



**Council Cabinet
11 September 2019**

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Manager

ITEM 18

Disposal of Allestree Hall and future operation of Allestree Park

Purpose

- 1.1 Following a marketing exercise, a preferred bidder has been identified for the purchase of Allestree Hall.
- 1.2 This report sets out both the details of the disposal and the implications of the preferred bidders' proposals for the future operation of Allestree Park and golf course.

Recommendations

- 2.1 To dispose of Allestree Hall to the proposed bidder on the terms set out in the confidential version of this report
- 2.2 To consult with relevant stakeholders, on the potential closure of the golf course.
- 2.3 To provide an opportunity for third party organisations to make viable business proposals which offer a sustainable future for the golf course by way of an Expression of Interest exercise.
- 2.4 To agree that if no viable proposal is received, that the golf provision ceases and for the course to be decommissioned and absorbed into the existing parkland.

- 2.5 To delegate authority to the Strategic Director of Corporate Resources and the Strategic Director of Communities and Place in consultation with the Cabinet Member for Governance and Licensing and the Cabinet Member for Leisure, Culture and Tourism to :-
- i). Agree detailed terms for the disposal of Allestree Hall.
 - ii). Undertake consultation on the proposals for the future operation of the golf course.
 - iii). Undertake the Expression of Interest Exercise for the golf course.
 - iv). Agree and approve the criteria for assessing the viability of any submitted business proposal which offers a sustainable future for the operation of the golf course.
 - v). Determine whether a viable proposal has been submitted.
 - vi). Agree the closure of Allestree Park golf course if no viable business proposals are submitted.

Reasons

- 3.1 To enable the disposal of Allestree Hall to progress.
- 3.2 To deliver a capital receipt from the disposal of Allestree Hall.
- 3.3 To eliminate the Council's financial and reputational liabilities associated with Allestree Hall.
- 3.4 To enable the Council to commence a consultation process with relevant stakeholders and to undertake an Expression of Interest Exercise to help reach an informed decision on the future of Allestree Park Golf Course.

Supporting information

Allestree Hall and Golf Course

- 4.1 Allestree Hall is a Grade 2* listed building located within the middle of Allestree Park. Due to its poor condition, the building is listed on Historic England's, "Heritage at Risk Register". This represents a reputational risk for the Council.
- 4.2 A building survey commissioned in June 2018 quantified the cost of rectifying items of disrepair at £2.8 m excluding VAT and fees.

- 4.3 Allestree Park is one of the Council's major parks. At 130 Hectares (320 Acres); it is the largest open space in Derby. It contains areas of both woodland and open space. Part of the park is used as a "pay and play" 18 hole golf course. Please see plan in Appendix 1.
- 4.4 Due to the Hall's location in the park, various facilities used to support the operation of the golf course, the park and other services are located within Allestree Hall itself and the adjoining outbuildings. In addition, part of the Hall is let to Allestree Park Golf Club who use it as their base; club room; bar and catering facilities.
- 4.5 Other occupants of the outbuildings include; a residential tenant, Friends of Allestree Park and a Derby Museums storage building.

Appendix 2 illustrates the location and use of these facilities.

- 4.6 To provide an area which would be attractive to a prospective purchaser and to minimise the Council's future maintenance liability, a sale area was proposed which included Allestree Hall and all associated outbuildings. This is shown edged green on the plan in Appendix 2.
- 4.7 Allestree Hall was marketed offering the opportunity for any prospective purchaser to operate the golf course if desired.
- 4.8 Of the seven valid offers received for Allestree Hall, only two of the bidders expressed a serious interest in running the golf course.
- 4.9 In respect of these two bidders apart from their bids in respect of Allestree Hall being less suitable than that proposed by the preferred bidder, one was discounted due to their poor financial standing and the other required the Council to take on all financial risks associated with running the golf course.
- 4.10 A preferred bidder has been identified; however they do not wish to operate the golf course.

Proposed Disposal of Allestree Hall

- 4.11 The preferred bidder is proposing to convert the Hall and ancillary buildings into a wedding venue. For that to occur, Planning and Listed Building Consent will be required, prior to commencement of any agreed refurbishment / redevelopment scheme at Allestree Hall.
- 4.12 Upon the receipt of Planning and Listed Building Consent, the Council will grant a 250 year lease. Upon final completion the purchaser's scheme, a 999 year lease will be granted.
- 4.13 The disposal of Allestree Hall to the preferred bidder has been endorsed by the Corporate Property Board, and the Corporate Leadership Team.

