

DIBDEN GOLF CLUB RENT REVIEW AND LEASE VARIATION

1. RECOMMENDATIONS

- 1.1 That the Cabinet approve a 3-year contract variation to the Main Lease at Dibden Golf Centre, commencing on 1st April 2022 as follows:
 - i. To revise the rent to £100,000.00 per annum with effect from 1st April 2022.
 - ii. To introduce a break clause, as part of the contract variation, allowing either party to exit the partnership by providing 12 months written notice.
 - iii. To implement a surplus share arrangement which provides the council with the first £30,000.00 per annum of any surplus generated during the contract variation period. Thereafter, any further surplus generated would be split between parties on a 50/50 basis.
- 1.2 That authorisation is given to the S151 Officer to finalise the necessary documentation to give effect to the above.

2. BACKGROUND

- 2.1 New Forest District Council's partnership with Mytime Active commenced in April 2012. Mytime Active agreed to manage Dibden Golf Centre for a period of 30 years. Running 12 Golf Courses across the country, Mytime Active is a registered charity and as a charity, any surplus generated is reinvested back into the facilities.
- 2.2 Mytime Active lease most of the golf course property from the Council for a 30-year term from April 2012. This Main Lease comprises the 18-hole course, club house, depot, and pro shop. The remainder of the golf course land (9-hole course, driving range) is sub leased from the Council, who in turn lease 2 parcels of land from the Diocese of Winchester and the Barker Mills estate respectively. The rent charged to the council under those 2 leases is simply passed through to Mytime Active under the sub-leases and is not germane to this report.
- 2.3 The current rent payable under the Main Lease is £152,471.00 per annum. The Main Lease contains rent review provisions, and the date of the next rent review is 27th April 2022. The proposed revision of the rent will be payable to the council from 1st April 2022.

3. DIBDEN GOLF CENTRE PERFORMANCE & ASPIRATIONS

- 3.1 The impact of the Covid 19 pandemic to Mytime Active, like all organisations, was significant.
- 3.2 To try to offset some impact of the Covid 19 pandemic on the business, the council provided financial support through the form of rent waivers during the pandemic. The council received funding from central government to cover some, not all, of this period of rent relief.
- 3.3 During 2021 the golf course performed well in terms of participation, but it is felt that a return to pre-pandemic levels of usage across the whole offer on the site is likely to be gradual. Whilst golf membership and casual green fee income has performed well, other

ancillary services such as events, functions and food & beverage has understandably not yielded expected levels of revenue due to social restrictions and a lack of consumer confidence associated with the pandemic.

- 3.4 Moving forwards, Mytime Active wish to work with the Council to safeguard Dibden Golf Centres continuation and ensure its operation achieves a sustainable business model and a strong balance sheet.
- 3.5 In broad terms Mytime Active aim to deliver increased membership and average individual spending, deliver a profitable and high-quality food and beverage offer and grow an inclusive junior golf development programme.

4. RENT REVIEW PROPOSAL

- 4.1 To support the common objective to put Dibden Golf Centre on a sustainable financial footing, the parties entered negotiations for the rent and certain maintenance obligations under the Main Lease for the next three financial years covering 2022/23 – 2024/25.
- 4.2 Both parties sought and shared their own independent advice on the market rents and benchmarking the business. Following receipt of those reports, the parties entered negotiations which have been supported through the dialogue and scrutiny of the Dibden Task and Finish Group and Portfolio Holder, who support the proposal.
- 4.3 The proposal is for the rent payable under the Main Lease to be reviewed to £100,000.00 per annum for the next three financial years, effective from 1st April 2022.
- 4.4 In addition to the £100,000.00 per annum, the proposal includes the introduction of a surplus share arrangement that provides NFDC with the first £30,000.00 of any surplus generated at Dibden Golf Centre. Thereafter, any further surplus generated will be shared between parties on a 50/50 basis.
- 4.5 The contract variation proposal includes the introduction of a 12-month break clause which can be triggered at any point during the contract variation period. In triggering the break clause, either party can exit the partnership by providing 12-months written notice.
- 4.6 In agreeing the revised rental figure and surplus share arrangement, whilst the Council may be accepting a reduced rent compared to the present agreement, NFDC will receive rent superior to the independent valuations resulting from the actions noted in 4.2. The surplus arrangements noted in 4.4 provide NFDC with assurance that, should the financial performance at Dibden exceed forecasts set by Mytime Active, the council will realise a financial benefit here that is superior to the market rent valuation received.
- 4.7 The net financial impact of the revised rent will be to have a net receipt to the Council under the Main Lease of £100,000.00 per annum for the next three years. The figure of £70,000.00 is the figure for the market rent that was advised by the Council's advisers as being the current market rent for the Main Lease (such advice assuming the tenant was responsible for repair and maintenance at the Golf Centre).
- 4.8 It is proposed the revised rent will apply for the next three years and after that time the parties agree to revert to the original terms of the Main Lease.
- 4.9 For clarity, the rents due under the 2 sub leases will remain unchanged by this proposal.

5. FINANCIAL IMPLICATIONS

- 5.1 During the agreement to date the Council has accrued an overall surplus from the arrangement of £1,183,593.
- 5.2 The Council has funded £82,699 towards maintenance and replacement of some assets at the golf club including repairs to the clubhouse roof, course drainage work, air conditioning units and replacement steps at the rear of the clubhouse.
- 5.3 The current rent passing under the Main Lease is £152,471 per annum and so the new annual base rent receivable by the Council will be less than the annual rent which has been received over the first 10 years of the contract. Considering the revised rent, the net annual surplus will be £100,000.00, possibly increasing by reference to the proposed surplus sharing arrangement.
- 5.4 An assumed reduction in rent was built into the Council's 2022/23 budget.

6. CONCLUSION

- 6.1 It is recommended to cabinet to approve the rent review proposals with Mytime Active, as set out in section 4 of this report.
- 6.2 By implementing this agreement, the council can sustain its partnership with Mytime Active who, in turn, can sustain their management of the facilities at Dibden Golf Centre.

7 CRIME & DISORDER IMPLICATIONS

- 7.1 There are none.

8 ENVIRONMENTAL IMPLICATIONS

- 8.1 There are none.

9 EQUALITY & DIVERSITY IMPLICATIONS

- 9.1 There are none.

10 DATA PROTECTION IMPLICATIONS

- 10.1 There are none.

11 PORTFOLIO HOLDER COMMENTS

- 11.1 I am pleased to have reached a conclusion in this rent review that retains a good financial return to the Council, and demonstrates the willingness of the Council to recognise the ongoing impact that the covid 19 epidemic is having on the Leisure industry. We will continue to support and work closely with Mytime Active in what is a challenging economic climate.

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Background Papers: