



Cabinet 23 June 2010

Asset Management Plan: Bury St Edmunds Rugby Club (Jul10/08)

1. Summary and Reasons for Recommendations

- 1.1 This paper allows Cabinet to consider the request from Bury St Edmunds Rugby Club for the freehold or a significantly longer lease of their facility at the Haberden, Bury St Edmunds. The sports ground is owned by the Borough Council and has been successfully leased to, and managed by Bury St Edmunds Rugby Club since the 1970s.
- 1.2 The club is recognised for its success by its Governing Body, the Rugby Football Union (RFU), and has received external funding from the RFU, Football Foundation and the Council for improvements to its facilities.
- 1.3 The request for the freehold interest enables additional funding applications to be submitted to further enhance the club's development programme and further improve its well-used facilities. It also enables a further extension of community ownership of community assets in the Borough.

2. Recommendations

It is **RECOMMENDED** that:-

- (1) the Council sell the freehold interest of the Haberden Sports Ground to Bury St Edmunds Rugby Club;
- (2) the freehold interest be sold under the provisions of community management and ownership of assets, based on a percentage of market value, at £27,000;
- (3) a covenant, which restricts the uses of the grounds to community and recreational only, be imposed on the sale;
- (4) the purchase price be deferred by up to 12 months after the date of sale; and
- (5) it be noted that no loan is required by the club from the Council to pay for the freehold interest.

3. Corporate Objectives

3.1 The recommendations meet the following, as contained within the Corporate Plan:-

- (a) **Corporate Priorities:** *'To improve the safety and well being of the Community' and 'To raise Corporate Standards and efficiency';*

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| (b) | Cabinet Commitments: | <i>'Shape the future development of the Borough and the wider area'</i> |
| (c) | Vision 2025: | <i>St Edmundsbury will be a place where the wide range of accessible leisure and cultural facilities on offer provide opportunities for the community.</i> |

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4. Key Issues

4.1 Bury St Edmunds Rugby Club: Application for Freehold

4.1.1 Bury St Edmunds Rugby Club has been in existence for over 80 years, is a major asset for the town in terms of its sporting provision and has a regional role as a community rugby club and is nationally recognised by the Rugby Football Union (RFU).

4.1.2 The club provides a range of sports related activities for young people, women and people with disabilities, as well as the mainstream rugby team activities. There are more than 375 young children as playing members in the Mini and Youth sections and when teams from other areas come to visit and train with the club, there can be between 300 to 400 children on site.

4.1.3 The facilities at the club were unable to cope with this success and the lack of sufficient changing rooms and showers to meet this consistent demand limited the club's compliance with the Disability Discrimination Act 1995 (DDA). There were access difficulties, no accessible toilets on the ground or first floor nor changing facilities for women and children with associated child protection issues.

4.1.4 Eastern Counties Rugby Football Union identified the club facilities and development project as a high priority within the regional RFU facilities plan. Bury St Edmunds was selected for funding as part of the Community Club Development Programme (CCDP) as the RFU it wished to invest in *"quality facilities that are well managed and strategically located"*.

4.1.5 In 2006, the Council was approached by the Rugby Club with a request that a contribution be made towards a scheme to provide these necessary accessibility improvements and for additional facilities at the clubhouse.

4.1.6 The specification was for a single storey extension providing four new RFU and FA compliant changing rooms, gymnasium (330m²), refurbished toilets and officials' changing rooms (202m²), with disability access to the first floor clubroom.

4.1.7 Officers worked with members of the rugby club and RFU representatives to develop the scheme. In addition officers advised in respect of further external funding opportunities.

4.1.8 The Rugby Club initially contributed £200,000 (including external funding bids to Suffolk Environmental Trust and the Football Foundation), the RFU provided an interest free loan of £100,000 and the RFU also provided a capital grant of £50,000. In Report X552 presented to the Grant Panel on 6 March 2007, £50,000 was granted by the Council to the Rugby Club development project.

4.1.9 Since the completion of the all weather pitch and extended facilities the club has had increased participation not only from junior, women's and girls' rugby players but is also very well used by local football clubs.

4.1.10 Owing to additional ground works required the final project cost was over £500,000. The club was provided with additional loans of £50,000 and £75,000 by the RFU and Sport England respectively to fund the additional works.

4.2 The Proposal

4.2.1 Bury St Edmunds Rugby Club wishes to significantly extend its lease or preferably purchase the freehold of the land. As an RFU recognised accredited and a *'forward looking club'* (RFU), they are also intending to obtain additional land to provide an extra two full-sized rugby pitches for their increased participation. This report deals with the freehold and lease issues at the club's Haberden site.

4.2.2 In order to fully consider this request, the adopted Asset Management Plan assessment and options appraisal process has been applied (see below).

