

**COMMUNITY SPORTS HUB, OBAN LORNE RUGBY FOOTBALL CLUB, GLENCRUITTEN DRIVE, OBAN**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to update the Area Committee on the significant progress in negotiations with Oban Lorn Rugby Football Club (OLRFC) following the reports to DMT of 10<sup>th</sup> May 2023, ELT of 23<sup>rd</sup> May 2023 and DMT of 6<sup>th</sup> November 2023 setting out their Expression of Interest in extending their current lease and substantially redeveloping the clubhouse building and adjoining sports grounds for both club and community use.
- 1.2 OLRFC's current 30 year lease expires on 28<sup>th</sup> February 2025, with a rent of £1 reflecting the nature of the ground and use. Heads of Terms have now been agreed in principle for a new 50 year lease with a Purchase Option after 10 years, if certain development and funding milestones have been achieved. It is envisaged that between £3.65M and £4.28M will be invested in new facilities for the benefit of the community.
- 1.3 The new lease provides for a market value rent to the Council based on a percentage of the redeveloped Clubhouse trading profits and a multiplier mechanism to calculate the market value purchase price, should the Purchase Option be triggered. The Council retains an Option to terminate the lease if development targets have not been met.

**1.4 RECOMMENDATIONS**

That the Area Committee:

- 1.4.1 Notes the significant investment planned by OLRFC in improving this asset for the community along with the potential income and capital receipt to the Council provisionally agreed in Heads of Terms to enable OLRFC's formal funding process to begin and the project to move forward.
- 1.4.2 Notes that the project is of a significant scale and if the Club meet all their obligations, it is intended that this will result in the sale of a large area of recreational ground to the Club, reducing the Council's control of the area.

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## **2.0 INTRODUCTION**

- 2.1 The purpose of this report is to update the Area Committee on the significant progress in negotiations with Oban Lorn Rugby Football Club (OLRFC) following the reports to DMT of 10<sup>th</sup> May 2023, ELT of 23<sup>rd</sup> May 2023 and DMT of 6<sup>th</sup> November 2023 setting out their Expression of Interest in extending their current lease and substantially redeveloping the clubhouse building and adjoining sports grounds for both club and community use.
- 2.2 OLRFC's current 30 year lease expires on 28<sup>th</sup> February 2025, with a rent of £1 reflecting the nature of the ground and use. Heads of Terms have now been agreed in principle for a new 50 year lease with a Purchase Option after 10 years if certain development and funding milestones have been achieved. It is envisaged that between £3.65M and £4.28M will be invested in new facilities for the benefit of the community.
- 2.3 The new lease provides for a market value rent to the Council based on a percentage of the redeveloped Clubhouse trading profits and a multiplier mechanism to calculate the market value purchase price, should the Purchase Option be triggered. The Council retains an option to terminate the lease if development targets have not been met.

## **3.0 RECOMMENDATIONS**

- 3.1 That the Area Committee:
  - 3.1.1 Notes the significant investment planned by OLRFC in improving this asset for the community along with the potential income and capital receipt to the Council provisionally agreed in Heads of Terms to enable OLRFC's formal funding process to begin and the project to move forward.
  - 3.1.2 Notes that the project is of a significant scale and if the Club meet all their obligations, it is intended that this will result in the sale of a large area of recreational ground to the Club, reducing the Council's control of the area.

