



## **Community Stadium for Workington**

### **Detailed Business Case**

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## **1.0 Project Vision**

- 1.1 Through the establishment of a Project Board the key partners, Allerdale Borough Council, Workington Reds AFC and Workington Town RFLC have agreed the following vision for the development of a new community stadium in Workington:

*“The new Stadium will be for West Cumbria: accessed and accessible to the community every day of the week as well our professional Football and Rugby League clubs.*

*Our shared aspiration is to create a compelling beacon for civic pride: that excites, enthuses and serves the community and in so doing, generates sporting ambition and inspiration.*

*The Stadium will replace Derwent Park and Borough Park respectively as the home for Workington Town RLFC and Workington Reds AFC with a development that is fundamentally more compatible with a 21st Century, family-centred, leisure and sporting experience for supporters, visitors, amateur and professional athletes.*

*The Stadium will be efficient, safe, robust, and attractive. Above all, it must be sustainable with a broad economic base to ensure viability and latest technologies to make it financially efficient and minimise its own carbon footprint.*

*The Stadium will be a major component in the lower Derwent Valley masterplan alongside the Workington Sports Centre and at the edge of the town centre. It will be a catalyst for stimulating further mixed use development that contributes to the economic progress of Workington”.*

## **2.0 Strategic Business Case**

### ***Strategic Context***

- 2.1 This outline business case sets out the strategic case for the building of a new community stadium in Workington, which is a great opportunity for Allerdale, West Cumbria and of considerable significance for the wider sub-region and beyond. It is important because, on the surface, Allerdale very often seems to mirror the county averages in a range of need and opportunity, however, when you look beyond district level figures, it soon becomes apparent that Allerdale is a place with a huge amount of variation.
- 2.2 Allerdale is a diverse district with a rich history and stunning landscapes. The area has low levels of crime and many of our residents enjoy an excellent quality of life. However, Allerdale also faces some significant challenges.
- 2.3 Overall Allerdale's ranking in the Indices of Multiple Deprivation is 115 out of 326 local authorities. However, this figure masks significant differences at a more local level with some considerable areas of deprivation. Average household income in Allerdale is below the county and national averages however, there are significant variations in average income levels across wards which range from £14,288 to £43,640. An estimated 13.8% of households have an annual income of less than £10,000. 13.9% of children in Allerdale are living in poverty, but once again the figures across the district vary considerably with two wards having levels of child poverty above 25%, the highest being 30.7%. Qualification levels for the district as a whole are broadly in line with regional and national averages. However, there are again distinct variations across the district, two wards having about a third of the working age population with no qualifications.
- 2.4 The building and operation of the Community Stadium provides opportunities for Allerdale's 4,500 enterprises. The main employment sector is 'wholesale and retail trade' with 6,000 jobs or 16.7% of all jobs; 'manufacturing'; and 'accommodation and food services activities' (both with 5,000 jobs or 13.9% of all jobs). Allerdale has two principal sectors it relies on particularly heavily - energy and tourism. The stadium provides opportunities and a focus for both. As we know, Allerdale has parts of the district in the Lake District National Park to the east and the Solway Coast Area of Outstanding Natural Beauty to the North West. The tourism industry provides 6,530 people who live in the area with employment. The stadium provides an opportunity to build on and diversify the tourism and destination offer.
- 2.5 Although the overall claimant rate has tended to be similar to the Cumbria and national rates, youth unemployment rates in Allerdale have been well above Cumbria and national levels. 19.9% of those aged 16-64 are economically inactive or classed as 'workless', lower than regional and national rates. The downsizing at Sellafield (and the possible long term postponement of the Nuclear new build), means diversification of the economy is critical if employment rates are to improve.

### ***Spatial Context***

- 2.6 The district of Allerdale covers an area of 1,242 square km. The population density is low, reflecting the rural and small town nature of the district. The average population density is 78 people per square km which is marginally more densely populated than the county average (74 people / square km), but much more sparsely populated than the national average (England and Wales 380 people per square km).
- 2.7 Allerdale's population is largely concentrated in the south west around Workington, Maryport and Cockermouth where population density is 450 people per square kilometre. By contrast the Solway Plain has a population density of just 50 people per square kilometre. 72% of Allerdale's residents live in what are classed as 'rural' areas (54% across Cumbria; 18% across England and Wales).
- 2.8 Allerdale is an area with a rich natural environment. Much of the district enjoys stunning scenery, with the Lake District National Park World Heritage Site encompassing part of the district to the east including the town of Keswick, an important tourist destination. The coastal area to the north west of the district is part of the Solway Coast Area of Outstanding Natural Beauty and Hadrian's Wall World Heritage Site. The north of Allerdale is a predominantly rural area with small villages and three principal market towns - Aspatria, Silloth and Wigton. The towns of Workington (the largest town in the district) and Maryport are located on the west coast and have a rich industrial history.

### ***Health Context***

- 2.9 The estimated population of Allerdale in 2016 was 97,000. Data from the Census 2011 shows that the population of Allerdale rose from 93,487 to 96,400 (2001-2011), a rise of 3.1%. This small growth (less than half the rate of increase of England & Wales) was driven largely by in-migration to the area rather than natural increase.
- 2.10 Health and well-being is influenced by a wide range of social, economic and environmental factors. The role of lifestyle factors, such as physical activity, alcohol, diet and smoking are well known to play a significant role with the community stadium providing a new focus for physical activity. Average life expectancies for Allerdale residents have improved over time, but remain lower than the England and Cumbrian averages. Overall life expectancy for men is 78.6 years, less than the average for England (79.5 years), whilst average life expectancy for women is 82.3 years, less than the average for England (83.1 years). Those people who live in the most deprived areas tend to have the worst health and looking across the district, life expectancy is 9.3 years lower for men and 8.3 years lower for women in the most deprived areas of Allerdale than in the least deprived areas.
- 2.11 Life expectancy at birth figures for women in Allerdale have risen from 81.8 years (2009-11) to 82.3 years (2014-16), but are classed as significantly below

the England average of 83.1 years (2014-16). Data for 2011-15 by ward shows that 5 wards are significantly below the England average (Moss Bay 75.3; Ewanrigg 77.9; Netherhall 78.5; Moorclose 78.8; St. Johns 79.6; Silloth 80.4).

- 2.12 Being obese can lead to a number of serious health problems as well as shorten life expectancy. In 2016/17 the percentage of adults in Allerdale aged 18+ classified as overweight or obese was 64.7%. Although this is nearly two thirds of the population, it is in line with the England average of 61.3%. In Allerdale the prevalence of overweight (including obese) children in Reception in 2016/17 was 28.1%, worse than the England average 22.6%. The prevalence of overweight (including obese) in Year 6 children in 2016/17 was 34.1% similar to the England average of 34.2% and show a gradual increase in excess weight in children in Year 6 (10-11 years). In Cumbria the average increase in the percentage of overweight and obese children from starting Reception to Year 6 is 44%. However, against the England trend the percentage of overweight or obese children in Reception year is increasing, so if current trends continue, the forecasting for these children as they leave Year 6 is a cause for concern. There are clearly opportunities to use the community stadium as a catalyst to increasing participation in sport for young people and promoting healthy eating.
- 2.13 Smoking is recognised as the single greatest avoidable cause of premature death across Cumbria. Smoking is harmful to health not only to smokers but also to people around them. It accounts for 1 in 6 of all deaths in England. In Cumbria, the estimated number of deaths attributable to smoking in adults over 35 is 271 per 100,000 (2014-16). This is in line with the England average of 272 per 100,000. The alcohol specific mortality rate for males in Allerdale for 2014-16 at 19.8 (per 100,000 population) is similar to the average for England (14.2 per 100,000). The alcohol specific mortality for females over the same period was 10.5 (per 100,000), similar to the England average of 6.8 (per 100,000).

### ***Strategic Case***

- 2.14 A strategic analysis has been undertaken to determine the potential components to develop a West Cumbria Community Stadium, and how they can be put together coherently to create a long term legacy to deal with some of the issues set out above.
- 2.15 There are many community stadiums across the United Kingdom. All have different ways of engaging with the community but are similar in that they provide facilities and services to local communities over and above their 'primary' sporting facilities (which are often provided to enable professional/semi-professional football, rugby league and/or rugby union matches to be played).
- 2.16 A visit was undertaken by representatives of the Council and both clubs to a number of other facilities to see how they are managed and developed, and to

see how the goal of many of these stadia is to become an accessible hub in terms of geographic accessibility and affordability for the community. They range from a base for outreach community sports initiatives to full sports villages. These facilities are available to residents from all backgrounds and abilities (including young people and adults with disabilities), as well as local schools, colleges and clubs. They can also provide facilities for elite sports people from the local area.

- 2.17 There have been a number of innovative new approaches to provide the 'community' element of the stadium. Healthcare and education provision have been used to generate an income stream and are provided as part of the wider stadium complex. Successful examples of this are with the PCTs at both Preston and Warrington and with higher / further education colleges at Headingley and Hull. The new stadium at York has a variety of community and commercial uses.
- 2.18 Many community stadiums have received support from councils. The Local Government Act 2000 gives councils wellbeing powers to use resources on projects with tangible community/economic benefits. This support has ranged from assistance with infrastructure to direct funding. Where councils have got behind stadium projects, exciting community focused initiatives have been delivered with impressive outputs for the community. However, State Aid rules strictly prohibit councils from giving money (or state aid) to other bodies.
- 2.19 To develop the strategic case, analysis has been undertaken to determine the potential components that could make up the facility mix of the Community Stadium. This is essential from a project affordability and commercial viability perspective. Furthermore, a clear evidence base demonstrating need is also essential to make a robust planning case.
- 2.20 In assessing the potential options that could comprise a Community Stadium it is important to consider the criteria they will be judged against. The principles established for the delivery of the project are set out below.
- Provide a modern stadium shared between Workington Town and Workington Reds that meets minimum league requirements
  - Maximise opportunity for the people of Allerdale and West Cumbria and its visitors
  - Maximise community use including sport, education and health / wellbeing
  - Office base for 300 workers from the nuclear industry
  - Be commercially sustainable, the project must result in a viable business venture

- To be a catalyst for the wider regeneration of Workington and Allerdale

2.21 The work undertaken in evaluating the potential for the community stadium concludes that the project offers a wide ranging wealth of benefits and opportunities for the community and that the principal component of the project are:

- Core stadium with minimum capacity of 8,000 (to meet the aspirations for a West Cumbria Super League team) with an opportunity to extend for one-off events.
- Space for NHS partners.
- An augmentation of the West Cumbria conference offer and other income generating activities.
- Commercial office accommodation.
- 3G pitch adjacent to main stadium.

2.22 As a major community-based project, West Cumbria's Community Stadium could generate a variety of potential strategic, economic, social and other benefits. These include the following:

- The project could help build a sense of pride and involvement from the local community, particularly with regards to the supporters of Workington Reds FC, Workington Town and the wider communities (if the stadium is successful in actively engaging local residents).
- Increasing access to sports and leisure activities is a key priority of the Council and many of its partners. This is an important goal as participation in sport and physical activity is well recognised as helping to improve physical and mental health and wellbeing. The poorer health outcomes and higher than national average obesity levels seen in Allerdale are a clear rationale for a focus on this area.
- The Community Stadium will enable local and regionally based professional (and potentially elite) sports people to train in state-of-the art facilities on their 'door step', rather than having to travel long distances to other facilities.
- Provide a base for the Rugby League World Cup in 2021 hosting a team and three group stage games. The RLWC will bring significant economic benefits to Workington and Allerdale more widely and raise the profile of the area both nationally and internationally.
- Allerdale's visitor economy is of regional and national significance, and is therefore a key strategic policy priority for the Council and partners such as the LEP. With the inclusion of new conference and other hospitality



facilities (within the Stadium), the project could serve to assist in diversifying Allerdale's visitor offer. This will help broaden the market profile of the area, strengthen year-round tourism demand (particularly if the new stadium attracts both leisure and business tourists), and generally support the on-going success of Allerdale's and West Cumbria's visitor economy.

- The new Community Stadium will create a number of opportunities for local people to become trained and skilled within specialist areas such as sports management and administration, sports development, marketing and promotions, and conference and catering management. There are many other educational and training opportunities, including forging effective links and learning opportunities with the two universities in Cumbria, local colleges and schools.
- Once a site has been identified for the Community Stadium, there are possible regeneration benefits which could be created as part of the wider Derwent Valley Masterplan. The new hotel, coffee shop and pub/restaurant is building significant investor confidence in the area.
- Jobs will be created directly within the Community Stadium and the ancillary facilities, and employment will be supported in Workington, West Cumbria and the wider region through the injection of additional income into the local, sub-regional and regional economies via the users of the Community Stadium. Further to the direct and indirect employment supported by the on-going operations of the Community Stadium, a significant number of temporary jobs would be created and supported during the construction phase of its development.

2.23 An initial estimate of the possible construction and on-going economic impacts of the proposed development are provided in Section 3 of this report.

#### ***Workington Community Stadium - Increasing Participation in Allerdale.***

2.24 One of the aims of the Community Stadium is to increase sport and physical activity participation levels. Improving sporting opportunities within new facilities is the first step towards increasing this participation. The new stadium will improve the overall experience for users and provide a new opportunity for the clubs to invest in the community, by working alongside stadium partners to deliver a community sport engagement plan.

2.25 The stadium plans to improve on the Active Lives survey published in March 2018. This gives an indication of the current activity levels of children and young people in school years 1-11 in Allerdale. An average of 30.7% of children do less than 30mins a day of sport activity.

2.26 Sport plays an important role within society and sports stadia provide significant settings for public health strategies. In addition to being places of mass gathering, they are often attended by 'harder to reach' communities.

2.27 The stadium will develop partnerships working in key areas, such as:-

- Neighbourhood
  - Local clubs
  - Schools
  - Community centres
  - Leisure & Sport Centre

2.28 The stadium will be an integral part of the community with potentially thousands of people attending each week to watch their team, to work, or to use the stadium facilities which will include a health centre. The community stadium therefore offers an important setting for reaching large numbers of people and for improving public health and reducing health inequalities. It will address factors such as nutrition and physical activity, tobacco and alcohol use, and urban development and help reach specific target groups, for example the prevention of childhood obesity.

### ***Healthy Stadia***

2.29 The Healthy Stadia concept was developed in 2005 in the UK. The charity, Heart of Mersey, developed a pilot programme with stadia based across Merseyside and the North West Regional Public Health Group commissioned The Healthy Setting Development Unit at The University of Central Lancashire. The Federation of Stadium Communities which was formed carried out a three-phase programme enabling sports clubs in the North West to work towards becoming Healthy Stadia.

2.30 *“Healthy Stadia are ... those which promote the health of visitors, fans, players, employees and the surrounding community ... it is a place where people can go to have a positive healthy experience playing or watching sport”* (Crabb and Ratinckx, 2005).

2.31 Additionally the community stadium is ideally placed to support health improvement and reduce health inequalities through the loyalty shown towards the clubs brand, the locality of the stadium close to some of Allerdale’s most deprived wards, the interaction of the stadium within the local community and the numbers of people who use the stadium facilities on a regular basis, such as employees, fans and those using the facilities for non-sporting events.

### ***Community Health Study***

2.32 A study was conducted over a 12 month period from November 2007. The study focused on sports stadia offering a wide range of sports and received returns from 10 European countries including the UK. It collated, summarised

and assessed current policies and practices that promote community health. Some of the key points identified:-

- Most stadia organise open sports events for the local community as well as offering reduced prices or free sports classes.
- Three-quarters of sports stadia had a sports offer for disabled users.20% of stadia had lifestyle policies.
- The most common initiatives were walking/bicycle routes leading to the stadium and provision of free bicycle parking or car-sharing for employees. Quite often stadium management cooperated with local public transport authorities to decrease air pollution. The majority of stadia that are classified as 'new build' have followed sustainability initiatives, recycling and litter programmes and carbon offsetting schemes.

### ***Tackling Mental Health: The Role of the Resident Clubs***

2.33 “Mental health is more than simply the lack of mental illness. Rather, it is a positive concept related to the social and emotional well-being of both individuals and communities and relating to the enjoyment of life, ability to cope with stress and sadness, the fulfilment of goals and potential, and a sense of connection to others.” (Hunter Institute of Mental Health 2015)

- The Stadium will be a key resource for the delivery of physical activity interventions to improve the mental health of the general population.
- The delivery of physical activity interventions for people experiencing mental illness.
- The delivery of community mental health services within the confines of the Stadium.
- In the UK, amateur Football and Rugby clubs have received an increasing amount of attention with regards to their potential ability to contribute to the public health agenda. Over the past three years there have been a number of research articles discussing the role of football clubs in health improvement. The publication of a special issue titled 'Football and Inclusivity' in the peer reviewed journal 'Soccer and Society', highlighted professional football clubs as a vehicle for health promotion.

### ***Club Expectations of Increased Activity Participation***

2.34 Workington Town Rugby League FC will aim to help to achieve a 20% increase in participation year on year. At the moment there are 540 registered players at Youth Level in West Cumbria and by the end of 2021, following the Rugby League World Cup (RLWC) games and the development of a community engagement plan, the club estimates a growth to 830 + youth

players including a girls/women's team. By the end of 2024 the club ambition would be to exceed 1000 youth players. Other community projects will include the introduction of tag rugby and walking rugby in local community centres, and a club open day to give the chance for local community clubs to play on the grounds in a stadium environment.

- 2.35 Workington AFC aim to develop the RED's in the Community, Performance Centre with an estimated growth from 120 juniors to 400 active members which is 133% increase. The ambitions include the formation of an Under 21 team and a new women's team as well as holiday camps, school, and community engagement.

### ***Other Stadium Outputs***

- 2.36 The community training pitch will be used by a number community clubs and will be available for private hire, as well as delivering holiday programmes and coaching sessions for juniors. Disabled sessions will also be programmed as well as community groups set up to deliver a number of activities encouraging young and old to stay active, such as walking football and rugby. Expected participation for the 3G pitch is 32,100.
- 2.37 In additional to the set activities the stadium will be used as a festival and event base. Estimated 25,000 participants based on 4 events a year.
- 2.38 Community and reserve teams are also expected to achieve a total footfall of 52,000
- 2.39 Given the range of direct and strategic benefits the Stadium will bring to Allerdale, below is list of expected outputs that will be achieved by 2025:

#### *Sports participation increase from stadium*

- 20% increase in women and girls playing football and rugby
- 20% increase in disabled people of all ages playing football and rugby
- 10% increase in over 55's through walking football and rugby
- 10% increase in men and boys playing football and rugby
- 100 students or apprentices in Sport Development/Physiotherapy

All of these increases will have a positive impact on childhood and adult obesity.

#### *Visitor growth*

- 2% increase in visits (tourists and business) to Allerdale - £9,480,000 additional spend (158,000 visits @£60)

### *Conferencing and Events*

- 4 major conferences attracting 1600 visitors
- 4 major events attracting 25,000 visitors and a range of other events

### *Further regeneration as part of Derwent Valley Masterplan*

- Estimated £36m in Gross Development Value in new office, retail and housing.

### *Improved health provision*

- Working in partnership with the NHS to provide improved primary care provision with the intended outcome to improve access and resilience.

### 3.0 Economic Appraisal

3.1 The new West Cumbria stadium offers the potential for direct and indirect economic benefits for Workington, Allerdale, West Cumbria and the wider County and North West region.

3.2 As discussed previously, the facilities are as follows:

- Core stadium with minimum capacity of 8,000 (to meet the aspirations for a West Cumbria Super League team) with an opportunity to extend for one-off events
- Space for NHS partners
- An augmentation of the West Cumbria conference offer and other income generating activities
- Office accommodation for Sellafield
- 3G pitch adjacent to main stadium

3.3 As a major community-based project, the proposed Community Stadium is likely to have a positive impact which will benefit local people, businesses and visitors, as well as potentially the wider economy (if of a significant scale with regional connectivity). All estimated economic outputs and outcomes are based on this assumption.

3.4 In order to support the economic case, there is a need to quantify the possible economic impacts of the project. Most capital projects will have both positive and negative impacts. In light of this, there is a need to reflect this in order to assess the additional impact (or 'additionally' of the project). HM Treasury's 'Green Book' states that an impact arising from an intervention (e.g. grant or other financial support) is additional if it would not have occurred in the absence of the intervention. Given this, the approach adopted for this preliminary economic impact assessment is in line with guidance provided within the Green Book.

3.5 To identify the potential 'Total Net Additional Effects' which could be generated by the new Community Stadium, the following have been investigated in relation to each of the facilities which could be part of any new Community Stadium destination:

- The **Gross Direct Effects**: This consists of total spending made by visitors to the facility (including visitor spending outside of the venue - in the local area - during their trip).
- **(Less) Leakage**: This reflects the proportion of the gross direct effects which benefit those outside of the area of benefit (which in this case is Cumbria given the potential scale and impact of the Community Stadium).

- **(Less) Deadweight:** This reflects the outcomes that would have occurred without the development of the facility.
- **(Less) Displacement / Substitution:** Displacement and substitution are closely related concepts. Where the outputs of the proposed facility result in reduced outputs elsewhere in the area of benefit, displacement occurs (e.g. the displacement of certain events from other venues in Cumbria to the new stadium). Related to the displacement concept is substitution, which is the effect whereby a firm substitute's one activity for a similar one (e.g. recruiting a jobless person while another employee loses a job).
- **(Plus) Economic Multiplier:** Economic multiplier effects involve further economic activity (e.g., jobs, expenditure or income) associated with additional local income and local supplier purchases. The multiplier reflects therefore the income created across the regional economy through the injection of the facility's gross expenditure (as discussed above).
- The **Total Net Additional Effect** is then used to derive an indication of the ('in-direct') employment supported. This is achieved by adjusting the figure to take account of the proportion spent on salaries, wages and other payroll costs, and then dividing this by the average annual earnings in the region.
- **Direct and indirect employment** supported is then estimated.

### **Gross Direct Effects**

3.6 In order to estimate the possible Gross Direct Effects of the Community Stadium project, we have made the assumptions as detailed in the following table.

**Table 1: Proposed Community Stadium Gross Direct Effect Assumptions**

<b>Facility component</b>	<b>Input</b>	<b>Outputs (£)</b>
<b>Stadium</b>	<ul style="list-style-type: none"> <li>• Assumed 'match day' income – gate receipts, season tickets, programmes, general catering, and hospitality income.</li> <li>• Assumed 'non-match day' income – conference and function income.</li> <li>• This figure excludes non visitor-related income (e.g. naming rights, etc.)</li> <li>• 3G pitch</li> </ul>	
<b>NHS site including pharmacy</b>	<ul style="list-style-type: none"> <li>• Assumed income from the tenants</li> </ul>	
<b>Grade A office space</b>	<ul style="list-style-type: none"> <li>• Assumed income from office tenants</li> <li>• Assumes 300 people spending an average of £10 per week (for 48 weeks each year).</li> </ul>	

<p><b>'Off-site' expenditure</b></p>	<ul style="list-style-type: none"> <li>• In addition it is likely to be some 'off site' expenditure during their trip (e.g. spending by Community Stadium users and visitors in local bars, restaurants and cafes, shops, and evening entertainment, as well as on regional public transport such as buses and trains).</li> <li>• It has been assumed that the total Gross Direct Effects are increased by 20% to reflect this wider spending.</li> </ul>	<p>Above figures increased by 20%</p>
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### **Leakage**

3.7 In considering the potential proportion of outputs that will benefit those outside of Cumbria, we have reflected on the following:

- The primary users and beneficiaries of the Community Stadium project will be local residents, and – in relation to the office space – local businesses and other organisations (and the employees of these tenants).
- It is expected that the Community Stadium project will be planned to optimise local, sub- regional and regional benefits. For example, the Community Stadium's supply chain (of supplies of goods and services) will predominantly be local and sub-regional.
- The majority of staff would be expected to live in West Cumbria and the wider region.

3.8 In the light of the above, the leakage of the Gross Direct Effects outside of Cumbria is likely to be very low. To reflect this, this preliminary economic appraisal assumes a leakage rate of 10%. According to English Partnerships, assuming such a leakage effect is reasonable where the majority of benefits will go to people living within the target area (which in this case is Cumbria).

3.9 In considering the possible deadweight of this project, we have assessed the following:

- Without this project, Workington Town and Reds would continue to operate within their existing venues (or alternative facilities in the town), albeit with lower attendances in the case of the football and rugby league clubs.
- The Community Stadium has the potential to bring together – on a single site – a wide range of community sports and commercial facilities which could create a unique destination in the area.



- 3.10 Based on the above, we have assumed that the deadweight for this project will be 25%.

***Displacement and substitution***

- 3.11 As with all major sporting and leisure venues of this type, there will be some displacement and substitution, as a number of users will be diverted way from existing sports facilities in the area (even though many of the facilities at the Community Stadium will be servicing an identified need which is currently not being met by the existing range of facilities).
- 3.12 Given this, a figure of 10% has been assumed to reflect the impact of displacement and substitution. This figure is at the low end of English Partnerships’ benchmarks for the effects of displacement and substitution, recognising the assumption that there will only be limited displacement/substitution effects.

***Economic Multiplier***

- 3.13 Because of the likely economic connectivity and local linkages (e.g., employment of staff from the local area / sub-region), and the creation of local, sub-regional and regional supply chains, additional income will be generated by the Community Stadium within the local and regional economies.
- 3.14 Reflecting this, an economic ‘multiplier effect’ of 1.7 has been assumed. This assumes strong local supply linkages and income effects.
- 3.15 Note: Additionally tool source: English Partnerships (2004) Additionally Guide – A Standard Approach to Assessing the Additional Impact of Projects (prepared by AMION Consulting on behalf of English Partnerships)

***Direct employment effects***

- 3.16 This comprises the people that will be employed directly within the Community Stadium and the other facilities. At this stage of the project, it remains an estimate of direct employment, as detailed in the following table.

***Table 2: Community Stadium direct employment assumption (‘full-time equivalent’ jobs)***

<b>Facility component</b>	<b>Assumptions</b>	<b>Outputs (FTE’s)</b>
<b><i>Stadium including 3G pitch</i></b>	<ul style="list-style-type: none"> <li>• Assumed employment within WRAFC, WTRFLC, the Stadium Management Company, and catering permanent, part-time, and casual staff.</li> <li>• Based on initial estimates, it is possible that there would be 10 full-time equivalents (‘FTEs’)</li> </ul>	54

	<p>employed within the football club and 10 FTEs within the rugby club plus 8 across Cumberland FA/RL</p> <ul style="list-style-type: none"> <li>• In terms of the Stadium Management Company, the financial modelling suggests a total of 16 FTEs.</li> <li>• Catering - permanent, part time and casual -10</li> </ul>	
<b>NHS</b>	<ul style="list-style-type: none"> <li>• It is estimated that 50 staff will be employed</li> </ul>	50
<b>Office Space</b>	<ul style="list-style-type: none"> <li>• Assumes 100% occupancy of 2800 sq. m. of net lettable office space.</li> </ul>	300

### ***Indirect employment effects***

- 3.17 In addition to those people employed directly within the Community Stadium and the wider facilities, there will be jobs supported within the wider area through the spending of users and visitors to the destination.
- 3.18 In order to estimate the potential Net Additional Effects which are spent on payroll (i.e. wages, salaries and related costs), a figure of 35% of the Net Additional Effects has been assumed. To then convert this figure into an estimate of indirect FTEs (which could be supported by the Community Stadium), the proportion of Net Additional Effects spent on payroll has been divided by an assumed average payroll cost of £25,000.

### ***Construction employment effects***

- 3.19 Temporary construction jobs would also be created, providing a valuable boost to the area's economy. Depending on how long it takes for the UK economy to fully recover from the recent recession, this may be a significant impact (particularly if construction sector output growth remains slow for some time).
- 3.20 The construction employment effects will be related to the total cost of the development, £26.8m and the length of time the development will take to bring to fruition.
- 3.21 In order to illustrate the potential construction period employment effects, we have assumed that £1m construction spend creates 13.3 FTEs. In addition to the direct jobs created through the construction phase of the project, there will be indirect and induced employment resulting from the construction activity.

### ***Potential outputs (by potential facility)***

3.22 Based on the above assumptions, the following table illustrates the possible economic outputs which could be created by each facility. It should be noted that the possible outputs are annual outputs, with the exception of the construction outputs which are temporary (during the Community Stadium's construction period only). The assumption is 50/50 split across construction jobs for office space and NHS.

**Table 3: Community Stadium potential economic outputs by facility**

Facility	Gross Direct Effects (£)	Net Additional Effects (£)	Construction Employment (temporary effects) (FTEs)	Direct Employment	Indirect Employment
<b>Stadium</b>				54	18
<b>Flexible office space</b>				300	10
<b>NHS space</b>				50	8
<b>TOTAL</b>	<b>£2,858,700</b>	<b>£2,952,322</b>	<b>356</b>	<b>404</b>	<b>36</b>

***Rugby League World Cup 2021***

3.23 As part of the economic appraisal, it is important to recognise that the Rugby World Cup will bring a separate set of economic outputs for the area.

3.24 Based on information from RLWC2021 men's events Economic Impact Assessments, the estimated total expenditure for 24,000 fans will be £3,000,000 with direct economic impact being 70%, therefore the area should expect £2.1m of direct economic impact.

3.25 In relation to temporary jobs, it is estimated that 75PT jobs will be created across all sectors. Using leisure industry standards of 1FTE to 80,000 revenue turnover, the total outputs will create 15.81FTEs.

***RLWC2021 legacy benefits***

3.26 We expect the RLWC2021 to deliver a range of benefits to Allerdale and Cumbria as a whole.

3.27 To support the Council plan we expect the RLWC2021 to be a catalyst for improving the health and well-being of local people. We have an ambitious strategy to improve our resident's health and wellbeing and the RLWC2021 will be an agent for positive change. In particular, Allerdale's Council Plan seeks do this by improving access to quality leisure and cultural activities. We will also work with partners to make sure our population ages well, is helped

with mental health and obesity issues and behaviours are changed with smoking cessation programmes.

- 3.28 The RLWC2021 will create a platform that will enable sustained campaigns to tackle these issues in conjunction with our partners to bring about lasting change. The World Cup, coupled with the development of new sporting facilities will also unlock new health facilities. This will provide a virtuous circle of world class sporting and health and wellbeing facilities on one site that through the promotion and delivery of the World Cup we can promote and market.
- 3.29 As a Council we want to improve participation in all sport and the RLWC2021 allows a focus on Rugby League. The games will enable the Council to increase the number of people that take up the sport by working with clubs, schools and sports providers to organise activities and competitions in the run up to the World Cup with finals, presentations and shows being included as curtain raisers, entertainment and showcases before hosted games either in the stadium or as part of the wider cultural programme. The creation of a sustainable centre of sporting excellence will deliver the strong platform to boost sporting participation, however, we do not underestimate how the World Cup will energise local people and visitors as a catalyst to participation. The evidence based on our £12 million investment in local community sports facilities has seen significant growth in participation including among hard to reach groups. The centre recorded a 100% increase in participation in its first year of opening in comparison to the old leisure centre.
- 3.30 The RLWC2021 will significantly increase visitors to the area. Allerdale has re-branded its Tourism offer as a destination of note containing as it does, two World Heritage sites – the Lake District and Hadrian's Wall as well as the Solway Coast Area of Outstanding Natural Beauty. The scale and size of the RLWC2021 and the international profile and media coverage will enable Allerdale and Cumbria to encourage visitors to visit again, post World Cup or visit for the first time. This will help us to deliver our ambitious Growth Strategy, with tourism one of the key growth areas and has strong synergy with the Northern Powerhouse aspiration to boost the local economies.
- 3.31 The Council will also focus on encouraging more valuable staying visitors rather than day visitors by working with accommodation providers, Carlisle Lake District Airport, rail operators and others to offer easy to book packages for visitors, especially using sustainable transport. The 2013 competition and its two games played in Workington saw a boost to the local economy of £650,000, in 2021 we expect it to be £2.1m.
- 3.32 The Council believes that the RLWC2021 alongside the new stadium will be a catalyst for West Cumbria Rugby League partners to consider how Super League can be brought back to West Cumbria – Workington Town were a

member of the inaugural Super League. Beyond the RLWC2021 and the aspirations for local Super League activity, we see the potential for hosting other big events like the Big Summer Bash weekends for Championship teams in the new stadium.

- 3.33 The RLWC2021 will enable the Council to work with Rugby League clubs, West Cumbria Youth Development Group, Active Cumbria and other partners to strongly promote opportunities for Rugby League participation including Masters, Walking Rugby, Mixed Touch, Social 9s and youth & schools Rugby League. This will build on the excellent record of Cumbria clubs where 15 out of 25 already offer Rugby League activity for 6 – 16 year olds.
- 3.34 This activity will contribute to outputs set out in the Strategic Case detailed in section 2 of this business case.

## **4.0 Comparator Study**

4.1 In developing proposals for a new community stadium for Workington it was considered important to consider how the project can be informed by the experience of similar developments elsewhere. Representatives of the Council and the sporting clubs visited York Community Stadium, which is currently under construction, as well as existing stadia at Leigh Sports Village and Warrington. A brief overview of these developments is set out below:

### ***York Community Stadium***

4.2 York Community Stadium is a council-led development that will provide a new football and rugby stadium for professional and community sport and leisure facilities for the city of York as part of a wider leisure and retail development. The development is currently under-construction and due for completion in summer 2019. When complete the stadium complex will include:

- an 8,000 capacity all seated stadium for York City FC and York City Knights RLFC with a grass hybrid playing pitch
- a new IMAX cinema with 14 screens
- a community hub, including a library and the community offices for York's sports clubs
- York against Cancer retail unit and offices
- NHS outpatient services
- new swimming facilities, gym, dance studio and a sports hall with spectator seating
- retail and restaurants
- catering and hospitality areas

4.3 The development site was owned by York City Council and was the site of an outdated leisure pool and athletics track and was funded from a range of sources. The site was located close to an existing out-of-centre retail development and the City Council granted planning permission for further retail development as an enabling development for the stadium which, through a S106 planning obligation, secured a capital contribution towards the stadium development. A further capital receipt was secured through the sale of part of the site for the cinema development. The development benefited from a grant from the Football Stadia Improvement Fund and the Council also made a capital contribution funded through prudential borrowing.

4.4 The procurement approach adopted by York City Council for the development of the York Community Stadium to award a single contract to design, build

and operate the stadium. It is understood that this approach led to some challenges particularly in linking the design and build of the development to the management of future operation of the complex. The contract was awarded to a consortium led by Greenwich Leisure Limited who will operate the complex on behalf of the City Council. Greenwich Leisure Limited have subsequently awarded a contract to York City Council to manage the stadium although GLL will operate the swimming pool and leisure centre under their 'Better' brand.

### ***Leigh Sports Village***

- 4.5 Leigh Sports Village is a multi-use sports, retail education and housing development. At the heart of the development is a 12,000 capacity stadium which is home to Leigh Centurions Rugby League Club as well as Manchester United's Women's, Under 23 and Under 19 teams. The playing surface at the stadium is a grass hybrid pitch. The stadium incorporates NHS facilities, a pharmacy, office accommodation as well as hospitality and conference facilities. The site was owned by Wigan Council and the development was a key regeneration project for the Council.
- 4.6 In addition to the stadium the Leigh Sports Village complex includes the following elements:
- Leisure centre including 25m swimming pool and sports hall
  - Multi-use floodlit 3G synthetic and grass pitches
  - 400 m synthetic running track and club house
  - Morrison's supermarket
  - Hotel
  - Further education and sixth form colleges
- 4.7 The stadium has hosted pop concerts as well as a Rugby League World Cup in group match in 2013 and a Rugby League Challenge Cup semi-final.
- 4.8 The commercial development at the site contributed to the funding for the stadium and sporting development and the viability of the overall development. A capital receipt was received from the sale by Leigh Harriers amateur athletics club of an outdated athletics stadium elsewhere in the town and the Leigh Harriers now occupy the athletics track and clubhouse which form part of the sports village.
- 4.9 The stadium, athletics stadium and clubhouse, swimming pool and leisure centre as well as the sports pitches are owned by Wigan Council and operated by Leigh Sports Village Limited. Leigh Sports Village Limited is a private limited company wholly owned by Wigan Council.

### ***Halliwel Jones Stadium, Warrington***

- 4.10 The Halliwel Jones Stadium is the home of Warrington Wolves Rugby League Club and was built in 2003 as a replacement for the former out-dated rugby league stadium at Wilderspool which was located elsewhere within the town.
- 4.11 The stadium, which has a capacity of 15,000 with both seating and standing, is located on the site of a former brewery and was funded by Tesco through a planning agreement relating to the development of a new superstore at the site.
- 4.12 The stadium is primarily a rugby league stadium but has hosted football matches being a host venue for the Women's 2005 Euro Championship and hosting Liverpool Reserves between 2007 and 2009. The stadium provides conference and events facilities and is a wedding venue. The stadium also provides accommodation for the Warrington Wolves Charitable Foundation which undertakes a range of community work based at the stadium.
- 4.13 The Warrington stadium is less comparable to the proposals for a community stadium that the other stadia visited at York and Leigh both in terms of scale and the lack of direct Council involvement in either the development or operation of the stadium.

### ***Key Points***

- 4.14 The visits to the three stadia highlighted above and discussions with key personnel involved in this projects identified three key themes that is it considered to take into account in relation to the future development of Workington Community Stadium.
- Relationships: Developing and maintaining relationships with key stakeholders and users of the stadium is critical to the success of the development.
  - Governance/Management: The correct operating model allows the sporting clubs to focus on results on the pitch and for the operating company to focus on the management and development of the facility.
  - Commercial Strategy: It is important to have a clear strategy that enables the stadium operating company to take advantage of commercial opportunities to ensure that they remain financially viable.
- 4.15 There is an obvious link between the development of a new stadium and health and well-being and therefore in functional terms the location of NHS and other health related development within the development. The rental streams associated with the provision of these facilities also make a significant contribution to the ongoing financial viability of the stadium.



- 4.16 It is also clear that for any new stadium development to be financially viable it must offer more than a venue for the sporting clubs on match days and must therefore be available for use for a range of activities seven days a week. Weddings, parties and other functions, conference, meeting and training facilities were all key elements of the stadia visited. The ability to use space flexibly was important in maximising the range of activities that can be provided.
- 4.17 Although details of the contractual arrangements in place at the stadia visited were commercially confidential some general guidance was provided in terms of the type of commercial arrangements that are typically in place between the stadium operating companies and users. This included the sporting clubs hosted, and this guidance has been helpful in informing the development of the detailed business case and proposed operating model.

## 5.0 Site Options

5.1 An appraisal of the site options was undertaken by the project board to identify potential sites and agree criteria to be used for the selection of a preferred site.

### *Identification of Site Options*

5.2 A fundamental requirement of both sporting clubs is that the preferred site for a new shared stadium should be located in Workington. An initial high level assessment identified the following sites as suitable for further consideration:

- Land at Oldside
- Former Moorclose Sport Centre and adjacent land.
- Land at Mossbay bounded by Mossbay Road/Annie Pit Lane, Solway Road
- Land at Lillyhall West (adjacent to A596)
- Land at Lillyhall North (adjacent to A595)
- Derwent Park
- Borough Park and adjacent land

### *Selection Criteria*

5.3 To assist in the identification of a preferred site the project board agreed a number of high level site selection criteria and weighting system as set out below.

**Table 4: Site Selection Criteria**

<b>Selection Criteria</b>	<b>Key Points of Consideration</b>	<b>Weighting from 100%</b>
<u>Deliverability</u> Ease of delivery...? ..... by 2021?	Planning issues. Site ownership/control	25%
<u>Value for Money</u> Capital and Operating	Cost of enabling works Operational Costs & Income potential	25%
<u>Attractiveness to Users</u>	What will generate most income	12.5%

.....i.e. Spectators, Sponsors, other tenants		
<u>Usability</u> .....to Reds & Town.	Playing Surface maintenance/resilience Any site constraints on facilities Simplify Operational use	12.5%
<u>Regeneration Value</u> ..benefits as part of strategy for Workington & wider	Strategic fit (including to potential grant funders)	25%

5.4 Although not the primary driver for the development of a new stadium the project board were mindful that the Council were developing a bid to host the Rugby League World Cup in 2021 (RLWC2021) and that such a bid was likely to be dependent on the development of a new stadium. It was therefore considered appropriate for the ability of a site to support the development of a new stadium in time for RLWC2021 to be taken into account.

### ***Initial Site Assessment***

5.5 Green Swallow Architects were commissioned to prepare sketch schemes for the site with the aim of determining whether the sites were capable of accommodating a stadium footprint of 8000 capacity and associated works. This exercise effectively ruled out the site at Lillyhall West and Borough Park unless the adjacent land could be acquired.

5.6 An initial assessment of the remaining sites against the agreed criteria was undertaken by a small team comprising the Project Manager, the Estates Manager and representatives of Green Swallow and Walton Goodland land agents.

5.7 This assessment was based on location knowledge and professional judgement taking into account that no site investigations had been commissioned and no formal consultation undertaken with the highway authority or other statutory bodies such as the Environment Agency.

5.8 Based on initial discussions with the landowner it was assumed that the land adjacent to Borough Park could be acquired at terms acceptable to the Council and therefore this was included as an option for consideration.

5.9 The initial scoring for the site options considered was reviewed and agreed by the project board and the agreed scoring and weighting is set out below.

### ***Table 5: Initial Site Assessment***

Site Criteria	Oldside ?/10 W%	Moorclose ?/10 W%	Lillyhall N. ?/10 W %	Moss bay ?/10 W%	Derwent Park ?/10 W%	Borough Park ?/10 W%
<b>Deliverability 25%</b>	5 12.5	6 15	6 15	4 10	5 12.5	6 15
<b>Value For Money 25%</b>	5 12.5	6 15	7 17.5	6 15	5 12.5	7 17.5
<b>User Attractiveness 12.5%</b>	2 2.5	2 2.5	5 6	5 6.25	7 8.75	9 11.25
<b>Usability 12.5%</b>	6 7.5	4 5	8 10	6 7.5	7 8.75	7 8.75
<b>Regeneration Value 25%</b>	1 2.5	3 7.5	5 12.5	5 12.5	7 17.5	8 20
<b>Weighted Score in %</b>	<b>37.5</b>	<b>45.0</b>	<b>58.75</b>	<b>51.25</b>	<b>60.0</b>	<b>72.5</b>

5.10 The scoring and identification of Borough Park and the adjacent land was agreed by the Project Board.

### ***Review and Moderation***

5.11 The agreed scoring was subsequently reviewed by the Councils internal steering group for the stadium project and revised scoring is set out below. The changes made did not impact on the identification of Borough Park and the adjacent land as the preferred site.

***Table 6: Moderated Site Assessment***

Site Criteria	Oldside ?/10 W%	Moorclose ?/10 W%	Lillyhall N. ?/10 W %	Moss bay ?/10 W%	Derwent Park ?/10 W%	Borough Park ?/10 W%
<b>Deliverability 25%</b>	5 12.5	6 15	6 15	4 10	5 12.5	6 15
<b>Value For Money 25%</b>	5 12.5	6 15	7 17.5	6 15	5 12.5	5 12.5

<b>User Attractiveness</b> 12.5%	2    2.5	4 5	4 5	5 6.25	7 8.75	9    11.25
<b>Usability</b> 12.5%	6    7.5	4 5	8 10	6    7.5	7 8.75	7 8.75
<b>Regeneration Value</b> 25%	3    7.5	3 7.5	5 12.5	5    12.5	6 15	7    17.5
<b>Weighted Score in %</b>	<b>42.5</b>	<b>47.5</b>	<b>60</b>	<b>51.25</b>	<b>57.5</b>	<b>65</b>

### ***Preferred Site***

- 5.12 The site assessment based on the agreed criteria and weighting identified Borough Park and the adjacent land as the preferred site for the development of a new shared stadium for Workington.
- 5.13 The preferred site scored highly in relation to the regeneration value, particularly in relation to the potential for the development to contribute to the wider regeneration of this part of the Lower Derwent Valley. The proximity of the site to Workington town centre was also considered to be a particular benefits both in terms of the attractiveness of the site to potential users and the potential to support existing town centre uses. Vehicular access to the site was considered to be relatively straightforward, in comparison to Derwent Park for example where the existing access is highly constrained, and the site is easily accessible via public transport.

## 6.0 **Planning Issues**

- 6.1 The proposals for the development of a new community stadium in Workington incorporate a number of related uses as an integral part of the development including a multi-sports stadium venue, hospitality and conference facilities, health and medical provision as well as office accommodation.
- 6.2 The Council will be required to consider and determine a planning application for the proposed development. The procedures for dealing with development proposed by local authorities are set out in the Town and Country Planning General Regulations 1992 (as amended) and the basic principle is that local authorities must make planning applications in the same way as any other person and must follow the same procedures as would apply to applications by others. Like all planning applications an application for the proposed stadium must be determined in accordance with the development plan unless material considerations indicate otherwise. The development plan to be taken into account is the Allerdale Local Plan (Part 1) adopted in July 2014 but other material planning policy considerations include the National Planning Policy Framework (NPPF) and the emerging Allerdale Local Plan (Part 2).
- 6.3 A summary of the main planning policy issues to be considered is set out below. These issues relate both to the range and nature of uses proposed as part of the development and the location of the preferred site.