4.3 Current facilities

4.3.1 The current recently expanded facilities at the club at the Haberden Sports Ground comprise the following:-

(a) **Ground Floor:**

Reception Hall and Changing Room Area with showers and toilets and a new fitness facility, a ground floor area of 266.00 sq m and a new extension area of 310.00 sq m

(b) **First Floor:**

Main Bar area with a Kitchen and club Lounge and Male and Female toilets. 254.50 sq m. The total area approximately 830.50 sq m or 8,939.00 sq ft

4.3.2 The land area is twelve acres together with 3.5 acres of land rented from private landlords that have been developed by the Club to create six mini pitches. In addition, an all weather pitch was installed in 2005 at a cost of approximately £250,000. .

4.3.3 The premises are held on a 28 year lease from 22 September 2005 to the Bury St Edmunds Rugby Union Football Club Ltd. The rent is £1,836 per annum, with provision for a review every third year. No review was implemented on 28 May 2008. Had this full rental been implemented (based on RPI changes) the current rent would be £2,026 per annum, with another review due next year. The lease is for the grounds only; the Rugby Club owns the equity of the clubhouse, which replaced the previous poor accommodation provided by the Council.

4.4 **The Asset management process**

4.4.1 The Asset Management Plan (AMP) process adopted in 2002 has two stages:-

- (a) an assessment of the service return, financial return and value for money of the asset, in accordance with the adopted criteria and scoring system; and
- (b) appraisal of the adopted options, including financial matters, of no change, disposal or working in partnership.

4.4.2 **Assessment of the Rugby Club**

- (a) The asset as currently leased scores moderately in terms of service return, which is based on an assessment of the contribution the asset makes to all of the Council's Corporate Priorities. However, it is recognised that service return could be significantly enhanced if the Club had more independence by way of either a longer lease or freehold ownership (see 4.4.8)
- (b) Financial return scores more highly, as it is a fairly risk free asset which has regular rent reviews with a guaranteed increase every three years (were the Council to instigate the reviews). However, the amount of actual rent received is insignificant in terms of the total rent roll of the Council's tenanted property portfolio (total over £2.5m). In value for money terms, management costs are relatively high in relation to the level of rent, but the grounds and clubhouse are kept in very good order and as outlined above, are extremely well used.
- (c) Overall, the asset scores at a similar level to many of the other ground lease properties, which are not significant in terms of the Council's rationale for asset ownership and lean towards options of transferring a greater interest to the tenant.

4.4.3 **Options appraisal**

- (a) An appraisal of the options includes:-
 - (i) no change;
 - (ii) dispose of asset
 - freehold as community transfer
 - freehold as open market sale
 - freehold or long lease? and
 - (iii) working in partnership with the Club.
- (b) Property and valuation information provided by the Rugby Club and used in considering these options is contained in exempt Appendix 1 attached.

4.4.4 **Option 1: no change**

- (a) The current lease gives the Council a continuing annual income in the order of £2,000 for the next 23 years until 2033. This level of income is not significant to the Council in revenue terms. In AMP terms, the service return could be significantly improved if the Club had more flexibility.

- (b) **Conclusion:** The asset did not score sufficiently high in the assessment to retain 'as is'. Therefore, there is the need to consider other options which either deliver better services or improved finances.

4.4.5 **Option 2: dispose of asset as community transfer**

- (a) The Council's adopted process for AMP reviews includes community management and ownership of assets. Local Authorities may dispose of land at a consideration that is less than the best that may reasonably be achieved, for reasons of economic, social and/or environmental well being of the area. This General Disposal Consent (Circular 06/03, 2003) applies to sales at undervalue of up to £2 million. The Council may then choose to sell the land to the Club at any price between £nil and the market value of its property interest, if it can justify this decision on well being grounds.
- (b) The value of the Council's interest, based on capitalisation of future rent payments, is contained in exempt Appendix 1 attached. It is proposed that for this option, a sale under community management and ownership considerations would be based on a percentage of market value, at £27,000. In financial terms, the Council would lose the annual rent (£2,000), but would gain interest on capital from the purchase price (£400 per annum, rising to £950 per annum in 2011/2012).
- (c) **Conclusion:** From a financial/property perspective there is no real impact if the asset is sold. If sold at below market value, the Council would insist on protection through a covenant which would restrict the Club to only using the grounds as a sports ground. If at any time there is a change from this community use, the Council will have retained 100% clawback of any profits received from a sale or lease by the Club. The Club is aware of this and welcomes the restriction.

4.4.6 **Option 3: dispose of asset at open market value**

- (a) If the Council does not consider that there is any well being arising out of a community transfer, it could agree to sell the grounds at open market value to any purchaser or investor. Details of the valuations are contained in exempt Appendix 1 attached.
- (b) **Conclusion:** While the Council could possibly attract a larger capital receipt by a sale on the open market, because of the financial position of the Club, it would not be able to fund the purchase based on 'marriage value' without a large loan. It is unlikely to be seen as a priority for the Club's aims and ambitions.

