 4	Year 5	Average Annual Return / (Cost) - 25 Years
D / F	In-house	(126,060)	(217,750)	(165,789)	(147,186)	(146,173)	**(135,696)**
D / F	Existing trust	(39,922)	(36,849)	29,456	53,947	55,128	**59,933**
D / F	New trust	(69,891)	(104,165)	(49,766)	(29,956)	(28,927)	**(21,089)**

* Includes zero cost for the Council financing the capital investment as no borrowing is required. Does not take account of any loss of interest on the capital invested into the golf course improvements.

4.25 If the Council utilised the capital receipt from the housing to fund the full capital cost of the golf course project it would not need to borrow any of the capital required (and thus not incur the borrowing costs) so the project would return an annual surplus to the Council of circa £60k per annum over the 25 year period. It should be noted that receiving a return from the course averaging c£60k per annum for the 25 years equates to a total return of c£1.5m. However, the original upfront capital investment required is estimated to be in the region of £2m so the golf course investment project is unlikely to pay for itself over a 25 year period. The case for proceeding with the project is that the course would not require a long-term revenue subsidy and there would be another c£4.5m remaining from the original capital receipt from the housing development that could be reinvested elsewhere.

4.26 An alternative option to make the overall business case for the project affordable would involve the Council reinvesting the capital receipt received from the housing in an attempt to receive an annual return on investment and use the interest earned from this to offset the borrowing costs from the capital invested into the golf course.

4.27 Option B does not generate a capital receipt for the Council so can be discounted as an affordable option over the 25 year period. However, the other options (D, F, G and I) do generate capital receipts that could earn interest and contribute to the affordability of the options. The revised affordability based on the return from investing these capital receipts is set out in table 4.10 below. For the purposes of this comparison we have assumed that the full amount of any capital receipt received will be invested at an interest rate of 2% per annum.

4.28 All options that involve the Council receiving a capital payment for the sale of land for development assume that the Council will receive the capital receipt in one lump sum payment which will be reinvested and start gaining interest from Year 1 (2016/17) onwards.

4.29 The revised affordability for the options taking into account the interest from the capital receipt to offset the cost of the borrowing is set out below.

Table 4.10 - Revised Annual Return / (Cost) for the Council Based on Reinvestment of Capital Receipt*

Development Option	Management Option	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)	Average Annual Return / (Cost) - 25 Years
D	In-house	(58,293)	(162,558)	(107,882)	(86,509)	(82,672)	**(45,249)**
D	Existing trust	(8,477)	(54,301)	14,720	41,980	45,985	**79,190**
D	New trust	(41,791)	(126,619)	(69,505)	(46,927)	(43,077)	**(6,793)**
F	In-house	(54,793)	(158,988)	(104,240)	(82,794)	(78,884)	**(40,765)**
F	Existing trust	(4,977)	(50,731)	18,361	45,695	49,774	**83,674**
F	New trust	(38,291)	(123,049)	(65,864)	(43,213)	(39,288)	**(2,309)**
G	In-house	(219,607)	(349,585)	(285,140)	(259,080)	(256,618)	**(232,992)**
G	Existing trust	(150,184)	(202,691)	(125,128)	(93,596)	(90,732)	**(71,976)**
G	New trust	(188,285)	(285,280)	(220,954)	(194,948)	(192,450)	**(170,154)**
I	N/A	273,100	278,562	284,133	289,816	295,612	**349,899**

* Includes the cost of the Council financing the capital investment into the facility through borrowing but reinvesting the capital receipt received from the housing at an interest rate of 2% per annum

4.30 The table shows that Options D and F (operated through an existing trust) could provide an average return to the Council of c£80k per annum if the capital receipt was reinvested, although the first two years of the 25 year period are both in deficit. Option F provides a slightly better return to the Council than Option D because the 'back 9' land has been valued at a greater level than the front 9 for development purposes (based on notional scheme estimates from the DVS report. The final capital receipt will only be clear at the point of sale and depends on a number of factors). The value of the land that could be developed under Option G is not significant enough to have a major impact on the affordability of Option G.

4.31 Option I which involves disposing of the whole course is clearly the most financially advantageous for the Council as it has a greater land value and does not involve any borrowing costs for investment or an on-going revenue responsibility for the course. It should be noted that no sale, security or demolition costs have been factored into the assessment for Option I. It is assumed that the course will be sold during the 2015/16 financial year and all ongoing site costs will be the responsibility of the developer.

05

5. Summary and Conclusions

Summary

5.1 FMG was commissioned by the Council to carry out a needs assessment and options appraisal for the future of Tamworth Golf Course with the intention of helping to identify the most suitable option for the future long-term direction of the golf course.

5.2 The first stage of our work involved a Needs Assessment which defined the outcomes required from the project and determined a long list of options for the future delivery of the golf course. This long-list was then evaluated against the project outcomes which resulted in a shortlist comprising of the options listed in table 5.1.

Table 5.1 – Short-listed Options

Option	High-Level Description
B	Retention of 18-hole golf course, plus development of ancillary provision (clubhouse / health & fitness gym / complimentary leisure facilities).
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).
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.
I	Complete disposal of entire site to generate capital receipt to be utilised for wider strategic aims.

5.3 These options have been modelled to identify the overall affordability of each option when combined with the following management options:

- **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).