### ***The National Planning Policy Framework (NPPF)***

- 6.4 A revised NPPF was published in July 2018. The policies of this Framework are a material planning consideration to be taking into account in the determination of the planning application for the development.
- 6.5 The NPPF does not contain any policies that relate specifically to the development of new stadia however a key theme of the policy approach is to promote healthy and safe communities and places which promote social interaction, are safe and accessible and enable and support healthy lifestyles. Planning policies and decisions should plan positively for the provision of shared spaces and community facilities, which could include sports venues. The proposals for the stadium development are fully consistent with these national planning policy aims.
- 6.6 The NPPF also seeks to ensure the vitality of town centres and planning policies and decisions support the role that town centres play at the heart of local communities. The proposed stadium includes elements, in particular the sporting and leisure provision and office development, are considered to be town centre uses. Where, as in this case, it is not possible to identify town centre sites which are capable of accommodating the scale and type of development required the preference is to identify edge of centre or out of

centre sites that are well connected to the town centre. Although not within the town centre boundary as defined by Allerdale Local Plan the preferred site is well located in relation to Workington town centre and benefits from good existing pedestrian links with significant potential for the town centre to benefit from the increased activity and footfall that would be generated by the proposed development.

- 6.7 Other key themes within the NPPF which are of relevance to the stadium proposals are those relating to supporting economic growth, promoting sustainable transport, making effective use of land, achieving well-designed places, ensuring that flood risk is managed and that development should contribute to and enhance the natural, local and historic environment.

***Allerdale Local Plan (Part 1)***

- 6.8 There a number of detailed policies of the Allerdale Local Plan (Part 1) which are relevant to the stadium proposals but which follow consistent themes to those of the NPPF set out above including those relating to town centre uses, sports and leisure provision, impact on ecological and heritage interests and achieving high quality design.
- 6.9 Local Plan policy relating to the management of flood risk and surface water drainage is consistent with national planning policy and seeks to avoid development in locations that would be at risk of flooding or increase the risk of flooding elsewhere. This is an issue that will need to be addressed given the location of the preferred site is adjacent to the River Derwent. The proposed new community stadium will largely be built on the site of the existing football stadium at Borough Park. There is no history of flooding having impacted on the existing stadium and this part of the site is designated as being within Flood Zone 1, the lowest area of risk in terms of flooding. It is acknowledged however that the adjacent land, the former Lonsdale Park, is within the higher Flood Zones 2 and 3 and is in part within the functional flood plain. Whilst there may be some limited encroachment into the higher flood risk area to accommodate the larger footprint of the new stadium compared to the existing stadium at Borough Park initial discussions with the Environment Agency have indicated that it should be possible to manage any flood risk associated with this aspect of the development. The proposals of playing pitches and open space on the remainder of the site are less sensitive uses in terms of flood risk although careful consideration will need to be given to the mitigation of flood risk associated with these uses.
- 6.10 The issue of flood risk will be fully addressed through the planning application process in consultation with the Environment Agency. A flood risk assessment will be required as a key component of the planning application submission to demonstrate that the key policy tests of ensuring that the development will not

be at an unacceptable risk of flooding or increase the risk of flooding elsewhere can be satisfied.

- 6.11 In relation to the theme of promoting sustainable transport there is a policy requirement for new development to be located in areas which have safe and convenient access to public transport so as to reduce the need to travel using private motor vehicles. In this respect the preferred site for the stadium development is considered to be highly sustainable location with direct access to dedicated pedestrian and cycle routes and in close proximity to existing bus routes and a short walk from the train station.

### ***Allerdale Local Plan (Part 2)***

- 6.12 The Allerdale Local Plan Part 2 was submitted to the Minister for Housing Communities and Local Government on 19 January 2019. The Local Plan will now be subject to an independent examination to be conducted by the Planning Inspectorate prior to adoption. The Local Plan (Part 2) does not form part of the Development Plan until adopted but nevertheless is a material planning consideration albeit that the weight that can be accorded to it as part of the decision making process is limited at the present time.
- 6.13 The Allerdale Local Plan (Part 2) includes a policy (SA49) that related specifically to the Lower Derwent Valley an area which includes the existing football stadium at Borough Park. This policy recognises that the Lower Derwent Valley has the potential to provide a complementary role to the town centre focussing on its sporting and cultural heritage and building on existing leisure and retail uses. The policy states:

#### *Policy SA49 Lower Derwent Valley*

*Proposals for new or replacement sport or leisure facilities and ancillary main town centre uses will be supported in the Lower Derwent Valley area, as defined on the Policies Map.*

*Proposals will be expected to:*

- Deliver high quality design solutions that reflect and enhances its location at the northern gateway to the town.*
- Improve access and connections, especially pedestrian and cycling, within the Lower Derwent Valley itself and to the town centre: and*
- Contribute to the enhancement and protection of existing biodiversity, open space and green infrastructure, especially along the River Derwent corridor.*

*Proposals for main town centre uses will be expected to comply with relevant sequential and impact tests set out in Policies S16 and DM8.*



*Opportunities along the River Derwent Corridor to protect and enhance its ecological value and flood storage capacity and improve recreational use, including pedestrian and cycle links to the town centre will be supported.*

- 6.14 The proposals for the development of a new community stadium are consistent with this emerging policy and its aims.

### ***The Planning Process***

- 6.15 To ensure that all relevant planning issues are addressed as part of the design development planning consultants have been appointed to advise the design team and coordinate the planning application process. As part of this process the design team have taken advantage of the Council's pre-application advice service and met with the development management team who have provided advice on the planning issues to be address and the information and related studies that will be required to support the planning application and ensure that a robust planning submission can be made.
- 6.16 As part of the pre-application process a community engagement event took place at the Workington Leisure Centre on 4 December 2018. Approximately 140 people attended the consultation event. Feedback forms were available and 35 were returned on the day of the event and a further 11 responses were submitted via the Council's website. In total 46 consultation responses were received of which 97% were supportive of the stadium proposals and 94% were supportive of the wider development proposals i.e. the proposed NHS accommodation, offices and hospitality facilities.
- 6.17 A planning application was submitted for consideration and registered as a valid application on 31 January 2019 (Application Reference FUL/2019/0018) and is currently being assessed by the planning team The planning application has been the subject of extensive consultation with a range of statutory consultees and interested parties. As with any planning application the consultation has raised a number of queries and requests for further information and the stadium project team is working with planning officers to ensure these queries are answered. The project team is confident that all of the issues raised to date can be satisfactorily addressed. It is currently anticipated that the planning application will be considered by the Development Panel in April 2019.

## 7.0 Capital Costs and Financial Model

### **Capital Costs**

- 7.1 The purpose of this section is to set out the capital costs required to deliver the stadium proposals. The capital costs for this project have been developed by the architects Holmes Miller and by the cost consultants Gleeds, who have supported the Council in developing the model.
- 7.2 The costs of the stadium and associated facilities based on the estimates provided by Gleeds as attached at Appendix (I). Following an initial assessment of value engineering opportunities the construction cost is estimated at £26.8 million. This excludes VAT.
- 7.3 Competitive tender prices may be achieved during the procurement process, which and further value engineering could yield further savings however for the purposes of this business case the assumed cost is £26.8 million.

### **Capital Funding and Deliverability**

- 7.4 The purpose of this section of the report is to assess the funding streams available to deliver the project and align them with the capital costs as developed by the design team and the cost consultants.
- 7.5 Following the initial work completed for the OBC, and following discussions with a number of advisors (Grant Thornton, Link, and others) there are considered to be two options available to finance the construction of the community stadium.

Option 1 – Council Borrows

Option 2 – Investor/ Developer Builds

#### **Option 1 – Council Borrows**

- 7.6 The first option is for the Council to undertake borrowing from the PWLB and undertake a procurement exercise to appoint a building contractor.
- 7.7 Taken into account design fees the estimated total development for this route are £28.6 million is shown in Table 7 below.

**Table 7: Gross Development Costs**

<b>Cost Build Up</b>		<b>£</b>
Construction costs		£26,816,000
<b>Design Costs</b>		
Tier 1 Design Team Fee		

Schedule		
RIBA Stage 4	£685,815	
RIBA Stage 5	£800,118	
RIBA Stage 6	£114,303	
		£1,600,235
Tier 2 Design Team Fee Schedule		
RIBA Stage 4	£71,760	
RIBA Stage 5	£83,720	
RIBA Stage 6	£11,960	
		£167,440
<b>Gross Development Cost</b>		<b>£28,583,675</b>

- 7.8 The Council has also assumed that some external capital funding would be available to support the project. The Football Foundation are expected to contribute £750,000 for the 3G pitch and the Rugby League World Cup (RLWC) could contribute another £750,000 to the project. This has still to be confirmed, but for the purposes of this business case, it is assumed that the Council will receive £1,500,000 in grant funding.
- 7.9 This would mean that the net cost and borrowing requirement for the Council would be £27,583,675.

**Table 8: Borrowing Requirement**

<b>Gross Development Cost</b>		<b>£28,583,675</b>
Add: Year 1 Stadium fit out costs		500,000
<b>Grants Receivable:</b>		
Rugby League World Cup	£750,000	
Football Foundation for 3G Pitch	£750,000	
		£1,500,000
<b>Borrowing Requirement</b>		<b>£27,583,675</b>

- 7.10 The Council would borrow this amount (£27,583,675) from the PWLB. The loan would be an Equal Instalment of Principal (EIP) Loan. This is a type of loan where each payment includes an equal amount in respect of loan principle, therefore interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
- 7.11 The financial model has assumed that the loan will be taken out over a 30 year life from the PWLB at an interest rate of 3.60%
- 7.12 Where capital expenditure is met from borrowing or other credit arrangements, such as on-balance sheet leasing arrangements, this will give

rise to a requirement for the Authority to set aside from the General Fund an annual amount (known as the Minimum Revenue Provision).

- 7.13 In establishing the amount to be set aside, authorities must have regard to the statutory guidance on MRP issued by MHCLG. This guidance establishes the principle that in meeting the requirement, set out in the 2003 Capital Finance Regulations, to 'make prudent provision' for MRP, revenue should be set aside over a period that is commensurate with the period over which the capital expenditure provides benefits. In other words over the life of the asset or assets.
- 7.14 Consistent with the requirements of the statutory guidance the Authority's approved MRP policy is for the cost of any new capital expenditure which funded from borrowing or other credit arrangement to be charged to the general fund in equal instalments over the estimated useful life of the related asset. In the absence of definitive information a period of 30 years has been selected to reflect the estimated weighted average useful life of the assets associated with the construction of the stadium.
- 7.15 At the centre of the prudential system of capital controls is the Prudential Code. A fundamental provision of the Prudential Code is that over the medium term, debt will only be for a capital purpose. To ensure this is the case the Authority therefore needs to demonstrate that its gross external debt does not, except in the short term, exceed its underlying need to borrow for capital purposes (known as the total of capital financing requirement).
- 7.16 To ensure this is the case, and having regard to the maturity profile of its existing loan portfolio and forward projections of the Authority's capital financing requirement, where borrowing is used to fund capital expenditure any new loans will be taken out over a term consistent with the useful life of the underlying asset(s) and on a repayment basis that mirrors the charging of MRP to the general fund i.e. an equal instalment of principal basis
- 7.17 This will ensure that as MRP is charged to revenue, the amounts set aside are then used to repay the outstanding loans. The reduction in the underlying need to borrow as a result of setting aside MRP will therefore be mirrored by a corresponding reduction in external debt. If the loans were repaid over a period longer than the life of the asset(s) then, at some point over the life of the asset this could leave the Authority with external borrowing in excess` of its underlying need to borrow for capital purposes.
- 7.18 The Council would use the cash to pay for the construction of the stadium and when it is completed it would then transfer the asset (the stadium) to the Stadium Operating Company.
- 7.19 The Stadium Operating Company would then finance the asset by an equivalent loan to the PWLB debt and pay this loan charge to the Council. The Council would need to charge the Operating Company a premium for this, in order to comply with State Aid rules.

## ***Option 2 – Investor/Developer Route***

### ***Lease and Lease Back Model***

- 7.20 The second option is that of using an Investor / Developer to fund the cost of the construction. This option is known as a lease and lease back deal.
- 7.21 Lease and leaseback deals are, in essence, forward funding arrangements to acquire property assets which are then typically sold back to the occupier for a £1 at the end of the lease. The structure works with a range of assets and readily lends itself to this project.
- 7.22 So as an example, the model works by the Council selling a long leasehold interest (of the preferred site) to a UK Funding institution – e.g. a Pension Fund. This investor would then work with a developer to construct the stadium and when it is completed, lease the stadium back to the Council or Operating Company.
- 7.23 The investor provides the funding to the developer who then pays all the construction costs.
- 7.24 The tenant (Council or Stadium Company) can then sub-lease the office space and pharmacy to Sellafield and the NHS.
- 7.25 At the end of the lease, providing that all rent has been paid in accordance with the lease, there is an option to own the stadium outright.
- 7.26 Institutional investors with their long-term pension pay-out commitments are looking for long-term lower risk investments and this option is attractive to them, particularly with the strong tenant covenant that frequently comes from the public sector and in this project from the local authority, Sellafield and the NHS.
- 7.27 There are a number of variables for this option in terms of the lease which could run any length of time but typically between 30 and 50 years. Our soft market testing has indicated that a lease term of at least 40 years is likely to be required for this to be a viable option for this project.
- 7.28 The stability and security for the landlord comes from an annual rent reviews (or 5 yearly uplifts) linked to the Retail Price Index (RPI) or Consumer Price Index (CPI) rather than open market rent.
- 7.29 The indexed review is often subject to a maximum increase, known as a cap, to protect the tenant from the spectre of runaway inflation. There is also a minimum increase, a collar, to protect the landlord from price deflation.
- 7.30 For investors looking to hedge final salary pension scheme exposures, such risks often come with a 0% collar and 4% cap, hence the popularity of matching caps in the investment leases.

### **Indicative cost of this option**

- 7.31 Under this model, the funder would enter into a development agreement with the developer to provide all the funding for the construction of the offices and stadium. The stadium company (guaranteed by Allerdale) would pay a rental each year and this commencing rental would be based on the aggregate of the rent from the sub-tenants on the offices (NHS, Sellafield and Pharmacy) only, and does not depend on the rental income from the sports club. (see Table 9).
- 7.32 There are options around the length of the occupational lease with the Stadium Company and these could range from between 30 years and 50 years.
- 7.33 The yield payable will be dependent on the rent review mechanism in place, with the optimal scenario being annual rent reviews linked to RPI with a cap and collar. The next best option would be for annual rent review linked to CPI with a cap and collar and the least favourable option to be 5 yearly reviews
- 7.34 The developer would start with the cost from our cost consultant Gleeds and add to this their indicative costs and profit margin required to end with a total Gross Development Value (GDV). This is the amount that the lease charge would be based on.
- 7.35 The Council could choose to add its own capital to this model – which would reduce the GDV and hence the annual lease charge.
- 7.36 The table below shows what the total costs could be under the Investor/ Developer model:

**Table 9: Total Costs – Investor/Developer Model**

Estimated costs	£26,066,000 <sup>1</sup>
Contingency	£1,000,000
Consultants fees 7.75%	£2,020,000
Statutory fees	£20,000
Other fees and costs	£500,000
Financing costs	£300,000
Sub-total	£29,906,000
Developers profit	£2,990,600
Gross Development Value	£32,896,600

<sup>1</sup> Construction cost reduced by £750K to reflect that the 3G pitch would be funded separately to meet Football Foundation funding requirements

- 7.37 The tables below shows a matrix of yields that could be payable under difference lease terms, where the sub-tenants rental is reviewed 5 yearly and where the rental is reviewed annual with fixed uplifts of 3% Further detail is shown at appendix (ii.)

**Table 10: Yields Matrix  
5 Yearly Rental Uplifts**

<b>Term</b>	<b>Yield</b>	<b>£ commencing lease rental pa</b>
30	Between 3.44% and 4.27%	£1,150,000 to £1,425,680
35	Between 3.25% and 3.75%	£1,085,000 to £1,252,582
40	Between 3.10% and 3.36%	£1,035,000 to £1,121,786
45	Between 2.95% and 3.05%	£1,019,889 to £ 986,000
50	Between 2.81% and 3.16%	£ 937,865 to £ 954,000

**Annual reviews fixed uplifts**

<b>Term</b>	<b>Yield</b>	<b>£ commencing lease rental pa</b>
30	Between 3.25% and 4.01%	£1,085,000 to £1,339,441
35	Between 3.05% and 3.51%	£1,018,000 to £1,174,358
40	Between 2.95% and 3.14%	£ 986,000 to £1,050,248
45	Between 2.85% and 3.16%	£ 953,547 to £1,064,459
50	Between 2.75% and 2.90%	£ 876,203 to £ 978,000

- 7.38 There will be an opportunity to drive down the rental cost with the developer as the terms of the deal are progressed and as competition between the investors is generated, for example if the developer/investor could assist in negotiating more favourable lease terms than have been assumed.

**Financial Model – Operating the Stadium**

- 7.39 The purpose of this section of the business case is to assess the cost of running the Stadium. This includes the income generation potential, and the expenditure cost of operating and running the community stadium.
- 7.40 A financial model has been developed which is based on detailed evidence based assumptions. It is not a proposal but provides a potential scenario of how the stadium will operate. Further discussions will be required with the sports clubs and further financial due diligence is required.
- 7.41 To assist with the preparation of the business case and to agree further work required in relation to the delivery of this project, KPMG were engaged to provide challenge and advise in relation to the assumptions underpinning the financial model, to understand the risks and our evaluation of these and to provide advice and assistance on the tax implications and the proposed operating model and governance arrangements.

7.42 The following table sets out a summary of the estimated stadium income and expenditure account:

**Table 11: Income/Expenditure Summary**

<b>INCOME</b>	<b>ASSUMPTIONS</b>
Workington Reds FC	
Workington Town RLFC	
Office Space	Rental based on negotiated £ per sq foot – 5 yearly uplifts
3G Pitch	Competitive rate charged to community users
Match Day Hospitality	
Advertising / Naming rights	
Events	Estimated based on a number of events, private hires

<b>EXPENDITURE</b>	<b>ASSUMPTIONS</b>
Employee costs	Managing Director, Finance Manager, Marketing and Events manager, Ground Manager, Safety manager, stewards, catering staff and admin staff – all at market rates with on costs = £467k
NNDR	Based on estimated size and based on similar sized stadiums £20k
Insurance	Based on 0.08% of build costs = £20k
Cleaning	Based on Allerdale BC rates £80k
Utilities	Estimated at current rates £80k
Repairs and Maintenance	Estimated at £100k

***Rental payment and other related income– Sports Clubs***

7.43 The figures included in the financial model and this business case reflect the current status of discussion with both Workington Town RLFC and Workington Reds FC. This is based on the principle that neither club should be financially disadvantaged by a move to a new stadium. It is likely that this is not the final proposal and that discussions will continue to ensure that both clubs and the stadium operating company can agree final terms.

7.44 The assumptions on which the financial model are considered further below. It must be noted that in a number of areas achieving these assumptions is outside the control of both the Council and the Stadium Operating Company. Volatility in performance is likely to affect gate numbers and hence the numbers in the financial model.



- 7.45 Rental income from the sports clubs is based on the clubs paying a fixed percentage (20%) of the ticket income (gate fee) for each match.
- 7.46 The number of home matches for each club is based on the current requirements in their league. There is also no assumption of any income from reserve games (applicable to Reds only) and no assumption of any additional income from other fixtures, e.g. Cumbria Amateur Rugby League or Union cup finals, Amateur Football finals etc.
- 7.47 Estimated attendances for Rugby League matches are based on analysis of average crowds for respective leagues. Of course this is highly variable by club and also according to which other clubs are in the League at any one time. For example, average RL Championship attendance for 2018 season was 2,007 in round 1 and 2,834 in round 23 but if you take Toronto (who are very well supported) out of that analysis then that average drops to 1,758 and 1,318 respectively. It is very reasonable to assume the a successful Workington Town will be above average in their support, however, we have assumed a baseline situation that is below average (@1,250 fans attending) but also that the new stadium will have an impact of adding 30% to attendance.
- 7.48 The reality is that even within the league attendance will vary substantially according to how well the team is performing.
- 7.49 The average Super League attendance over recent years has been approximately 9,000 with a range between 4,000 and 15,000. It is therefore considered that achieving Super League status after 5 years of entry into the new Stadium is practicable with then a 5 season growth plan from 4,000 to 7,500.
- 7.50 Workington Reds are currently in the lower level of the Northern Premier League with gates circa 400. The Club's assumption is that they will be in the upper level in 2020/21 with gates of circa 650 and can secure promotion. The National League North would give them an average gate of 1,000. The projection is that with the additional benefit of the stadium, they could achieve promotion to the National League within 6 seasons which would double the gate numbers to 2,600. The National League is assumed to be the ceiling of ambition.
- 7.51 In 2016/17, the average attendance in National League North was 1,107 with a range of 298 to 3,107. In 2016/17, the average attendance in the National League was 2050 with a maximum of 5,039 and a minimum of 796.
- 7.52 With all these factors taken into account, it is assumed the forecasts are realistic but also there is a high degree of uncertainty and volatility and the Stadium Company can have little influence over this.

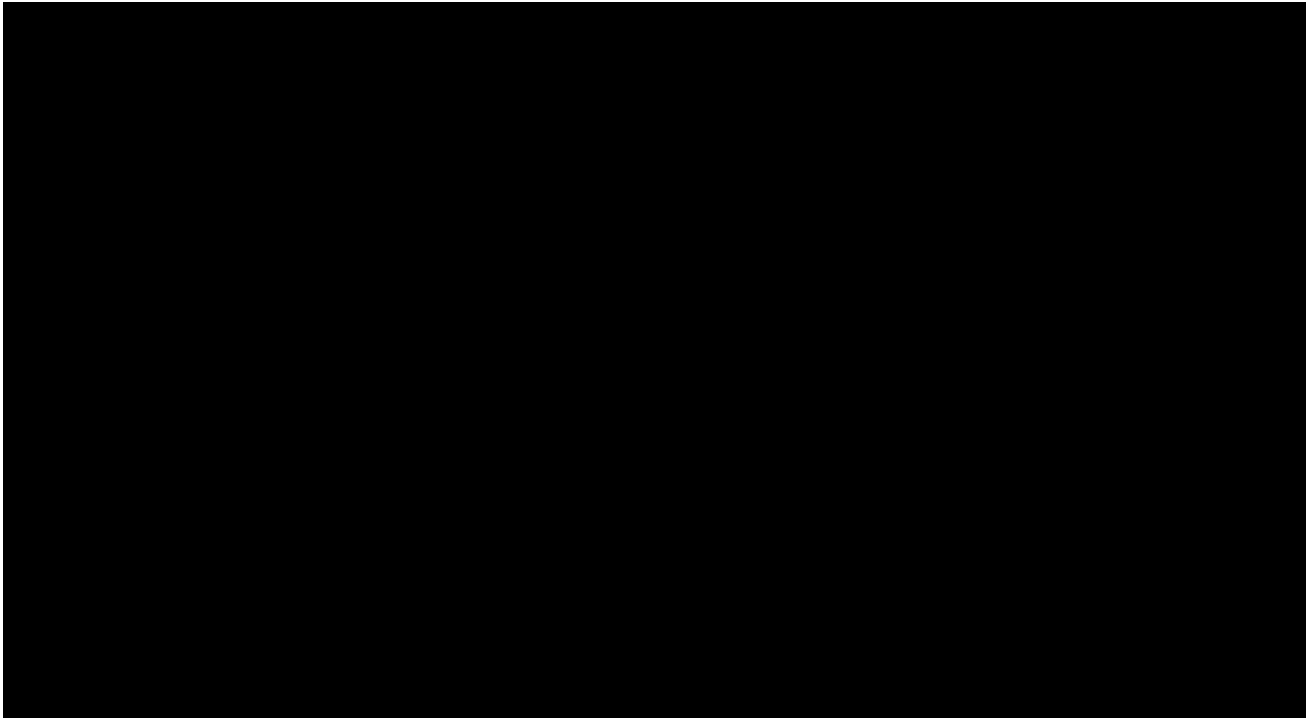
- 7.53 In terms of ticket pricing, Workington Reds current ticket pricing at 2018/19 season is £11 for adults and £7 for concessions. Workington RLFC is £15 and £10 respectively with children at £3 each.
- 7.54 The clubs did not have a breakdown of each type of tickets in initial discussions, but have advised that the number of child entrants was a small percentage due in no small part to the conditions in the current stadiums.
- 7.55 Both clubs have estimated that the average ticket price per spectator is £8.00.
- 7.56 Inflation for both clubs by the time of entry into the new stadium would be 3 seasons at say 3% and importantly for both clubs, they assume an uplift in charging based on the effect of going to a new stadium of 15%.
- 7.57 Therefore the average gate at entry point to the new Stadium has been increased by 25% to £10.00.
- 7.58 It is important to note that the Clubs have responsibility for ticket pricing not the Stadium Company - but the assumption is that they will act to maximise income.
- 7.59 The match day hospitality income is from Food and Drinks sales on match days to spectators to the sports games only. There is no assumption included in the model for income from food and drink sales to users of the NHS facility nor from the operation of a café for the benefit of Sellafield employees.
- 7.60 The income from the 3G pitch is based on discussions with Leigh Sports Village. A business plan is currently being developed for the operation of this synthetic pitch.

#### ***Naming Rights and other events income***

- 7.61 Naming rights are a financial transaction whereby a corporation or other entity purchases the right to name a facility (often a sporting event or live entertainment venue) typically for a defined period of time.
- 7.62 Income from the ground naming rights is based on discussions with other small stadium operators. Discussions are at a preliminary stage about securing a deal for these and research on similar sized stadiums the stadium has assumed [REDACTED]
- 7.63 Other event income is based on being able to generate income for a wide and varied range of events, which could include concerts, weddings, celebration parties, council events, etc. The assumption is based on 30 events per year which on average would yield £2,000 per event.

#### ***Rental Payments – Property leases***

- 7.64 Local commercial agents Carigiet Cowan have been appointed to advise and support ABC in respect of the lease agreements.



- 7.68 The service charge at this stage is an estimate and based on the principle is that there will be cost neutrality. When operational the tenants will be charged on metered energy costs and other service charges based on cost per area basis. The purpose of creating the financial model is to consider whether the stadium can be operated on a commercially sustainable basis and within reasonable risk thresholds.

***Stadium running costs***

- 7.69 The estimated stadium running costs reflect the proposed operational arrangements as discussed with the sporting clubs and the minimal level of responsibility given to them for match day operations and costs. Again it must be noted that this is not a formal proposal, but an illustration of how the model could work.
- 7.70 The largest cost is in relation to Payroll costs, and this includes a Managing Director, Finance Manager, Market and Events Manager and admin staff as well as the staff needed to look after the pitch and match days – i.e. ground staff, stewards, catering staff.
- 7.71 Buildings insurance and NNDR are estimated based on similar sized stadiums together with the cleaning and utility costs.
- 7.72 The current model includes a provision of £100k pa for repairs and maintenance which will include the community 3G pitch.

## Summary of Financials

- 7.73 The purpose of creating the financial model is to consider whether the stadium can be operated on a commercially sustainable basis and within reasonable risk thresholds.
- 7.74 It is acknowledged that there are limitations to this model, mainly due to the risks associated with the complex and unpredictable nature of the financial arrangements around professional sports clubs.
- 7.75 At this stage models have been created for both the borrowing route and for the investor/ developer route. They are not proposals but show the potential scenarios under the different capital financing routes.

### Borrowing Route

- 7.76 This assumes the Council borrows £27.5 million over 30 year term. The full model is included at appendix (iii.) The table below shows the summary financial model over the term.

Table 12:30 year borrowing

	Construction	Operational Year					
	C1 £000	1 to 5 £000	6 to 10 £000	11 to 15 £000	16 to 20 £000	21 to 25 £000	26 to 30 £000
Income	0	9,035	13,382	15,893	18,351	21,194	24,479
Expenditure	652	15,279	15,131	14,874	14,683	14,565	14,533
<b>Profit/loss (pre-tax)</b>	<b>(652)</b>	<b>(6,243)</b>	<b>(1,749)</b>	<b>1,019</b>	<b>3,668</b>	<b>6,629</b>	<b>9,945</b>
Fit out	0	0					
<b>(Deficit)/ Surplus</b>	<b>(652)</b>	<b>(6,243)</b>	<b>(1,749)</b>	<b>1,019</b>	<b>3,668</b>	<b>6,629</b>	<b>9,945</b>

- Total repayment of loan plus interest of £42.4m
- Need to finance borrowing costs over construction phase and before Stadium company operational at a cost of £652k
- Borrowing charges from Year 1 of £1.863m pa which reduce to £926k in the final year (year 30).

- Stadium Company Years 0 to 7 would have a cash shortfall of £5.026m before making a surplus from Year 8 onwards which would need to be supported by the Council.

- Cumulative position would report a loss until year 16.
- From Year 17 Stadium Company forecasts healthy surplus.
- Sports Club assumed sustain positions and retain crowd numbers.
- Tenants continue to occupy with 5 yearly rent reviews (15%)

7.77 This route means that the stadium operating company or Council has expenditure to finance during the construction phase of the build and this will create a loss as there will be no operating income until the stadium is complete.

7.78 The borrowing charges will reduce over the years, as it assumes equal instalments of principle over the years and so the interest due reduces significantly over the loan term.

### ***Investor/Developer Route***

7.79 This route has many variable options and the financial operating position will vary depending on the length of the lease and the yield rate applicable.

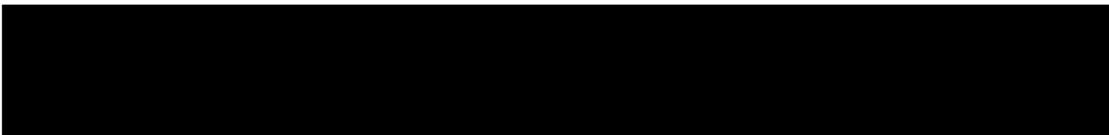
7.80 The first model is based on a 50 year lease assuming the sub-tenants having 5 yearly rent reviews giving a yield of 2.81%. The full model is included as Appendix (iv.). The summary table is shown below:

**Table 13:**  
50 year

	Construc tion	Operational Year										
		C1 £00 0	1 to 5 £000	6 to 10 £000	11 to 15 £000	16 to 20 £000	21 to 25 £000	26 to 30 £000	31 to 35 £000	36 to 40 £000	41 to 45 £000	45 to 50 £000
Income			9,035	13,382	15,893	18,351	21,194	24,479	28,272	31,913	36,126	40,767
Expenditur e			8,895	10,261	11,625	13,174	14,937	16,942	19,225	21,823	24,783	28,155
<b>Profit/loss (pre-tax)</b>		0	140	3,120	4,269	5,176	6,257	7,536	9,047	10,090	11,343	12,612
Fit out			(500)									
<b>(Deficit)/ Surplus</b>		0	(360)	3,120	4,269	5,176	6,257	7,536	9,047	10,090	11,343	12,612

7.81 To summarise this model indicates the following:

- Starting lease rent of £937,865 pa inflating annually

- Final Year 50 lease rent of £3,299,291
- Total lease payment over term of 50 years would be £95,210,685
- Lease rentals would only be due once the stadium has been built, the Stadium Company is operational and the tenants are paying rents.
- 
- Stadium Company estimates a small deficit for Years 1 to Year 4 of £7,963
- From year 5 model estimates healthy surplus
- Stadium Company would need an additional £500k in Year 1 for fit-out costs
- Sports Club assumed sustain positions and retain crowd numbers.
- Tenants continue to occupy with 5 yearly rent reviews (15%)

7.82 One concern over a long 50 year lease option is the risk that tenants rentals can only be secured for 30 years. The full model is shown at appendix (v). Applying this sensitivity analysis to the model and therefore taking out all the office rental income after 30 years, shows the following position:-

- Tenants continue to occupy with 5 yearly rent reviews (15%) until Year 30 – and then from Year 31 there is NO income from the office accommodation.
- Up to this point Cumulative surplus of £26m.
- Year 31 to Year 50 losses of £17.6 million.
- At end of 50 year period still report a cumulative profit
- No net cost to ABC

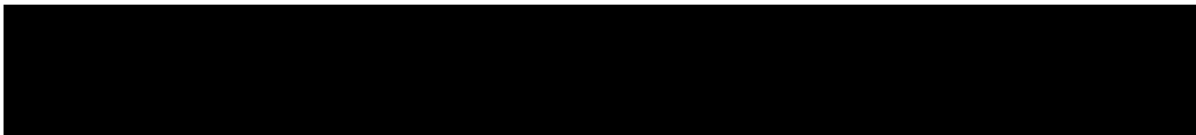
7.83 The second model assumes a 40 year lease with the yield based on the sub-tenants having 5 yearly rent reviews giving a yield of 3.10%. This is shown in appendix (vi.) In summary this shows the following position:-

**Table 14:**  
**40 year**

Construction		Operational Year						
C1	1 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31 to 35	36 to 40

	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income		9,035	13,382	15,893	18,351	21,194	24,479	28,272	31,913
Expenditure		9,381	10,820	12,267	13,913	15,786	17,919	20,348	23,115
<b>Profit/loss (pre-tax)</b>	<b>0</b>	<b>(345)</b>	<b>2,562</b>	<b>3,626</b>	<b>4,438</b>	<b>5,408</b>	<b>6,559</b>	<b>7,924</b>	<b>8,798</b>
Fit out		(500)							
<b>(Deficit)/ Surplus</b>	<b>0</b>	<b>(845)</b>	<b>2,562</b>	<b>3,626</b>	<b>4,438</b>	<b>5,408</b>	<b>6,559</b>	<b>7,924</b>	<b>8,798</b>

- Starting lease rent of £1,035,000 pa inflating annually.
- Final Year 40 lease rent of £2,753,121.
- Total lease payment over term of 40 years would be £71,036,289.
- Lease rentals would only be due once the stadium has been built, the Stadium Company is operational and the tenants are paying rents.



- Stadium Company estimates a deficit for Years 1 to Year 4 of £396,505.
- Stadium Company would need an additional £500k in Year 1 for fit-out costs.
- From Year 5 the company forecast healthy surplus.
- Sports Club assumed sustain positions and retain crowd numbers.
- Commercial tenants continue to occupy with 5 yearly rent reviews (15%)

## 8.0 Stadium Governance, Management and Operation

### ***Landholding and property arrangements***

- 8.1 The current grounds of the Workington Town Rugby League Club and Workington Reds Association Football Club – Derwent Park and Borough Park respectively – are in a poor condition. Both clubs face challenges in the next few years to keep them maintained to a standard which will qualify for a Safety at Sports Grounds certificate to allow them to operate within current Health and Safety legislation. The Council owns the freehold for both sites.
- 8.2 The Council leases Derwent Park to the rugby club under two separate leases dated 15 October 1956 and 7 April 1961, which are co-terminus and expire on 2 July 2154. Borough Park is leased by the Council to the football club pursuant to a lease dated 31 March 2005, the term of which is due to expire on 31 March 2025. Borough Park is a dated football ground and the Reds are conscious that they will either have to make major investments in the stadium or seek other solutions.
- 8.3 In 2018, the two clubs approached the Council and entered talks regarding the development of a new stadium which would provide a modern facility shared by both clubs, use by the wider community and would help support a sustainable future for both clubs.
- 8.4 The preferred site for the development of the new shared stadium is at Borough Park and adjacent land. The Council owns the freehold land at the site.

### ***Sports Clubs***

- 8.5 Given that the site identified for the new stadium requires the demolition of the existing Borough Park stadium and relocation of the football club during development of the new shared stadium, the Council has worked closely with the clubs to ensure a smooth transition including the establishment of a stadium project steering group and regular dialogue.
- 8.6 The Council has agreed in principle commercial terms with both the Reds and Town in respect of the surrender of their respective leases to facilitate the development of the new stadium. Alongside the surrender of their leases, the Council will grant licences to both clubs for the occupation of their respective grounds prior to completion of the construction of the new shared stadium. The rugby club will be granted a licence for Derwent Park under which they will continue to have responsibility for the ongoing maintenance and operation of the ground but grants them the right to agree a fee with Workington Reds for the use of the facilities. The football club will be granted a licence to use Borough Park, which will expire prior to the commencement of the 2019/2020

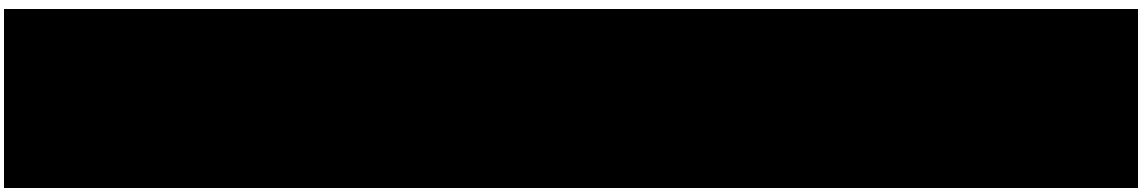


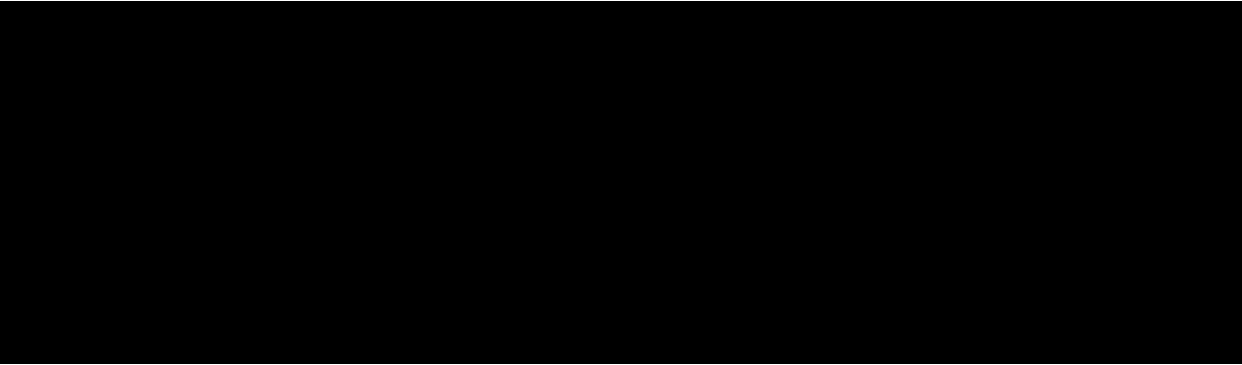
season, at which point the football club will relocate to Derwent Park under a second licence. The clubs are discussing between themselves the ground sharing arrangements for the interim period including the terms on which the Reds will use the Derwent Park stadium. Those licences will terminate once the new stadium is completed and the clubs will move over to the new stadium on terms that have been agreed by all parties. Those terms are subject to the clubs' final approval processes in line with their own internal governance arrangements and it is understood both clubs are currently planning to arrange Extraordinary General Meetings.

- 8.7 The Council has agreed in principle Heads of Terms with the Reds and Town specifying the basis on which they will occupy and use the new shared stadium. As above this is subject to approval through the clubs internal governance arrangements. The details of the agreed finalised terms will be developed into a separate legal agreement in due course. The collective aim is for both sporting clubs to have a usage/tenure that will provide for their needs in the new stadium for the long term and that reflects the respective league requirements for both clubs.
- 8.8 A Stadium Joint Management Board will be established approximately 12 months before practical completion and handover of the Stadium (i.e. in May 2020 according to the current schedule) with the principal functions of facilitating transition and mobilisation and then turning its attention to operational matters concerning the new stadium where there is a clear shared interest. It is agreed that both the Reds and Town can appoint representatives to the board as well as the Council, the stadium operator and other relevant users of the new stadium. The precise scope of functions, roles and areas of responsibility of the stadium joint management board are to be agreed in due course but will include scheduling of fixtures, event programming and planning, hospitality, advertising and sponsorship, stewarding and ground safety and maintenance including of the pitch among other matters.

### ***Tenants***

- 8.9 The community stadium is about more than the professional sports clubs and the vision for the development is that it brings together, on a single site, a wide range of community sports and commercial facilities to create a unique destination in the area of Allerdale. Contributing the achievement of that aim is the inclusion of space for NHS partners, office accommodation for Sellafield and the proposed pharmacy.
- 8.10 Details of the proposed tenancies are as follows:

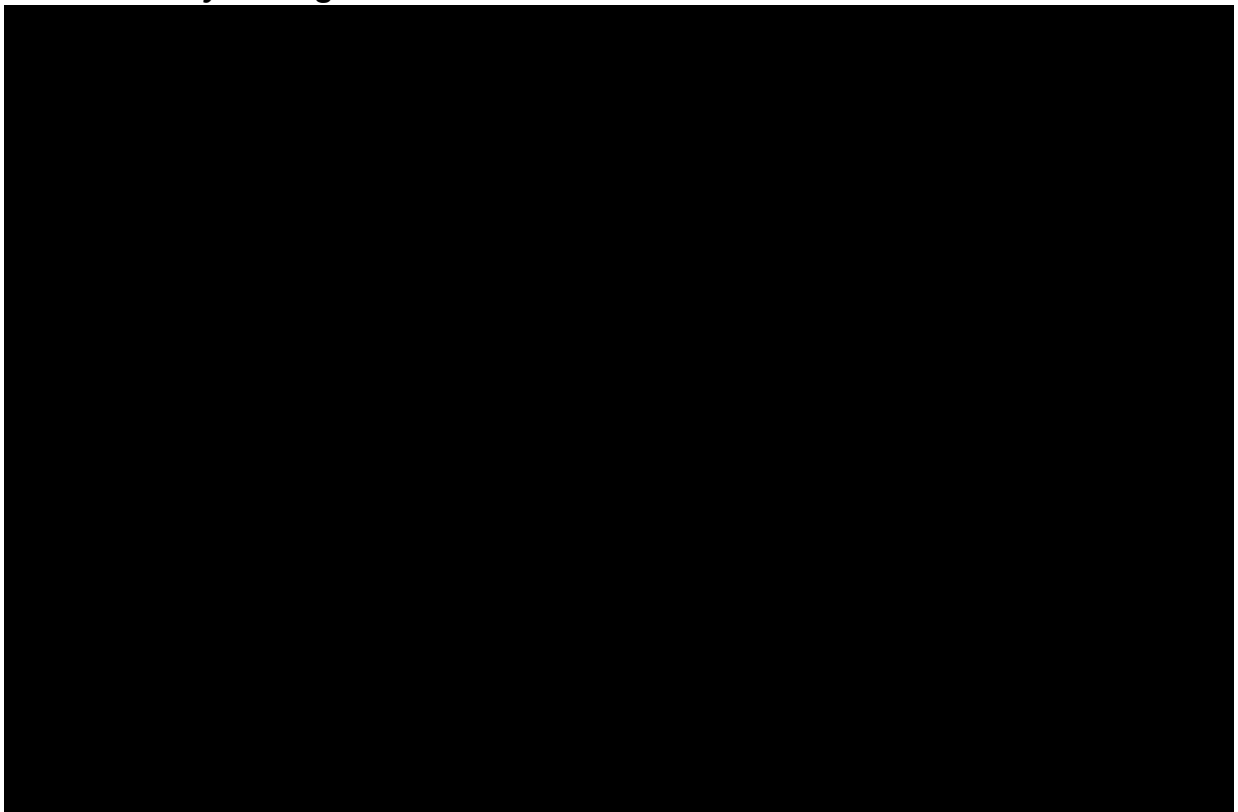


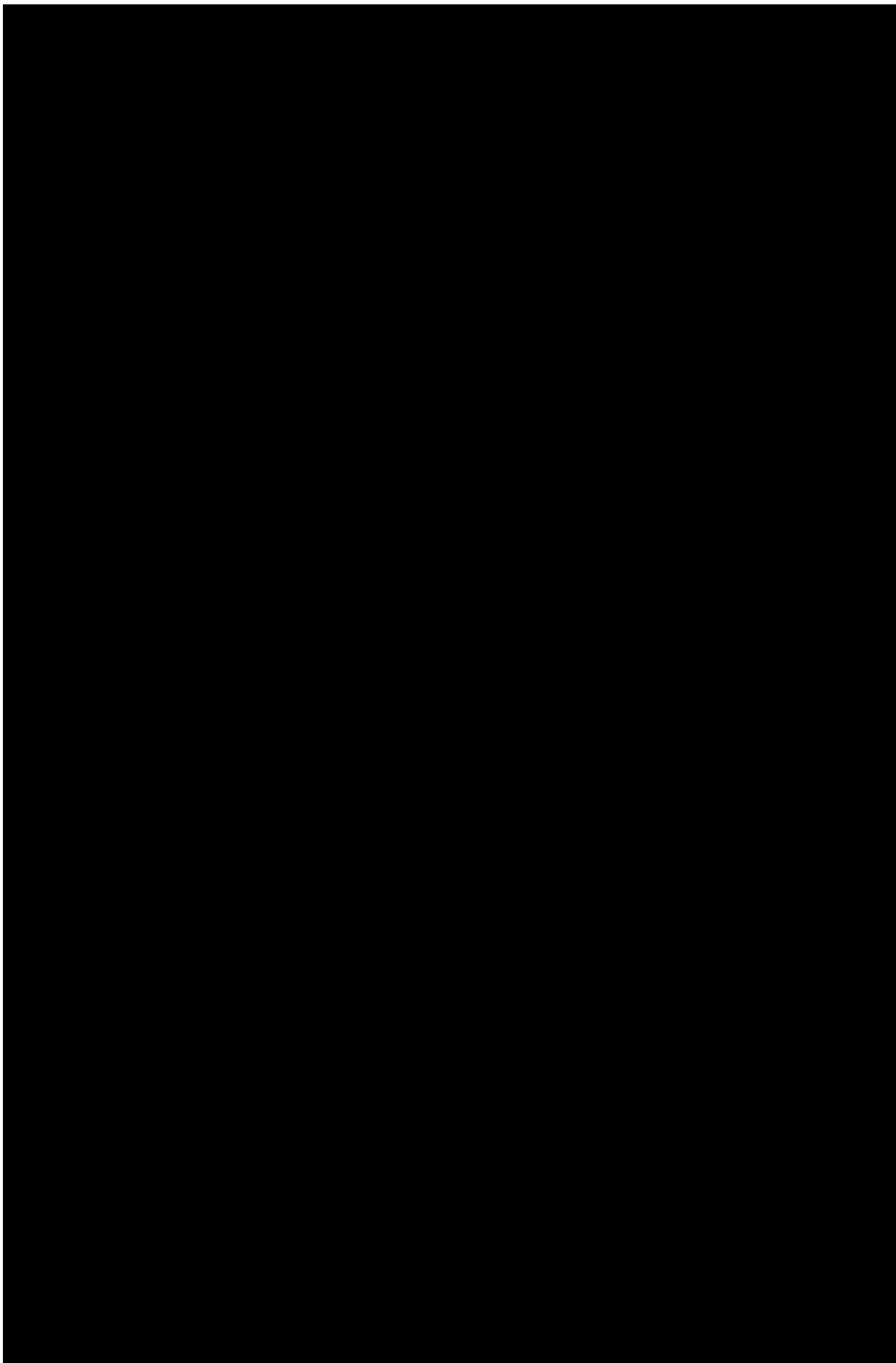
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- 8.11 The Council has worked collaboratively with the NHS, Sellafield and their respective advisors with a view to finalising the approach to the tenancies and occupation of the stadium development.
- 8.12 Arrangements regarding the occupation of the shared stadium by the NHS and Sellafield will include:
- Agree Heads of Terms;
  - Enter into Exclusivity Agreements (if necessary);
  - Agree Agreements for Lease and Leases;
  - Enter into Agreements for Lease following the Council securing relevant approvals including approval of funding for the development of the site and planning consent;
  - Complete the Leases upon satisfaction of conditions.
- 8.13 Heads of Terms for the Agreements for Lease and Leases have been exchanged and are currently proceeding through the approvals process of the NHS and Sellafield. Both Sellafield and the NHS have confirmed their commitment to the project, their desire to see the stadium development successfully delivered and a willingness to take up tenancy in the development throughout discussions with the Council.
- 8.14 The lease for the pharmacy is commissioned in a different way and can only be progressed at a later date once the development has been approved. That process will involve going to the market and inviting prospective tenants to engage with the Council to agree terms. The advice we have received is that we can be confident that several providers will be interested in entering a tenancy at the stadium development given the obvious advantages of being located adjacent to Workington's NHS major primary care centre and that, as such, we can use that competition to drive the most advantageous deal for the benefit of the Council.

### ***Management and Operating Arrangements***

- 8.15 The management and operation of the new stadium must be modelled and provided in such a way as to successfully achieve our project vision and fulfil our aspirations. The stadium operator will provide the infrastructure and services required for a safe, secure and technology-modern stadium. It is a requirement that technology is used to provide modern facilities that are compatible with a 21<sup>st</sup> Century, family centred, leisure and sporting experience, such as 'cashless', and the use of applications, such as food ordering apps, to future-proof the facility so far as possible and to enhance the user experience for supporters, visitors, amateur and professional athletes alike.
- 8.16 Beyond the first class sporting facilities, the stadium is envisioned as a facility for the entire community in Allerdale and West Cumbria to be used every day of the week. The model provides for the stadium development to host commercial and private events outside of matchdays, conferences, weddings and other functions as well as civic space for the Council and other users. It is hoped that the facility will become West Cumbria's primary conference centre and that the operator will generate significant income from these aspects of its model.
- 8.17 The Council has agreed in principle Heads of Terms with the rugby club and football club detailing the commercial terms and the basis upon which they will use the new shared stadium. As above, those terms are subject to the clubs' final approval processes in line with their own internal governance arrangements. Those agreed terms can be summarised as follows:

***Matchday Arrangements***







***Management and Operating Options***

- 8.18 As with all major capital projects involving local authorities, there are a variety of different options available to Allerdale Borough Council and its partners in relation to the management and operating arrangements for the proposed community stadium.
- 8.19 An analysis of the different options has been conducted using comparable information and an appraisal of general advantages and disadvantages of each from the perspective of the Council.
- 8.20 The delivery and operating options are as follows:

- a) Option 1: Allerdale Borough Council manages and operates the Community Stadium directly.
- b) Option 2: Management and operation by one or both of the sports clubs.
- c) Option 3: Management and operation by a private sector operator.
- d) Option 4: Management and operation by a specially created Stadium Management Company

8.21 There are a range of advantages and disadvantages from the Council's perspective associated with each model. In addition to the merits of each model, the Council must consider the level of financial risk and reward to which it is prepared to be exposed as well as the influence and control it wants over issues such as venue pricing, programming and promotion. The Council will seek to protect its interests through specific terms in the final versions of management and operation agreements as well as lease documents.

8.22 Considerable attention was paid to the management and governance arrangements by the representatives of the Council when undertaking the comparator study. A strong theme arising from all of the examples examined was that failure to carefully consider the implications of the management arrangements could seriously undermine the smooth running and cost effectiveness of the project. The stadium must be run like a commercial and competitive business. A simple governance model that enables business efficiency is essential.

8.23 Consideration must also be given to the risk that faces the professional clubs involved. Evidence shows that the smaller the financial burden and overall risks associated with the running of the stadium, the greater the chance of the clubs surviving and developing. The ownership and management of clubs can change frequently. Where councils are involved as a landowner or major stakeholder they have the ability to ensure the long-term sustainability of the professional clubs and other key partners.

8.24 In the event that the Council were to appoint a stadium management company to operate the facility, then the selection process of an appropriate service provider at an early stage of development would be advantageous in order to enable the operator to influence the design and thereby maximise the efficiency and revenue generation opportunities.

***Option 1: Allerdale Borough Council manages and operates the Community Stadium directly.***

***Advantages***

- The Council would have complete control over the pricing, programming and promotion of the community use sporting and leisure facilities.
- The Council would benefit from most/all non-match day revenues generated.
- The Council would have control over the proper maintenance and marketing of a valuable corporate asset.
- The Council could potentially use the stadium as a venue for events, meetings and other civic functions.

### ***Disadvantages***

- The Council would be exposed to the complete financial risk of the stadium (e.g. if the stadium makes an operating loss).
- The Council would be responsible for all operating costs, including staffing, utilities, repairs and maintenance, insurance, and future re-investment in the stadium.
- While the Council's officers could contribute to the operation and management of sports and leisure facilities generally, running the community stadium would be resource intensive and would require specialist management and marketing expertise and experience, which the Council does not currently possess. As such, the Council would need to recruit or otherwise contract those skills in.
- Workington Reds AFC and Workington Town RLC are unlikely to support this approach as they would not have an opportunity to generate commercial income for their activities (e.g. if they were only a tenant with the ability to use the stadium on match days).

### ***Option 2: Management and operation by one or both of the sports clubs***

#### ***Advantages***

- The exposure to financial risk of the Council would be minimised, in theory. However, experience from the comparator study suggests that, in practice, Councils are regularly treated as the lender of last resort and effectively (if not legally) remain exposed to financial risk.

#### ***Disadvantages***

- Both sports clubs have limited financial and organisation resources to commit to directly managing and operating the Community Stadium.

- The club(s) would be exposed to the complete financial risk of the stadium (e.g. if the stadium makes an operating loss).
- There is potential for a conflict of interest to arise between the club managing the venue and other clubs which become tenants (e.g. over the programming of facilities), unless clearly defined user agreements are put in place.
- Community use of the stadium may not be treated as a priority.

### ***Option 3: Management and operation by a private sector operator***

#### ***Advantages***

- The financial risk of the operations would be passed onto a third party organisation (not the Council or the clubs).
- This model would provide access to specific stadium management expertise and industry knowledge.

#### ***Disadvantages***

- We are not aware of a precedent for such a model being successfully implemented elsewhere in the UK.
- There would be only a very small number of operators on the market capable of providing the specified services, making it difficult for the Council to ensure it obtains the requisite quality of services or achieves value for money.
- The service provider may at times be unable to follow the Council's vision throughout operations.
- Any private sector operator would be seeking to maximise commercial income, which could impact on the Community Stadium's ability to encourage community access and usage.
- Both the Council and the clubs would lose influence and/or control over the pricing, programming and promotion of the stadium's community facilities.
- Any private sector operator would look to take their own profit slice from the operations, which would reduce the potential for generating profits to be re-invested back into the stadium and community uses.



- The level of likely operating profit which could be generated by the Community Stadium is unlikely to be attractive to a private sector operator – or they may only agree to do it on the basis of an agreed annual revenue subsidy.
- There may be difficulty in exploiting synergies with and between outsourced functions; potentially impacting profitability and customer experience.
- Risks associated with the handling of confidential or commercially sensitive information by a third party operator and its subcontractors.

***Option 4: Management and operation by a specially created Stadium Management Company***

***Advantages***

- This model provides flexibility and the company can be created to suit the capabilities and the risk appetite of the Council in its capacity as stadium developer/owner.
- Depending on the nature and make-up of the company, the Council could retain complete control over operational issues whilst at the same time have the commercial freedom to exploit opportunities as they arise.
- Alternatively, the clubs could take an interest in the Stadium Management Company, including providing representation at Board level. This not only allows the clubs to have a stake in controlling their destiny but also allows for a sharing of operational decisions and financial risk, as appropriate. The Council would have freedom to negotiate those terms with the clubs and any other partners.
- As a controlling owner/shareholder of the company, the Council would benefit from revenues generated including those from non-match days and would retain the ability to use the stadium as a venue for events, meetings and civic functions.
- This approach potentially maximises the impact of the joint promotion of the stadium.
- There is the potential to set the company up in such a way as to benefit from charitable status and/or tax efficiencies.

***Disadvantages***

- In the event that the stadium management company includes representatives from all partners, the legal arrangements regarding voting rights and income apportionment have the potential to become complex.
- Experience elsewhere suggests that ownership of sports clubs can change hands regularly. The Council may find over time that it is legally tied to a relationship with partners where the principals change regularly (and bring with them different ideas and priorities).

### ***Recommended management arrangement***

- 8.25 It is recommended that the Council creates a stadium management company to manage and operate the community stadium. This approach ensures that the Council retains a degree of control of the stadium asset while simultaneously balancing its risk exposure. Establishing a separate company will ensure that the stadium is run efficiently with the ability to react to opportunities as they arise and with a constant focus on the long-term economic sustainability of the facility and the clubs. If the clubs take an active role on the stadium joint management board then this would not only represent a sharing of operational and financial risk but would further demonstrate the parties' commitment to collaboration and a long-term fruitful working relationship. It is, however, key for the Council to ensure that it retains a controlling interest in the stadium management company to protect its interests in the asset.
- 8.26 The precise nature and structure of the company will be shaped by the relationship between the Council, the investor, the developer, the users and tenants of the stadium as well as regulatory and commercial requirements. This will, in turn, be driven by the overall structure of the development proposal and can, therefore, be finalised only following a decision on the preferred development model and/or following procurement of the investor-developer.
- 8.27 For example, it is currently envisaged that, in addition to the provision of facilities management and operational services, the stadium company will be actively involved in the contracting with the investor-developer and with the commercial tenants in the form of the headlease and sub-leases. This could allow for greater flexibility in structuring the funding proposal as well as introducing potential efficiencies with regard to tax and scope for commercial advantages. Additionally, the structuring of a company or group of companies to allow for registration as a Community Interest Company would allow the company to be eligible for more grant funding or other financial support.
- 8.28 The decision on the finer details of how the stadium is operated including whether that is through a company and how that company is to be structured is less important at this stage pending a decision on the overall development proposal than consideration of the likely income and expenditure in operating the stadium for a reasonable period of time. While the recommendation is to establish a stadium company based on a consideration of the relative

advantages, disadvantages and risks, as well as the financial model detailing operational costs, a further detailed and satisfactorily robust business plan will be created once the development structure and framework within which the company is to operate are established.

### ***Creating a company***

#### ***Legal Powers***

- 8.29 The Council has the power to support the development of a community stadium under section 145 Local Government Act 1972 (entertainment power), section 144 (power to encourage visitors) and the power to do anything that is calculated to facilitate or is conducive or incidental to the development in section 111 Local Government Act 1972, along with the general power of competence in the Localism Act 2011 to do anything an individual could do and the power to trade commercially under section 95 Local Government Act 2003.
- 8.30 Section 1 of the Localism Act 2011 provides the general power of competence to local authorities and Section 4 of the Localism Act 2011 provide a power to do things for a commercial purpose in a very similar form to that in section 95 LGA 2003 save that section 4 is not limited by a reference to trading in “ordinary functions”.
- 8.31 While the Localism Act 2011 has given local authorities significant freedoms, it is important that whatever activity the Council is carrying out still meets the *Wednesbury* reasonableness test, and in that respect, any financial assistance provided by the Council to the company must be made on the basis that the Council has first reviewed the company’s business case (this applies equally to any initial financial assistance that is provided as well as to further assistance once the company has been established for a period of time) and is satisfied that the company can meet its objectives set out in the business case. For this reason, the stadium company must ensure that its business case, and the business plan to deliver it, is updated and revised on a regular basis.

#### ***Company Governance***

- 8.32 The Council will hold 100% of the shares in the stadium management company and, as such, will have full ownership. This enables the Council to retain control of the company.
- 8.33 As a company wholly owned by the Council it is imperative that an appropriate governance structure is put in place to ensure the sound and robust management of the company alongside protection of the Council’s financial and reputational investment in the company. However, the governance must not hinder the stadium company and must allow it to act swiftly and pro-

actively, which is essential if it is to succeed commercially. As sole shareholder, the Council would appoint (and can change) the directors to the company and would approve key decisions and the company's business plan.

- 8.34 It is proposed that the shareholder function of the company is primarily executed through the Council's Executive, and that directors of the board would be initially appointed at the Council AGM and member representatives will be confirmed at the AGM each subsequent year. The appointment of other directors will be agreed through Executive. Additionally, Audit Committee could provide oversight of governance arrangements and the overall financial position in relation to the stadium company.
- 8.35 It is important that the Council puts in place appropriate measures where the directors of the stadium company are likely to be made up of either, or both, members and officers of the Council. With reference to government's guidance, we must consider:
- management of potential conflicts of interest between the interests of the Council and those of the stadium company;
  - the status of the managing director of the stadium company – in the initial stages, he or she might be a secondee/appointee from the Council, but in due course it will probably be preferable if the managing director is completely independent of the Council;
  - directors' liabilities and fiduciary duties; and
  - directors' fees and remuneration.
- 8.36 The stadium joint management board will be responsible for providing strategic direction and setting operational parameters, as well as overseeing and scrutinising operational and financial performance to ensure that business plan targets are met, within the parameters agreed with the shareholder. The Council wishes to work closely with both clubs to ensure that all parties' interests are represented by the company, that the clubs have a meaningful input to operational issues affecting the facility and to ensure we maximise our commercial opportunities. For this reason, it is proposed that the clubs have the ability to nominate representatives to the stadium joint management board.
- 8.37 The document which will underpin the governance of the stadium company will be its articles of association, which will document issues around voting rights, appointment of directors, operation of the board, conflicts of interest, indemnities/insurance cover and financial regulations. Control can also be maintained through the funding documents and directors' appointments together with the Council's approval of the business plan.

- 8.38 As a wholly owned subsidiary of the Council, the stadium management company will be subject to the same limitations in terms of GDPR, Freedom of Information and EU Procurement as the Council itself, and it needs to be prepared to fully comply with such requirements, as well as those imposed under the Companies Act.
- 8.39 The Council is able to benefit from favourable tax treatment. Specifically, it does not pay tax on its trading profits and other income and, while it is liable to account for, and also bears the cost of, VAT it is eligible to recover otherwise irrecoverable (input) VAT provided that these fall within generous de minimis limits.
- 8.40 A wholly owned subsidiary company of the Council is not, however, eligible for the favourable tax treatment available to the Council. Accordingly, it is important, insofar as possible, to structure the arrangements so that the stadium company is, in effect, placed in the same position as if the Council were able to undertake the stadium management activities itself.
- 8.41 It is important, therefore, to establish and structure the company in such a way that not only maximises commercial opportunities through efficient service provision but also minimises the irrecoverable (input) VAT of the company and reduces the taxable profits and other income of the company.

### ***State Aid and Competition***

- 8.42 In relation to the question of State aid, as a general principle, the parties must ensure that all of the dealings between the Council and the stadium company are placed on a proper commercial footing. If this is done, State aid risk will be significantly mitigated. Of course, a public body such as the Council is under an obligation to recover from the recipient any unlawful State aid.
- 8.43 It is crucial to demonstrate that the arrangements between the parties reflect current, normal market terms and conditions. Key elements to consider will be as follows:
- a) The interest rate charged on any lending made by the Council to the stadium company. The European Commission (or, post-Brexit, the Competition and Markets Authority) has established reference rates which can be used to establish the relevant commercial rates. The reference rate is calculated by taking a base rate and adding a margin.
  - b) Charges made by the Council by way of support services provided to the stadium company.

- c) The Council's level of equity return on the share capital in the stadium company.

- 8.44 The guarantee provided from the Council to the investor/developer in respect of the rental payments is unlikely to involve State Aid to the investor/developer. However, if the stadium company did not pay the Council for the guarantee at a market rate or if in circumstances no guarantee could have been obtained on the market at any rate, then that could give rise to a State aid scenario. Additionally, given the rents payable by the sports clubs may not sufficiently cover the operating costs of the stadium company in the initial period, it is possible that a State Aid scenario could arise.
- 8.45 However, there is a range of methods available to the Council to ensure that the project is delivered in a manner that is compliant with State aid rules. For example, there is a specific exemption to State aid available in respect of sports infrastructures where those facilities are used by more than one professional or non-professional sport user and it comprises a multi-functional character offering with particular focus on cultural and recreational services, among other conditions. Consideration will be given to ensure that this exemption remains available notwithstanding the commercial elements of the stadium development. Further or alternatively, and depending on the clubs' performance and the level of any subsidy to the stadium company, aid could fall within the de minimis threshold of €200,000 over a three year fiscal period.
- 8.46 While the clubs are in the lower divisions, it is likely that they have no effect on cross border trade and so the low rent levels that they pay to the stadium company would not be regarded as State aid. Even if promoted, the football club's standing is such that their operation is likely to continue not to affect cross border trade. When the rugby club gains promotion, that will trigger increased levels of payment to the stadium company through improved attendances meaning that any subsidy to the club from the stadium company is reduced or removed, depending on the extent to which those payments increase, and no (or a reduced level of) State aid would be provided on promotion subject to any 'bedding in' arrangements in the short term.
- 8.47 The Council must also be mindful of competition law issues where, for example, the stadium company, as a result of the Council's assistance, distorts the market. Any competition law assessment comprises an economic and legal review. This is not anticipated to be a significant risk for the Council, certainly not in the initial gestation of the stadium company, but it is an issue which may need to be borne in mind at some point.

### ***Procurement***

- 8.48 The new stadium company should, as a wholly owned subsidiary of the Council, be treated as a contracting authority for the purposes of the Public

Contracts Regulations 2015 and therefore the company will operate within the same limitations as the Council.

- 8.49 The stadium company may need support, at least initially, from the Council's resources and a management agreement may need to be entered into between the Council and the company.
- 8.50 European case law established an exception (commonly known as the *Teckal* exemption) from the normal application of the Public Contract Regulations where authorities award contracts to an "in house" provider. The exemption is relevant where an authority sets up a wholly owned legal entity with the aim that the entity provides services primarily back to the authority. To take advantage of the exemption, the Authority must exercise a degree of control over the company (achieved through 100% shareholding and a power of decisive influence over strategic objectives and significant decisions of the stadium company) and the Authority must be able to demonstrate that the stadium company carries out the essential part of its activities with the Authority. If the stadium company is commercially orientated (i.e. it sits outside of the *Teckal* exemption), the Council could not simply award the operating contract to the company but it would instead need to tender. Appropriate advice will be obtained prior to the establishment and incorporation of the stadium company to ensure that any arrangements are compliant with regulations.

## **10. Procurement Strategy for the Community Stadium**

10.1 The Council has a number of objectives in procuring the Community Stadium including:

- Providing a venue for the Rugby League World Cup in 2021;
- Providing a long term playing venue for Workington Association Football Club and Workington Town Rugby League Football Club (together (Clubs));
- Providing office accommodation for several GP practices (who are likely to come together under an umbrella entity for the purposes of leasing the facilities) and Sellafield; and
- Potentially providing income for the Council through the operation of stadium (which could be managed by a wholly owned Council company) and from the Council leasing the facilities to the various tenants mentioned above.

10.2 Two options have been assessed in terms of the financing of the proposed development these being:

- The Council undertakes full borrowing to pay for the stadium;
- Work with an institutional investor/developer to build the stadium.

10.3 These are two distinct options which would involve different methods of procurement and also different operational models. If the Council undertakes full borrowing for the Stadium it will directly procure the delivery of the Stadium and then be its immediate owner. In that event, it would be obliged to go through an OJEU compliant procurement process, which could involve the use of an OJEU compliant construction framework or the Council undertaking its own OJEU procurement.

10.4 The alternative option would involve the Council procuring a developer who would then deliver the Stadium. In this instance, the Council (or the Stadium Company) would be a tenant rather than owner of the Stadium. The ownership of the Stadium would revert to the Council on expiry of the developer's lease of the site. Whether a Public Contracts Regulations 2015 (PCR 2015) compliant procurement is required will depend on the level of control which the Council wishes to exert over the development.

### **10.5 *The Council undertakes full borrowing to pay for the stadium***

10.6 The report considered by Executive on 16 January outlined possible procurement routes for the appointment of a main contractor for the construction of the new stadium and highlighted the benefits of the use of an OJEU compliant framework. Benefits of a pre-procured framework include that as the nominated contractors will already have been subject to a rigorous



pre-qualification process relating to both price and quality assurance is provided that competitive best value rates can be achieved without the Council having to undertake a time and resource intensive selection and tender process that meets with OJEU procurement rules. The report advised members that detailed analysis of a number of frameworks was ongoing with a view to making a recommendation to Executive as to the preferred route. It was envisaged that, subject to Executive approval, a single stage design and build tender package would be sought.

- 10.7 Following the comparator analysis the recommendation from Gleeds is that, in terms of the future delivery of the stadium project, Procure North West is the most flexible and client orientated of the four frameworks considered and benefits from the most suitable supply chain for the project. This assumes that the Council is acting as the developer rather than working with an investor/developer who may have their own preferred route for the appointment of a main contractor.

***Work with an institutional investor/developer to build the stadium***

- 10.8 The possible Development Structures open to the Council were considered including regulated procurement (within the scope of the Public Contract Regulations 2015 (PCR 2015) and unregulated procurement (outside the scope of the PCR 2015). The Council considered that the unregulated procurement option was not suitable for this project as it did not provide the appropriate amount of risk mitigation, control and competition.

**Regulated Procurement**

- 10.9 The Council will be undertaking procurement compliant with the PCR 2015 in carrying out an OJEU advertised competitive tendering exercise which would result in the award of the contract to the developer prior to the end of December 2019. This will allow the Council to impose obligations on the developer which would be prohibited by a process undertaken outside of the PCR 2015 e.g. imposing an obligation to build the stadium to a specific detailed design by a specified date and remedies such as liquidated damages to the extent that this is not delivered.
- 10.10 This would involve the use of a relatively expedited Competitive Dialogue process under the PCR 2015 whereby a limited number of bidders (3 - 4) are invited to participate in dialogue and there is no interim deselection stage. The procurement would therefore move swiftly from selection of the bidders, through the dialogue stage and then through to the submission of final bids. Given the amount of development work which the Council has undertaken there would only be a relatively small number of issues to discuss. We would therefore limit dialogue to the discussion of these issues only. A draft timetable based on this approach is set out below. It should be noted that some of the time periods (for instance the period for return of the SQ) are not able to be shortened, and a minimum of eight weeks would be needed during the initial dialogue to ensure fair treatment of all bidders. There is therefore

very little flexibility in the programme if a December completion date is to be agreed.

#### PROCUREMENT TIMELINE – OJEU PROCESS

Key stage	Target timescale
Issue of OJEU (Official Journal of the European Union) Contract Notice and SQ	30 April 2019
Return of SQ responses	31 May 2019 (minimum of 30 days)
Complete evaluation of SQ responses	14 June 2019
Invitation to Submit Detailed Solutions (ISDS) – issued to 3 Potential Suppliers	17 June 2019
Dialogue	17 June to 9 August 2019
Close Dialogue and issue Invitation to Submit Final Tenders (ISFT)	12 August 2019
Return of Final Tenders	27 August 2019
Evaluation and Clarification of Final Tenders	27 August to 13 September 2019
Notification of Preferred Developer – start Standstill period	2 October (the Council's own internal processes will be expedited if appropriate. The decision may need to be treated with special urgency to award in accordance with the Constitution)
Development of design from RIBA Stage 3 to RIBA Stage 4/negotiations with Preferred Developer/finalisation of leases with tenants/construction contract	2 October to 16 December 2019 (the development from RIBA Stage 3 to 4 will be expedited where possible)
Contract award	16 December 2019

10.11 This will require a very significant amount of work in the next six weeks in order to meet that timetable, including the development of draft contract documentation, evaluation criteria and Bid Requirements for the bidders. All of this documentation has to be developed to an extent so as to comply with the PCR 2015 before an OJEU notice can be issued.

10.12 In respect of the demolition works for the existing stadium, the Council is clear that these must be commenced no later than the beginning of October 2019. The Head of Place Development will consider the most appropriate procurement route.

## **11.0 Impact of not proceeding with the development**

11.1 The purpose of the section is to highlight the implication of the Community Stadium not progressing. It assesses the impact on the relevant sports clubs and the future of the regeneration in the area affected by the proposals.

11.2 The key organisations affected would be:

- Workington Town Rugby League Club
- Workington Reds AFC
- Sellafield
- NHS

### ***Impact of Council's Priorities***

11.3 The development of a new stadium has the potential to make a significant contribution to the delivery of the Council's priorities. In relation to the Council Plan objective of 'Improving Health and Wellbeing' a priority project set out in the Council's Business Plan for 2018/19 is to 'improve the provision of leisure and sporting facilities working with partners to support future development'.

11.4 As a major community-based project, West Cumbria's Community Stadium could generate a variety of potential strategic, economic, social and other benefits, which are set out in detail in the report, if the project doesn't proceed these benefits will not be realised including the expected outputs that will be achieved by 2025 which are set out in the business case:

Sports participation increase from stadium

- 20% increase in women and girls playing football and rugby
- 20% increase in disabled people of all ages playing football and rugby
- 10% increase in over 55's through walking football and rugby
- 10% increase in men and boys playing football and rugby
- 100 students or apprentices in Sport Development/Physiotherapy

All of these increases will have a positive impact on childhood and adult obesity.

Visitor growth

- 2% increase in visits (tourists and business) to Allerdale - £9,480,000 additional spend (158,000 visits @£60)

#### Conferencing and Events

- 4 major conferences attracting 1600 visitors
- 4 major events attracting 25,000 visitors and a range of other events

#### Further regeneration as part of Derwent Valley Masterplan

- Estimated £36m in Gross Development Value in new office

The benefits of improved partnership working with the NHS in relation to improved primary care provision with the intended outcome to improve access and resilience.

- 11.5 The future development of Lonsdale Park will still be considered as part of the wider regeneration of the area if the project does not proceed.

#### ***Rugby League World Cup 2021***

- 11.6 As part of the economic appraisal, it is important to recognise that the Rugby League World Cup will bring a separate set of economic outputs for the area, these will not be realised if the project does not proceed. The Council and the area will not realise the RLWC2021 legacy benefits.

#### ***11.7 Impact upon Clubs***

- 11.8 If the project does not proceed, for whatever reason, there will be an adverse impact on the sports clubs and the Council. It would lead to the continuing decline of the clubs due to the financial implications for the financial position of both clubs. The Clubs approached the Council to seek the Council's support in the consideration of proposals to develop a new community stadium for the clubs recognising the age, deteriorating condition of the existing stadia at Borough Park and Derwent Park and the ongoing challenges of maintaining these facilities for both clubs.

- 11.9 The Council is currently the landlord to both clubs with Workington Town having a long term lease at Derwent Park and Workington Reds have a shorter term lease at Borough Park which ends in April 2025.

#### **Summary**

- 11.10 If the project does not proceed, there will be an adverse impact on all of the clubs and the Council. The variety of potential strategic, economic, social and

other benefits that could be generated by the West Cumbria's Community Stadium would not be realised. It could result in the end of professional sport in the Town, with the potential weakening the financial position of both clubs.

## **List of Appendices**

- (I.) Summary of Cost Plan
- (II.) Matrix of yields and rents
- (III.) Borrowing option summary model
- (IV.) Investor/Developer 50 Year
- (V.) Investor/Developer 50 Year – no rent after year 30
- (VI.) Investor/Developer 40 Year
- (VII.) KPMG Due Diligence Report – Draft



