

BUDGET SCRUTINY – MUNICIPAL GOLF COURSES

Report of the Director of Corporate Services.

SUMMARY OF REPORT

1. To present information to the Commission on the selected areas for budget scrutiny as part of the 2003/04 budget process.

MATTER FOR CONSIDERATION

2. As Members will be aware, at the meeting on 22 October 2002, the Scrutiny Management Commission agreed a number of discrete budget areas for specific scrutiny. It was agreed that the Environment and Sustainability Overview and Scrutiny Commission should consider the budget area of municipal golf courses. This report aims to present the information needed to carry out this scrutiny role and to inform any recommendations the Commission may wish to make to the Council Cabinet on this budget area.

FINANCIAL IMPLICATIONS

3. Contained in attached issues paper.

LEGAL AND POLICY IMPLICATIONS

4. For legal implications see paragraphs 3.1, 3.2 re golf courses, paragraph 3.18 as development land, section 4 regarding options; the entire report deals with the interaction between budget and policy implications.

PERSONNEL IMPLICATIONS

5. Any sale whether as going concerns or other uses or any long term public/private partnership would have implications for the Council employed grounds maintenance staff.

ENVIRONMENTAL IMPLICATIONS

6. All the options set out at section 4 would be likely to have minimal environmental impact because of the restrictions on any alternate use because of the parks designation as public open space.

EQUALITIES IMPLICATIONS

7. There are frequent references throughout the report to the social inclusion agenda of the City Council. See particularly paragraph 3.2.

RECOMMENDATION

8. The Commission is asked to consider the attached issues paper and to make recommendations to Council Cabinet on this budget area.

1. ISSUES PAPER

Background process

1.1 The Scrutiny Management Commission at its meeting on 22 October agreed the discrete budget areas for scrutiny by the Environment and Sustainability Overview and Scrutiny Commission should be the municipal golf courses. At the meeting of this Commission held on 30 October the following terms of reference were agreed:

To undertake an open minded value for money review considering:

- the likely trends in usage *and*
- net costs of both sites

resulting in either:

- reassurance about the future use of public money as golf courses or
- offering Council Cabinet a range of evidence based choices.

1.2 The meeting also agreed a series of twenty questions which when answered would provide baseline information for the special meeting arranged for 5 December 2002.

1.3 The next sections deal with each question in turn. As well as receiving fulsome co-operation from officers in Commercial Services the co-ordination officer also met with the manager of Cannon Leisure and undertook a survey of neighbouring authorities to obtain comparative information.

2. National trends affecting golf

2.1 In the past new golfers would learn the game on municipal courses and those then wishing to join a private/proprietary course, *and* possessing the means to pay the joining fees and annual subscription, had a long wait before a space became available because demand outstripped the supply. Municipal courses therefore drew custom from:

- learners,
- established occasional players
- keen but not affluent regulars and
- the affluent waiting for acceptance into a private/proprietary club.

2.2 Nationally the 1990s have seen a large expansion in the number of private and proprietary courses and this is also true locally with 14 other courses within a ten mile radius of the city. That expansion and other factors have affected both supply and demand and, in particular, have reduced the waiting times for private/proprietary courses. Rather akin to commercial television in the 1960's ("a license to print money"), residential care and nursing homes in the 1980's, and the national housing market, golf was seen as a safe growing market but which

proved not to be sustainable for all the providers who joined it. Distribution of courses was not always matched to demand and some course developers over extended and did not survive. The number of golfers has remained stable at 3.6 million (source: Golf Research Group) for nearly a decade rather than continuing to grow and the average number of games played per golfer has reduced. Taken together this has produced what has been termed a dilution of players to the facilities available and, in some parts of the country, oversupply.

2.3 The results of diluted demand include:

- reduced or even eliminated waiting lists at private/proprietary courses – meaning less affluent-but-experienced players using municipal courses
- without waiting lists, keen novices can learn at private/proprietary courses
- acceptance by private facilities of pay-and-play golf – meaning that some occasional players no longer have to use Council courses.

2.4 Therefore of the four categories at para __ municipal courses will still tend to attract:

- learners who are not wholly ‘caught up’ in the game and/or not affluent
- established occasional players who would not get benefit from annual subscriptions

and can also be the location of choice for keen golfers (in preference to private or proprietary courses) where the course itself and amenities provided meet expectations.