4.14 The disposal of Allestree Hall will deliver the following benefits:

- The generation of a Capital receipt
- Eliminates financial and reputational risks of holding this vacant asset.
- The restoration and preservation of an important Grade 2 * listed property.
- Restoration ensures building is removed from HE Heritage at Risk register.
- Brings an historic landmark building back into active use.
- Creation of employment opportunities associated with proposed use.
- Preferred bidder has a proven track record, and is an experienced operator.

4.15 The preferred bidder does not wish to operate the golf course. Therefore vacant possession of the Hall and out buildings will need to be provided at the commencement of the 250 year term. The Council will, depending on the outcome of the consultation on the future of golf provision at the park, have to either vacate or replicate the various facilities shown in Appendix 2. Based on the indicative time set out below vacant possession will need to be provided by September 2020.

4.16 The exception to this is the Allestree Park Golf Club, whose lease will transfer to the new owner on completion of the sale.

Golf provision within Derby and environs

4.17 Allestree Park golf course is one of 11 golf courses within a reasonable drive time of Derby that include :

- Derby Golf Centre, Spondon (driving range only)
- Mickleover Golf Club
- Pastures Golf Club, Mickleover
- Sinfin Golf Course
- Breadsall Priory
- Brailsford
- Chevin Golf Club
- Horsley Lodge
- Kedleston Park
- Morley Hayes.

Market Dynamics – Golfing Provision

4.18 The leisure market is highly fragmented, with participants able to choose from a diverse range of leisure activities.

4.19 A survey by England Golf undertaken in 2016 revealed that one in five golfers has given up a club membership since 2004. Membership of clubs in England has fallen from 850,000 in 2006 to 652,000 in 2016.

4.20 In their 2018 survey, English Golf has identified that this rate of decline in numbers has reduced, with certain clubs managing to increase their membership numbers, albeit only after undertaking significant investment in their facilities and course and implementing changes to their operating model.

4.21 The competitive environment of local golf provision is evidenced by the recent closure of Maywood golf club, Sandiacre, earlier in 2019. Upon opening in 2006 the club had 350 members, which had fallen to 210 in late 2018.

In comparison, Allestree Park Golf Club has a membership of circa 90.

4.22 In 2015, the Council leased the operation of Sinfin Golf Course, its other golf course to Sheffield City Trust, (SCT) for a term of 15 years.

4.23 Under the lease terms, the Council pays an annual management fee to SCT to operate Sinfin golf course.

4.24 In addition to the Sinfin site, SCT operates three golf courses in Sheffield, and one in Chesterfield.

- 4.25 Demand for the current golf offer at Allestree Park is very low compared to the capacity available.

The table below provides details of rounds played for both Allestree and Sinfin golf courses.

	2017/18	2018/19	2019/20 (forecast)
Allestree Golf Course	13,566	16,174	18,000
Sinfin Golf Course	20,479	21,867	23,633

- 4.26 An independent report commissioned by the Council in 2014 indicated that 35,000 rounds per year is the anticipated level of use for an 18-hole public course and that over 40,000 rounds represents an excellent achievement.
- 4.27 In comparison, Sheffield City Trust reports that courses they manage in Sheffield achieve over 30,000 rounds annually and their Chesterfield course over 40,000 rounds.

Allestree Park Golf Course – Financial Overview

- 4.28 The overall financial performance of the golf course is poor.
- 4.29 Whilst the golf course generates an income for the Council, the operating costs significantly exceed the income generated. This is not a sustainable business model.
- 4.30 Because of limited capital and revenue investment in the golf course and club premises over a number of years, the "golfing experience" has been adversely impacted.
- 4.31 The fragmented approach to managing the golf offer (management, maintenance, catering, club and the lack of golf professional to help develop participation) further inhibits the usage of the course.
- 4.32 Despite an increase in course usage in 2018-19, this has not been sufficient to generate a surplus, and corresponds with an increase in operating costs, increasing losses further.