## 4.0 BACKGROUND

- 4.1 Since 1995 OLRFC have leased ground from the Council extending to 0.237 acres (Appendix 1 plan) upon which they constructed a clubhouse building with associated car parking, adjacent to two Council owned grass rugby pitches. This lease expires in February 2025.
- 4.2 OLRFC have highlighted a number of serious shortcomings with the facilities which are hampering the full participation of the community, including poor drainage and lighting of the pitches, the absence of covered spectating areas and the lack of disabled access to the clubhouse. The applicant seeks a new lease over an enlarged site extending to approximately 6.6 acres which includes the pitches (Appendix 2 plan) to allow them to secure funding for significant improvement works. OLRFC's proposed Works are estimated at £3.65M to £4.28M and are detailed as to Phasing in the Heads of Terms (The redeveloped site will be known as Oban Lorne Rugby Community Sports Hub).
- 4.3 Phase 1 of the works covers the first 10 years and centres on the clubhouse and upper pitch, obliging OLRFC to extend the clubhouse with disabled access and parking and to build a new spectator stand with fencing and floodlights. During that initial 10 years, and defined as Phase 2 of their works, the Club will also procure funding and all necessary consents for a running track and wind turbines along with flood management investigations and reports in respect of the bottom pitch. Phase 3 of the works relate principally to the bottom pitch and are dependent on the precise extent of the available site. The bottom pitch boundary is close to the Oban Development Road exclusion zone (Appendix 3) and the Heads have been drafted to provide contingency for current exclusions remaining, or a future release of some protected space, which would allow the bottom pitch to be more easily redeveloped to SRU minimum size standards. Phase 3 envisages flood management works and a new 4G bottom pitch along with storage units and a solar power system. The availability of a functional bottom pitch would also allow the top pitch to be temporarily taken out of service for the introduction of an undersoil heating and drainage system. Further phases beyond the scope of this lease envisage the club engaging with shinty interests in the town to improve nearby facilities for that sport.
- 4.4 Per the Council Planning Department's pre-application response to OLRFC's proposals the property is currently designated an Open Space Protection Area for sports and recreation facilities in the Development Plan, a constraint on alternative uses. It is deemed to be a community asset held in perpetuity with very limited commercial value.
- 4.5 Notwithstanding that limited commercial value, the Heads of Terms provide for a market value rent to the Council of the redeveloped clubhouse's trading profits and a multiplier to calculate the market value purchase price, should the Purchase Option be triggered. Mindful that the sale of a Council asset would be irrevocable, the terms also provide an Option for the Council to terminate the lease after 10 years if the Tenant's Phase 1 works to provide the planned investment in facilities for the benefit of the community has not been completed.
- 4.6 The potential sale of the land is not without risks in that the Council would lose control over it, with the potential for restrictions on users, conflict with other clubs or issues with maintenance. Where possible the Council will look to draft the

Agreement to mitigate these risks.

- 4.7 It should be noted that through the community asset transfer process, OLRFC have a right to request to buy the asset and the Council would require to have supportable reasons if it was to refuse. Refusal of an asset transfer here would be very difficult to justify given the level of investment envisaged. Dealing with this request through the informal expression of interest (EOI) process has allowed this project to be explored openly in a partnership approach. Consequently, it has been agreed that in line with the current lease the Tenant will operate a booking and hiring system whereby the improved facilities will be made reasonably available to outside parties, protecting wider community interests. All existing public rights of access abutting or through the site will also be maintained at all times under the new lease. The Heads of Terms also include for the retention of Amenity Services grass cutting and line-marking via a service charge.
- 4.8 OLRFC have engaged architects who have held pre-planning discussions with the Council. Their outline proposals have been positively received and visual images can be accessed via the following link: [Oban and Lorne Rugby Club](#)
- 4.9 OLRFC are aware of the Mossfield Group's general aspirations to improve their nearby facilities. OLRFC submit that their own proposals are significantly more advanced and they would be happy to mentor the Mossfield Group on the funding process once they are successfully through it. OLRFC are open to considering a future merger if the visions and values of both groups are best delivered in that way – but it is not pursuing it at this time. OLRFC also note that they have a Committee member on the Mossfield Group Board which for present purposes, will instil a degree of joined up thinking.
- 4.10 The instruction of solicitors would serve as the necessary 'letter of intent' from the Council for OLRFC to formally engage with funding sources such as the SRU and build real momentum in the project. Agreement of the lease would then allow any funding secured to be released to the club.
- 4.11 The Club are extremely keen to outline their vision to the wider community. They are ready to engage with the Community Council and to release detailed information via the local press, Facebook and other social media platforms. The Club also intend to hold open events for the explanation of their proposals to the widest section of the population possible.

## **5.0 CONCLUSIONS**

- 5.1 The facilities at Glencruitten are not currently in a condition that allows for the maximum participation of the community. OLRFC are prepared to seek funding to invest significantly in improving the facilities and Heads of Terms have now been agreed in principle for a long Ground Lease with Purchase Option and Development Obligations.
- 5.2 The Heads of Terms provide for a market value rent and a mechanism to calculate the market value purchase price on a site deemed to be a community asset held in perpetuity with very limited commercial value.

- 5.3 In the absence of an agreed approach via the expression of interest process, the club would likely succeed with an Asset Transfer request. The current approach allows detailed terms to be put in place that safeguard wider community interests.
- 5.4 The Committee noting Officers will instruct Legal Services on these Heads of Terms will enable what is expected to be a complex project to move forward.

## **6.0 IMPLICATIONS**

- 6.1 Policy – None.
- 6.2 Financial – Outside investment of £3 - £4+ Million in Oban community sports facilities. Potential sale of asset used for recreational purposes with limited commercial value.
- 6.3 Legal – The terms and conditions of any lease to follow are delegated to the Executive Director of Customer Services.
- 6.4 HR – None
- 6.5 Fairer Scotland Duty
  - 6.5.1 Equalities – Protected characteristics – None.
  - 6.5.2 Socio economic Duty – None
  - 6.5.3 Islands – Not applicable
- 6.6 Climate change – Allows for more intensive use of local facilities, reducing the need for off-site trips.
- 6.7 Risk – Applicant may fail to procure all funding necessary for the project.
- 6.8 Customer Service – None.
- 6.9 The Rights of the Child (UNCRC) – None.