5.4 From the revenue modelling carried out it is clear that the only options that break even and potentially offer a return to the Council are those involving operation by an external existing operator through a long lease / management contract. Each of the development options has the potential to return a surplus to the Council after year 2 under this management model from a revenue perspective, however when including the financing of the c.£2m capital investment required into the new ancillary facilities, it becomes clear that only the options that can generate a significant capital receipt (D/F/I) are viable from a net cost position.

5.5 This is illustrated by table 5.2 where none of the options are affordable without a capital receipt.

Table 5.2 - Affordability per Option Excluding Capital Receipts

Development Option	Management Option	Average Annual Affordability - 25 Years
B	In-house	(235,396)
B	Existing trust	(74,380)
B	New trust	(172,558)
D / F	In-house	(290,172)
D / F	Existing trust	(94,542)
D / F	New trust	(180,526)
G	In-house	(239,398)
G	Existing trust	(78,382)
G	New trust	(176,560)

5.6 Option B can be ruled out as it does not generate a capital receipt from housing to help fund the investment into the golf course. To make the project affordable, the Council could invest some of the capital receipt received from the housing development to fund the capital investment into the golf course facilities. Options D / F are the only viable options for this as Option G does not provide a significant enough capital receipt.

5.7 The report has concluded that the Council would need to reinvest c£1.5m of the capital receipt received into the capital cost of the golf course improvements under Options D / F (therefore minimising the need to borrow and the associated borrowing costs) in order to receive a positive average annual return from the golf course.

4.32 If the Council utilised the capital receipt from the housing to fund the full capital cost of the golf course project it would not need to borrow any of the capital required (and thus not incur the borrowing costs) so the project would return an annual surplus to the Council of circa £60k per annum however this would only generate a return of c£1.5m per annum over a 25 year period when compared to the original upfront capital investment of over £2m.

5.8 An alternative option is to reinvest the capital receipt from the housing development. If the capital receipts generated were to be reinvested at an interest rate of 2% per annum then Options D and F would become affordable. Examining the return on investment of any capital receipt received also demonstrates the positive net position of Option I.

5.9 The revised affordability for the options, taking into account the interest from the capital receipt to offset the cost of the borrowing is set out in table 5.3 below.

Table 5.3 - Revised Affordability Based on Reinvestment of Capital Receipt

Development Option	Management Option	Average Annual Affordability - 25 Years
D	In-house	(45,249)
D	Existing trust	79,190
D	New trust	(6,793)
F	In-house	(40,765)
F	Existing trust	83,674
F	New trust	(2,309)
G	In-house	(232,992)
G	Existing trust	(71,976)
G	New trust	(170,154)
I	N/A	349,899

5.10 The table shows that Options D and F (operated through an existing trust) could provide an average return to the Council of c£80k per annum if the capital receipt was reinvested, although the first two years of the 25 year period are both in deficit. Option F provides a slightly better return to the Council than Option D because the 'back 9' land has been valued at a greater level than the front 9 for development purposes (based on notional scheme estimates from the DVS report. The final capital receipt will only be clear at the point of sale and depends on a number of factors). Options D and F both do not start generating a return for the Council until year 3 (2018/19), however, there may be an opportunity to agree a solution to this whereby the operator cashflows early year deficits in return for lower future payments to the Council in later years.

5.11 The value of the land that could be developed under Option G is not significant enough to have a major impact on the affordability of that Option.

5.12 Option I, which involves disposing of the whole course, is clearly the most financially advantageous for the Council as it has a greater land value and does not involve any borrowing costs for investment or on-going revenue responsibilities for the course. This Option generates a return to the Council from 2015/16 as it removes the cost of operating the course and generates interest immediately.

Conclusions

5.13 Whilst it is clear from a financial position what the most advantageous option is for the Council, this needs to be considered against the strategic and risk implications as set out in Section 3 of this report. These include some key issues for the Council such as:

- It is likely that Options I and D / F would be extremely unpopular with members of the golf course and local residents;
- The case will need to be proved that there is no longer a strategic need for the golf course otherwise Sport England are likely to object to any solution that involves loss of provision;
- Converting to a 9 hole course could limit the market interest from operators, as soft market testing has revealed that this is not a preferred model and there may be likely to be less interest from operators;
- There is a clear need for housing in the Borough that remains to be solved. The decision on which option to implement needs to take account of the latest position on other potential housing development sites in Tamworth to inform whether the golf course is an important strategic housing location.

5.14 In summary, given the financial constraints there are two primary options:

- Options D / F – sell half of the course for housing and provide a 9 hole golf course, in line England Golf's views on future municipal provision. Use a portion of the capital receipt or the interest from the reinvestment of the capital receipt to help fund the upfront investment required into the course. Outsource the management of the 9 hole course to an existing operator (charitable trust). This has the advantages of continuing to provide a golf course in Tamworth, providing additional housing land and providing an additional capital receipt for reinvestment into other strategic priorities, thus balancing the raft of competing pressures on the Council. However, a clear risk with this option is that the operator of the 9 hole course is not successful and the Council has to again provide revenue funding to support the course in the long-term, particularly given the limited market appetite for 9-hole provision.
- Option I – sell the entire course for housing. Reinvest some of the capital receipt into increasing participation and improving facilities, services and providing alternative open spaces within the Borough. This will remove the risk of the Council having any long-term revenue responsibility for the site and will generate significant capital funds for the Council. The primary risks with this option are from resident objections, achieving planning permission and damage to the Council's reputation as the Borough will no longer be providing a golf course, albeit that ring-fencing of part of the capital receipt generated could be used to invest in alternative sport and leisure facilities, in line with the wider sport and leisure needs in the Borough.

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