4.33 The extent of losses incurred over the period 2014-2019 is summarised below:

Financial Year	Loss Incurred*
2014-15	£ 75,200
2015-16	£ 42,700
2016-17	£ 98,600
2017-18	£ 82,500
2018-19	£116,200

Note: –

* Figures shown are net (excludes uncontrollable costs).

Implications of Allestree Hall Disposal

4.34 The disposal will have several important impacts:

- The preferred bidder does not want to operate the golf course
- If the Council continues offering golf provision, either itself or with an alternative provider, new golf course facilities will need to be constructed within the park.
- The Hall will be sold with the golf club as a sitting tenant and the golf clubs' occupancy will transfer to the new owner.
- The Museum's Trust storage will need to be relocated. The use of alternative existing storage facilities is being examined. In addition the potential bidder has stated that he may be happy for the storage facility to remain on site in the short term.
- Repairs to the mid-point car park and adjacent access road will be required. This cost will be incorporated in the 2020/21 property improvement capital programme.

4.35 Risks associated with constructing new facilities to support the golf course include:

- Identification and agreement of a suitable location.
- Planning and Listed Building consent required -Site lies within Derwent Valley Mills World Heritage Site Buffer Zone - Archaeological and Ecologically sensitive location.
- Potentially protracted and expensive construction programme.
- Challenge of ensuring continuity of golf provision during construction works.
- Extensive stakeholder consultation has potential to delay project start.
- Financial Risk – Increased costs attributable to a combination of the above.

4.36 Following disposal, the golf club will become a tenant of the new owner.

- 4.37 If the lease is terminated by the preferred bidder and golf provision continues at the park, the club may look towards the Council to re-provide these facilities as it is unlikely the club will self-fund the construction of alternative premises.

Options in respect of the Golf Course

- 4.38 The disposal of Allestree Hall provides a catalyst to review the golf course operation.

The golf course operates significantly below capacity and has incurred losses on a consistent basis. This is an unsustainable business model.

- 4.39 The Council has three options available:

1. Continue to operate the golf course.
2. Partner with an alternative provider – e.g. Sinfin GC model.
3. Cease operating the golf course.

- 4.40 Option 1 will require the Council to make significant financial investment in new facilities, and will require a radical re-design of the existing business model if the golf course were to be operated on a “break-even basis.”

- 4.41 Any future investment is at high risk and does not guarantee a viable outcome, considering the extremely competitive local operating market, and the number of courses in the vicinity. Golf is not one of the Council’s top four sports it is seeking to promote, this option exposes the Council to financial and reputational risk and consequently it may not be viewed as the preferred option.

- 4.42 In order to allow consideration of options 2 and 3, it is proposed that a consultation exercise regarding the potential closure of the golf course and a separate Expressions of Interest Exercise (EOI) seeking bids to operate the golf course is undertaken.

Expression of Interest Exercise (EOI)

- 4.43 The EOI exercise will provide a consistent and structured process for golf course operators and other parties to submit alternative proposals which may offer a sustainable future for the operation and use of the golf course.

- 4.44 The EOI exercise will require parties to submit their proposals on the following basis:-
- That they take an occupational lease of the Golf Course. Our preference would be to grant a minimum lease term of 5 years. The lease will be subject to an annual rent. Any bidder will be required to operate the site solely as a golf course.
 - The operator is to obtain the necessary consents, fund and construct any building or facilities required to support the operation of the golf course.
 - The operator to be responsible for undertaking full maintenance, management and operation of the golf course and any buildings and all associated costs.
 - Any offers will be subject to the existing tenancies / rights over the site including maintaining the current level of public access over the course.
- 4.45 Any bidders not fulfilling these requirements will be discounted from the process. Any remaining bidders will have their bid assessed on three categories:-
- Financial viability
 - Sustainable business plan
 - Demonstrable experience/understanding of managing a leisure/golf facility
- 4.46 The outcome of both the consultation exercise and the EOI process will be considered prior to a decision being made on the future of the golf course.