A sale to any party other than the Club would not assist the Council to further its corporate aim and objective of providing the following:-

- (i) the wide range of accessible leisure and cultural facilities on offer provide opportunities for the community; and
- (ii) cultural activities that are valued and contribute to wider social wellbeing through the promotion of good health, community cohesion and positive social behaviour (Vision 2025).

4.4.7 Options 2 and 3: Consideration of disposal of the freehold or a long lease

- (a) The Council has been systematically reviewing its property portfolio since 2002, in accordance with the Asset Management Plan, with the objective of creating the ideal portfolio to meet corporate aims. Overall, the lease of the rugby club grounds score poorly in the assessment process and is similar to many of the ground lease assets where decisions have been made to sell the assets at an appropriate time.
- (b) If a long lease was granted rather than the sale of the freehold, the Council would find itself in a similar situation in terms of overall service and financial return of the asset. For instance, management costs would continue and rents would remain modest.
- (c) The Club has clearly stated that it would prefer to acquire the freehold of the grounds. Therefore providing effective safeguards are put on the transfer, through restrictive covenants, a freehold sale is the preferred option for disposal.

4.4.8 Option 4: Work in partnership with the Rugby Club

- (a) Officers are of the opinion that with the benefit of owning the freehold of both the grounds and clubhouse, the Rugby Club should be better able to obtain private sector or Charity Bank funding without the intervention of the Council. The equity available to the club, through the significantly enhanced value (see exempt Appendix 1) will enable the Club to increase its loan limit. If the Council also agrees to defer the payment of the transfer price for up to one year, this will enable the Club to raise the funds through a special appeal to members. The Club has said that *'owning the freehold will make its life much easier'* with the banks. This would also avoid the need for the Council to tie up a significant sum of capital long-term, which would have been the case if the Council offered the Club a loan.

4.4.9 Overall Conclusions

The most satisfactory outcome of the options appraisal, for both the Rugby Club and the Council, would be to sell the freehold to the Club, using the provisions of community management and ownership of assets, at a value of £27,000. The Club would be able to apply its additional equity to obtain further loans from the private sector or the Charity Bank.

5. Other Options considered

5.1 Full options appraisal is part of the AMP process and are considered above.

6. Community impact *(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)*

6.1 General

6.1.1 The scheme offers significant local opportunities for sporting participation and addresses a demonstrated community need.

6.2 Diversity and Equality Impact *(including the findings of the Equality Impact Assessment)*

6.2.1 Bury St Edmunds Rugby Club is an accredited RFU club and has an open access policy encouraging all to participate. The recent governing body grants for the building were provided because of the clubs improvements in women's and girls', junior and disability facilities and access.

<p>7. Sustainability Impact <i>(including environmental or social impact on the local area or beyond the Borough)</i></p> <p>7.1 This disposal of the freehold continues the existing outdoor community use and social provision of the site with no additional environmental impact.</p>																
<p>8. Consultation</p> <p>8.1 Initial consultation on the options for the freehold or longer lease for the Bury St Edmunds Rugby Club were initially commenced in 2009.</p> <p>8.2 Following the Council's asset management options appraisal and the valuation of the site carried out by Marshall, Buck and Casson.</p> <p>8.3 Officers met with the club on 2 June 2010 to discuss the options available. The club wished to take up the offer of the freehold. It will not require a loan from the Council to fund the purchase of the freehold but has requested 12 months to pay after the freehold is legally transferred.</p> <p>8.4 The Club would be presenting the freehold purchase option to the Annual General Meeting on 3 June 2010.</p> <p>8.5 The local Ward Councillor and Portfolio Holders for Asset Management and Culture and Sport have been consulted.</p>																
<p>9. Resource implications <i>(including asset management implications)</i></p> <p>9.1 The resource implications of the options appraisal are contained in exempt Appendix 1.</p> <p>9.2 A sale under community management and ownership considerations, at £27,000, would result in a loss of the annual rent (£2,000), but would attract interest on capital from the purchase price (£400 per annum, rising to £950 per annum in 2011/2012). It would also enable the Club to become more financially independent in the future in terms of the maintenance and upgrading of this asset.</p>																
<p>10. Risk Assessment <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>																
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<p>11. Legal or policy implications</p> <p>11.1 The request is for the freehold of the Rugby Club facility or a long lease. Discussions have taken place with Estates, Property, Leisure and Legal. The recommendation to sell the freehold interest is within the Council's asset management policy option of community management and ownership of assets.</p>																

11.2 The proposed sale at less than best value is in accordance with the General Disposal Consent 2003, which gives authorities freedom to exercise discretion in the disposal of their land at less than the best price (s 123 of the Local Government Act 1972), on grounds of the promotion or improvement of economic, social and/or environmental wellbeing.

Wards affected	Bury St Edmunds	Portfolio Holders	Asset Management and Culture and Sport
Background Papers		Subject Area Asset Management	

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