2.5 Derby’s two municipal courses appear to have real strengths. Both are mature, being established during the inter-war years. For the Best Value review 91% of customers rated the course good or excellent; the management company also recently surveyed golfers with knowledge of other local courses and this showed the quality of the two courses to be equal to most and better than some of the private/proprietary operators.

2.6 Practice facilities at both courses and car parking at Allestree were not rated adequate in the Best Value review.

2.7 The newest courses have the advantage of modern buildings and a widening range of facilities whilst municipal courses have not generally had the benefit of large scale capital investment and, given competing priorities, are unlikely to do so. The attached table summarises the range of facilities at 29 courses in Derbyshire.

3. Baseline Information

The following responses incorporate comments from the Director of Commercial Services and the Director of Development and Cultural Services and are also informed by discussion with Cannons Leisure Management

3.1 Why does the Council provide golf courses?

The inter-war years were nationally a significant time of golf course development and in Derby the Sinfin course was created in 1923 and that at Allestree in 1930. This accorded with the prevailing philosophy that recreational facilities should be locally available at affordable prices. There has never been a statutory duty to provide golf courses and many usually smaller, rural authorities have not done so. There are only two other municipal courses in Derbyshire; Leicestershire and Nottinghamshire both contain five and Staffordshire contains six (source: Golf Research Group).

Exhibit 1 Approval of the Sinfin Golf Course

i) County Borough of Derby Agenda for January 3rd 1923

Estates and Improvement December 29th 1922

Resolved -(words omitted)

1173 That the Council be recommended to authorise the Committee to make arrangements for the provision of a Municipal Golf Course at Cotton's Farm and to incur an expenditure of not exceeding £500 for the purpose

ii) Derby Evening Telegraph 3 January 1923

The paper reported that Cllr Marsden moved the adoption of the report. "It was felt that there was a demand for all types of sport and particularly golf, and the scheme would provide a certain amount of money, he thought £500, though not a large sum, would enable them to get a very respectable golf course".

3.2 Should the Council provide golf courses?

Ultimately this is of course a question for members. Posing the question is integral to the Best Value review conducted in each and every service and the answer is a combination of an authority's statutory responsibilities, views of the political leadership and local circumstance.

The ethos that led to the establishment of municipal courses might nowadays find an echo in the national policy agenda of social inclusion. Municipal courses provide opportunities for a wider range of users than private golf clubs which charge more for pay and play, require annual subscriptions and –usually - private transport to access. Continued provision might be seen to contribute to the following corporate aims:

‘Great place to live’ by providing sporting opportunity for all sections of the community

‘More achievement, more achievers’ by providing an opportunity to become proficient in the game.

Though an adequate supply of private/proprietary courses is available locally, an analogy may be drawn with the Council’s support for the establishment of Derbyloans, the community based finance institution, providing a service not of universal interest to the population but wanted and appreciated by sections of the population.

It should be added though that Members have to make difficult resource allocation decisions and circumstances could not be ruled out where a desirable service should not be maintained when essential services are at risk.

3.3 What have been the trends in usage over the past 10 years?

Exhibit 2 Total course users

Year	Sinfin	Allestree	Total
1991			
1992			
1993			
1994	41,258	43,398	84,656
1995	43,669	41,988	85,657
1996	46,931	39,308	86,239
1997	43,375	41,148	84,523
1998	44,811	41,866	86,677
1999	43,375	38,418	81,793
2000	32,387	34,899	67,286
2001	23,754	29,305	53,059

A health warning applies to the above figures as they are known not to be entirely accurate; this is mainly attributable to season ticket holders sometimes teeing off without first reporting to the office and thus being logged. The trends however accord with the national picture.

The income received from playing golfers is known to be accurate and is set out below.

Exhibit 3 Green and season ticket income

Year	Sinfin £	Allestree £	Total £
1991	199,652.04	204,956.44	404,608.48
1992	200,732.04	238,810.19	439,542.23
1993	194,182.05	246,483.30	440,665.35
1994	201,253.96	225,239.03	426,492.99
1995	211,512.36	216,769.55	428,281.91
1996	222,937.42	207,543.45	430,480.87
1997	228,176.32	233,457.57	461,633.89
1998	229,750.86	242,645.55	472,396.41
1999	243,660.19	247,130.28	490,790.47
2000	224,536.90	231,608.74	456,145.64
2001	191,630.16	211,548.77	403,178.93
2002 (estimate)			416,027 (est)

A graph showing the above information together with 5 and 10 year trends is included at appendix 3

3.4 What have been the trends in neighbouring LAs?

The Golf Research Group reports that nationally: “the average number of rounds per year played over municipal courses has fallen from 65,000 in 1990 to 34,859 in 2001. The boom in proprietary course construction was the key casual factor in the early 90’s. More recently poor seasonal weather has been most commonly cited as the main contributing reason”.

At the time of writing a survey of other local authorities is being undertaken which it is hoped might also help answer this question. Because only two other courses are sited in Derbyshire information from districts within neighbouring counties are being included.

3.5 How does Derby compare with other free standing towns of similar populations?

Preceding comment applies.

Exhibit 4

Golf World Says:

The sums are simple – the game needs more golfers. And to attract more newcomers to the sport, Golf World believes that golf needs to become socially and economically accessible to all individuals. To do this, golf should

improve its current stock of municipal courses and create new public facilities that are genuinely open to all, especially juniors. These don't have to be full-length 18-hole courses – short, nine-hole layouts attached to sports centres, driving ranges and new courses, make the ideal place to start. Existing municipal courses also need to look at their existing green fee structure and find ways of encouraging people to play more regularly. Proprietary clubs have made great strides in enabling to talk e up the sport, but the necessity to make money will always restrict their ability to offer cheap golf for all. As for private clubs, change is being made at a painfully slow pace. But as many clubs are finding out for the first time, they have to think about their long term future – not just the next season. And that means thinking about where the new members are coming from.

12/2002

3.6 If the trends continue, what would be the net costs of running the course in 5 and 10 years?

The co-ordination officer comments that this is very difficult to predict. Making forecasts about usage trends is difficult at present because it is too early to say whether the substantial reduction experienced in Derby (22% for income) and elsewhere in the last two years is largely due to the adverse weather. For municipal usage to begin a sustained rise would require a trend of decline of at least six years duration to be reversed.

A further factor is that the current contract sees the operator making a constant annual payment to the Council ie the contractor absorbs the peaks and troughs. This means that changes in usage do not vary the cost/profit to the authority. However usage trends during the life of the contract inform the Council, current contractor and potential other bidders about the likely tender figure to expect. As a consequence the current annual payment is less than under the contract it replaced.

The present five year contract expires at the end of 2005. When the re-tendering process takes place, influences will include actual economic events in the meantime and tenderers perceptions about the likely market for golf over the life of the new contract. Would a major recession resulting in less consumer spending money be thought likely to adversely affect players equally, impacting on municipal, private and proprietary courses? Or might less affluent club annual subscription holders displace to municipal pay and play?

Appendices 4 and 5 show the cost of the course in 5 and 10 years at current levels of contract fee income and also if that income was £100, 000 higher or lower.

3.7 Is there evidence from other LAs that the cost of upgrading the facilities would result in a permanent increase in fee income and improved net costs?

It is hoped the survey being undertaken of other local authorities might help answer this question.

Exhibit 5

Golf Research Group:

25 municipal facilities have now been leased out in full under a long lease to the private sector, and many more are considering this option under Best Value. This is particularly attractive to authorities whose courses and clubhouses are in need of capital improvements, but who don't have the necessary funds themselves.

3.8 What type of upgrade is being envisaged for the Derby courses and what is the contractual duration being sought in return?

No large scale upgrade proposals have been worked up from the client side yet. However, the Best Value Improvement Plan (page 21 refers) that by June 2005 development options will have been investigated by the Parks Management Team in conjunction with Estates and Planning Divisions. The current contractor is expected to formulate suggested proposals over the next few months.

In terms of capital investment for improved amenities the scale would depend upon what Members wished to offer from a "Municipal Golf Course". To compete with other privately run golf courses in the area, we would need to offer enhanced leisure and entertainment facilities, including perhaps hotel accommodation, restaurants, conference facilities and so on.

At Allestree the Hall is in need of substantial refurbishment. Various options have been looked at and the latest, use by the University, has just been ruled out. If a Leisure / Hotel group was willing to invest the £Ms required to refurbish Allestree Hall, we may need a form of public private partnership arrangement, including management, in the range 20 - 25 – 30 years for the investor to secure an acceptable return on the capital employed. See paragraph 3.18 on development limitations.