Indicative Timescales

4.47

Milestone	Event	Action Required
Sept 2019	Cabinet Approval to Hall Disposal and Decision to begin consultation on future of Golf Course	Derby City Council
Oct 2019	Enter into Exclusivity Agreement	Derby City Council/ Preferred Bidder
Oct 2019	Consultation and EOI Exercise Launched	Derby City Council
Oct 2019	Commence Planning Process	Preferred Bidder
Dec 2019	Closing date for Consolation and EOI exercise	Derby City Council
Jan 2020	Decision made regarding future of the Golf course.	Derby City Council
Sep 2020	Planning Consents Granted	Derby City Council
Sept 2020	Vacant Possession of the Allestree Hall Complex required by preferred bidder	Derby City Council
Sep 2020	250 Yr. Lease Granted & Capital Receipt Received	Derby City Council/ Preferred Bidder
Oct 2020	Conversion Works commence on Allestree Hall	Preferred Bidder
Mar 2022	Works completed	Preferred Bidder
April 2022	999 Yr. Lease Granted	Derby City Council/ Preferred Bidder

Stakeholder engagement

- 5.1 The Planning and Listed building application process will involve members of the public, stakeholders and statutory consultees.
- 5.2 The consultation exercise will consult with relevant stakeholders who could include: Council staff, HR representatives, trade unions, and park users, the golf club management, relevant elected members, local residents and Friends of Allestree Park.

- 5.3 Allestree Ward Members will be notified of the proposals.
- 5.4 Guidance will be sought from the Policy and Internal Communications Teams as part of the consultation process.

Other options

- 6.1 The options available are considered at 4.38.

Financial and value for money issues

Allestree Hall

- 7.1 The disposal of Allestree Hall will generate a significant capital receipt for the Council. In terms of the revenue impact to the Council, more work needs to be carried out to finalise the financial implications
- 7.2 In the short term there may be potential costs associated with the relocation of existing occupations, which cannot currently be costed, whilst in the longer term running and maintenance costs will cease.
- 7.3 Even with the sale, the middle surfaced car park and section of driveway leading to the Hall is in a poor state of repair and requires remedial works. This is likely to cost in the region of £0.040m , and will be met from Property Services Capital Programme

Golf Course

- 7.4 Whilst it is not certain what will happen with the golf course until after the consultation, it is clear that it requires a significant amount of investment in the facilities.
- 7.5 The cost of constructing replacement golfing facilities to enable the operation of the golf course is estimated to be in the region of £1-£1.5M, dependent upon the specification and extent of works required. The cost of these works would have to be added to the Capital Programme and funded accordingly.
- 7.6 Other costs and savings that would need to be considered at the point of the decision will include :
- potential redundancy costs
 - Operational savings and loss of income
 - The financial impact to grounds maintenance switching from golf use to parkland,

- 7.7 If a decision is made to convert the golf course to park land a revenue saving of £69,000 p.a. may be achieved.

Legal implications

- 8.1 The Council has an overriding obligation under section 123 of the Local Government Act 1972 to obtain the best consideration reasonably obtainable on the disposal of its Assets.
- 8.2 The instruction of solicitors will enable us to enter into meaningful negotiations with the preferred bidder at the earliest opportunity and expedite the disposal process
- 8.3 Specific legal guidance will be sought in the event the Council elects to cease operating the golf course, or transfer the operation to an alternative provider.

Other significant implications

- 9.1 The challenges associated with the construction of any new facilities and ensuring the continued operation of the golf course need careful consideration and detailed project planning to ensure neither the disposal of the Hall nor the operation of the golf course is adversely impacted.
- 9.2 If golf provision ceases at Allestree Park, the golf course will be decommissioned, and incorporated into the existing parkland, for the use and enjoyment of all visitors to the park.

This report has been approved by the following people:

Role	Name	Date of sign-off
Report sponsor	Don McLure Paul Simpson	29 July 2019
Service Director(s)	Dinesh Kotecha , Claire Davenport	.
Finance	Toni Nash	
Other(s)	Jayne Sowerby - Warrington Head of Service Strategic Asset management and Estates; Duncan Cowie – Head of Parks and Active Living. Olu Idowu Head Of Legal	

Background papers:	None appended
List of appendices:	Appendix 1 - Plan of Allestree Park , Golf Course and Hall Appendix 2 – Plan showing extent of occupancies at Allestree Hall