Douglas Hendry, Executive Director with responsibility for Commercial Services  
Councillor Gary Mulvaney – Policy Lead, Finance and Commercial Services

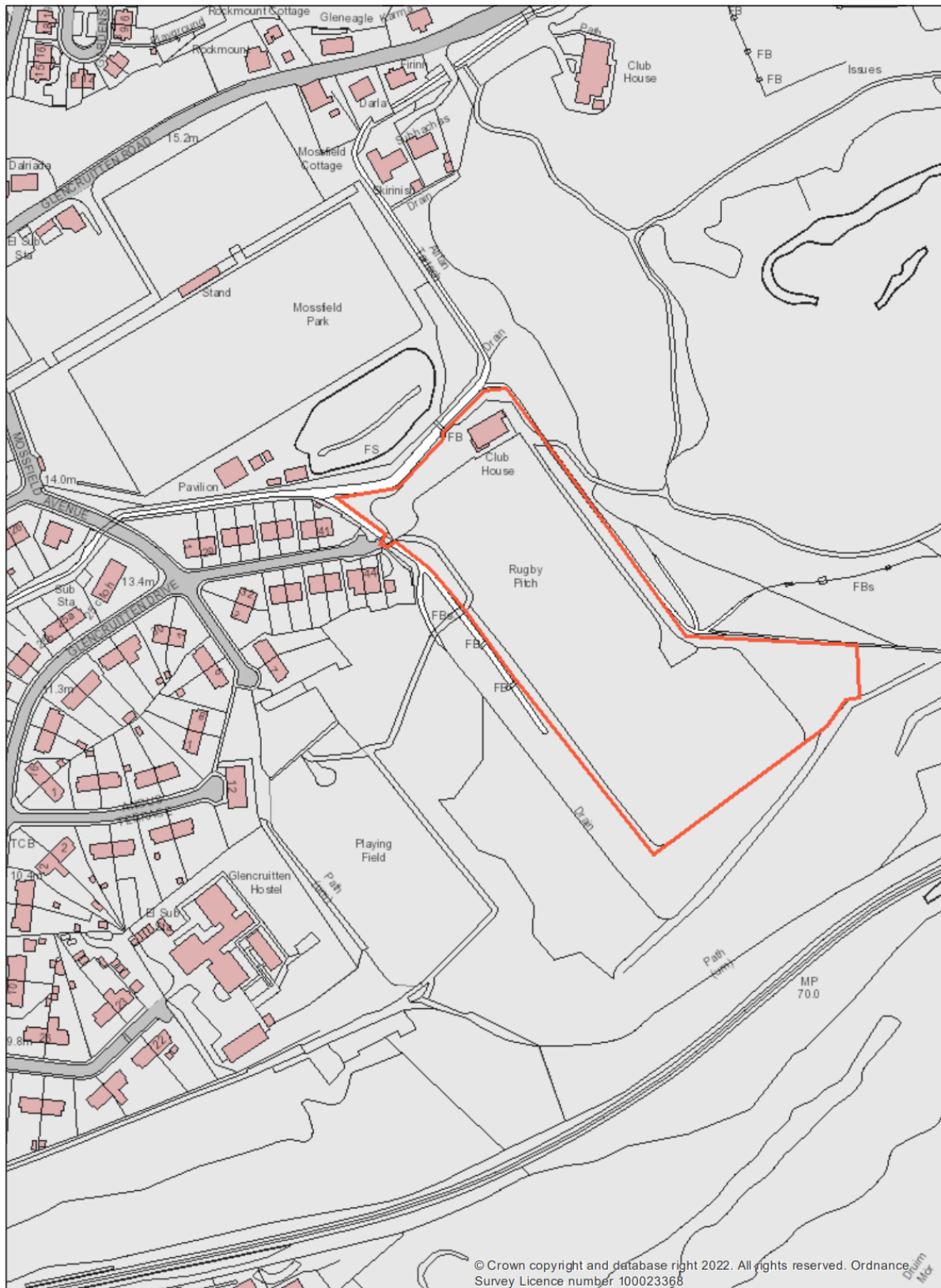
14<sup>th</sup> February 2024

### **For further information contact:**

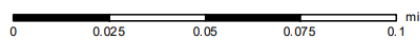
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## Appendix 2 – Proposed Leased (and purchase Option) Area



Location Plan



## Appendix 3 – Oban Development Road – Protected Zone