Similarly, there is also a large building at Sinfin, which might form the nucleus of a development, possibly with some involvement from local industry.

The term upgrade should not be taken to include maintenance as very high maintenance standards are currently achieved on both golf courses.

3.9 How would the risk be borne/shared between the LA and contractor?

The process would be to invite expressions of interest. Any proposals would be considered which would preserve the golf courses and refurbish the associated properties. The Council would require guarantees that the golf courses would be operated in accordance with its themes, values and priorities. As mentioned above, a form of public private partnership arrangement, including management, might be required in the range 20 - 25 – 30 years, depending on the scale of out lay, for the investor to secure an acceptable return.

Exhibit 6

Queens Park in Bournemouth is owned by the Borough Council. It is just one of a long list of municipals whose pay and play numbers have dwindled in recent years. "In the early eighties we used to get around 70,000 green fees a year. Now we have around 50,000. The problem is that there are a lot more golf courses in the area now".

"We need about £2 million to upgrade facilities but golf is not high on the council's list of priorities. Instead it is looking to attract the proprietary sector to invest or purchase the facility"
Golf World 12/2002

3.10 What has been the growth in provision in private golf courses over the last 10 years?

There are now 14 courses within ten miles, some of them new. Many of these offer value added facilities, providing a total golf experience for players, conference facilities for business hires and wedding venues. Taking the county of Derbyshire the total number of courses is currently 42, an increase of 8 since 1990. The corresponding change for Leicestershire has been a rise of 11 (also to 42) and Nottinghamshire a rise of 10 to 33 (source: Golf Research Group)

3.11 How does that compare to the national picture?

550 new courses were built during the 1990s representing a 28% increase in supply (ibid).

3.12 What are the charges for a round of golf in Derby compared to other LAs – both locally and nationally?

£11.50 per round throughout the week. The UK average municipal green fee is £11.35

3.13 For a keen golfer, how would annualised round fees compare to membership subscriptions for a private club?

Both Sinfin and Allestree Park offer annual season tickets and keen golfers tend to invest in these; holders can play on both courses and, as they pay a fixed amount per year, benefit from significant savings depending on the number of rounds played. Green fee players mostly do not play regularly.

3.14 Is it possible to gauge the value of the social aspects of club membership?

Private members clubs traditionally had waiting lists of people wishing to join and being willing to pay a one off joining fee and annual subscriptions. So over and above the physical amenity of the golf course, participation in a social environment has been a feature of the sport players have been willing to pay for. Compared to municipal courses some people may perceive private/proprietary courses to have a higher status – akin to the views of some about state/public schools; these ‘intangibles’ may derive from a sense of exclusivity.

3.15 If use for golf ceased at one or both sites, how appropriate is/are the location(s) as public parks eg population catchment areas, accessibility?

Both golf courses are Public Open Space. Sinfin could be converted to a park and, indeed, there is a shortfall of parkland in the south of the City area. Allestree, as well as being a golf course, is also our largest park and incorporates a woodland, a lake and a recently declared Local Nature Reserve. There have been ideas mooted in the past to relocate the Allestree golf course eastwards to allow the extension and reinforcing of the public open space element of the park to allow it to better perform a city park function.

3.16 Would there be outlay (capital) costs associated with conversion to public parks?

This would be entirely dependent on the nature of the amenities desired. Open space would be comparatively cheap but the provision of a large playground or boating lake would require significant capital.

3.17 If so, what would be the likelihood of attracting external funding?

In light of the Best Value review the council is appointing a funding officer to explore the possibilities generally for attracting external funding into the Parks. However, eligibility for most external funding is associated with local deprivation and this excludes Allestree and probably Sinfin. Although Allestree is set above the Derwent Valley now designated as a World Heritage Site it has been suggested that it is probably *not* close enough to use as a “plus” point in grant applications.

Sinfin *ward* is one of Derby's most deprived, being one of the top three priority neighbourhoods out of the twelve identified in the Neighbourhood Renewal Strategy. However the golf course is outside the eligible area so agreement would be needed to change the boundary. *If* that were achieved there could be eligibility for Renaissance funding, intended for environmental improvements, from the Neighbourhood Renewal Fund

3.18 Would the site(s) be usable for development land?

Although the Sinfin course is not identified as public open space, the planning policy context is, if anything, stricter because it lies within green wedge. This would certainly rule out any form of built development such as housing, employment etc. Small scale buildings ancillary to open uses (eg changing facilities for sports pitches) are usually acceptable. Appropriate types of uses are open ones such as agriculture or forestry, outdoor sport and recreation, nature conservation areas, cemeteries and, possibly, public utilities where it can be shown a suitable site outside the green wedge is not available. Therefore this also suggests a public open space/parkland type use as the most likely alternative to use as a golf course.

Regarding Allestree, the Local Plan clearly states that within areas of public open space permission will not be granted for development other than that associated with the provision of leisure and recreation uses. It would be difficult to envisage any alternative uses that were not about extending or reinforcing the public open space element of the park to allow it to better perform a city park function. The site is greenfield and the chance of residential redevelopment at least in the foreseeable future is not conceivable. There may, however, be some scope for craft type employment uses as part of the park operation - rather similar to those at Markeaton Park. However, standard employment uses would not be acceptable here. It should also be noted that the City does not require more employment land and oversupply should be avoided.

The northern and eastern part of Allestree Park is identified as green belt which precludes development.

3.19 If so, what is/are the potential capital receipt(s)?

Given the restrictions on use described above any capital receipt would be limited

3.20 How vulnerable are those figures to changes in the housing market?

In light of the forgoing answers this is not applicable.

4. Options

4.1 Distilling the above, it would seem that the following principal options are available. It is important to stress that inclusion as an option *does not* equate with desirability; however any recommendations that result from the review are more likely to be robust when tested against the other possible courses of action.

4.2 **Option 1 Retain the golf courses with incremental improvements**

This would be associated with shorter term re-lets of the management contract with low levels of capital investment by the successful bidder.

4.3 **Option 2 Retain the golf courses with major investment**

This would be characterised by a long term partnership relationship, perhaps 20 to 30 years, with the successful contractor making large scale capital investment in the expectation that an adequate return would be yielded over the full term. Issues to be addressed would include asset ownership at the end of the contract and compliance with the Council's values and standards eg promotion of social inclusion through pricing strategies. Because this would involve a very long term assessment of the golf market, the transfer or balance of risk would be key.

4.4 **Option 3 Sale as going concerns**

The Council might choose to divest itself of the assets but with a form of legal restriction ensuring continued use as golf courses and public open spaces. The sale price would inevitably reflect that sole use; the timing of the sale would also influence the sale price as potential buyers assessed the long term prospects of the market for golf. This option would save the Council all the transaction costs of owning the asset, subsequent tender cost and overseeing the contract; however it would also mean the Council choosing to take no further role in shaping this leisure activity or influencing the game towards social inclusion. (See footnotes 1 and 3)

4.5 **Option 4 Close and convert to public open space**

This is the first option that involves the cessation of the sport at the sites. If the motivation is to make economies, at present this would not save the Council money as operation of the sites as parks yields no income. Appendix 2 shows this. As described at paragraph 3.6 during the life of the contract a fixed payment is made to the Council with the contractor absorbing the peaks and troughs. This also means that trends in usage do not immediately impact on the Council. However – and linking with Option 1 - if the national decline in usage of municipal courses was to continue locally future tenders would see bids with lower annual payments. One approach would be to use the net cost of

alternative use as parks as a benchmark and, if no tender bid would produce a better result, to use that as a trigger for closure. Appendices 4 and 5 are relevant

4.6 **Option 5 Close and sell**

Also involving the cessation of the sport at the sites this would result in a capital receipt for the Council. However for the reasons contained in paragraphs 3.18 and 3.19 and the designation as public open space, the size would be a fraction of the value were housing development a possibility. (See foot notes 1 and 3)

There are a number of permutations between the forgoing options for example:

- different outcomes for the two courses
- mid way contract lengths between options 1 and 2 involving medium investment.

Foot note 1 – the designation of public open space might be lifted if alternate land could be designated within the same vicinity

Foot note 2 – a variant for options 1, 4 and 5 would be the sale of Allestree hall including for possible conversion to residential flats.

Foot note 3 – with options 3 and 5 loss of control of the central area of Allestree Park would make access to and management of the remainder difficult.

Conclusion

As an issues paper it would be inappropriate to make any recommendations. It is hoped that in providing the baseline information and some discussion of the factors and options this will assist members in exploring the subject with Council Cabinet members and officers at the special meeting on 5 December 2002.