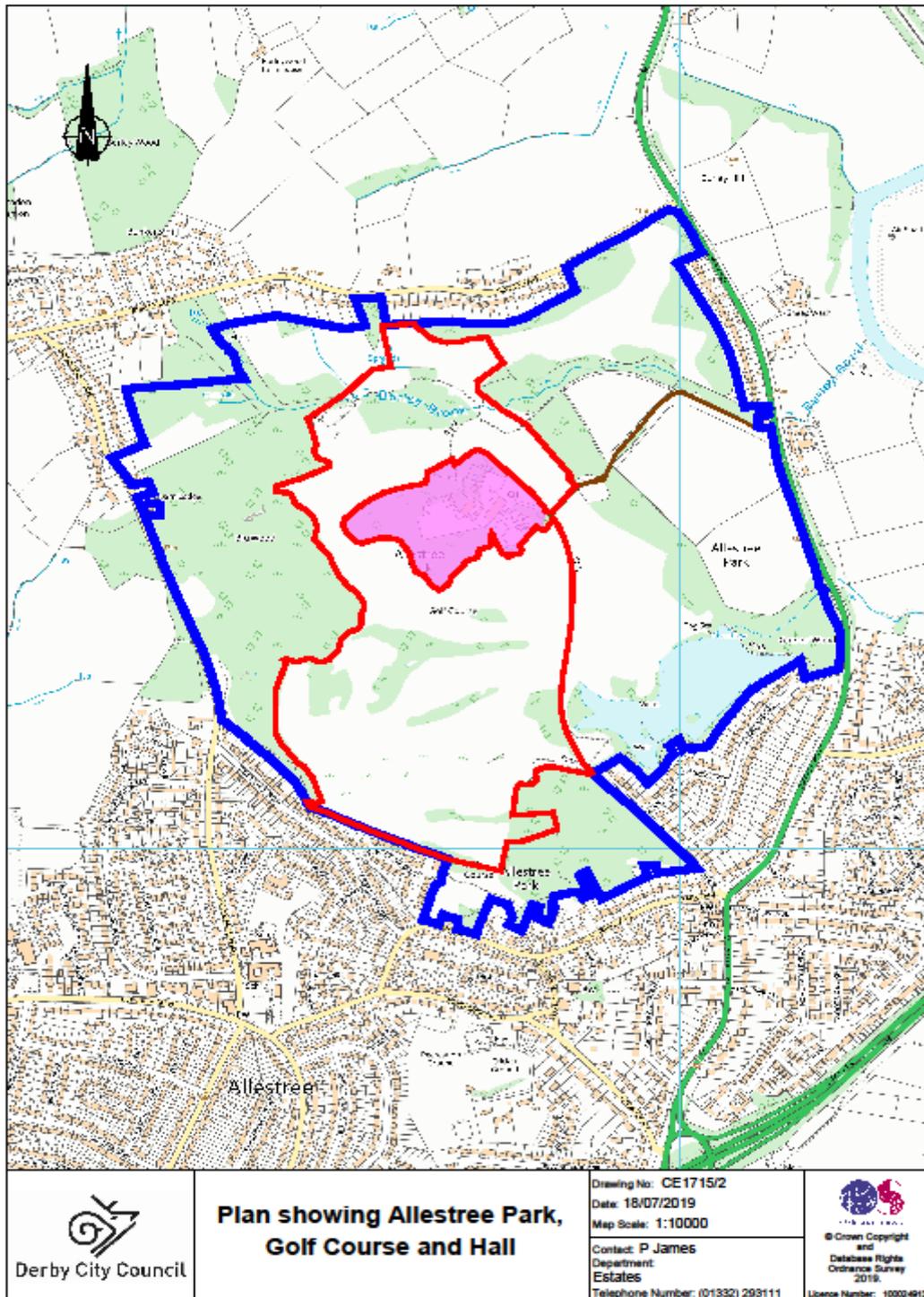
Appendix 1

Plan showing Allestree Park, Golf Course and Hall

Blue Line – Extent of Allestree Park

Red Line – Extent of Golf Course

Area Coloured Pink – Allestree Hall sale area



Appendix 2

Indicative Plan showing the extent of occupancies at Allestree Hall

Green Line - Sale area

