

Outline Business Case for the Development of Community Stadium for Workington

Contents

1. Project Vision
2. Strategic Business Case
3. Economic Appraisal
4. Comparator Study
5. Site Options
6. Planning Issues
7. High Level Financial Analysis
8. Governance and Management

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 RLC 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 with the potential to host a team and up to three games. The RLWC advise that each group game is worth between £2.4m to the local economy therefore providing a potential benefit of up to £7.2 m.
- 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. In the next section of this report, we provide an initial estimate of the possible construction and on-going economic impacts.

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 substitutes 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

Facility component	INPUT	Outputs (£)
Stadium	<ul style="list-style-type: none"> • Assumed 'match day' income – gate receipts, season tickets, programmes, general catering, and hospitality income. 	██████████
	<ul style="list-style-type: none"> • Assumed 'non-match day' income – conference and function income. 	██████████
	<ul style="list-style-type: none"> • This figure excludes non visitor-related income (e.g., central funding from leagues, sponsorship, pouring rights, advertising income, etc.). 	██████████
	<ul style="list-style-type: none"> • 3G pitch 	██████████
NHS site including pharmacy	<ul style="list-style-type: none"> • Assumed income from the tenants 	██████████

Grade A office space	<ul style="list-style-type: none"> Assumed income from office tenants Assumes [redacted] people spending an average of [redacted] per week (for 48 weeks each year). 	[redacted]
'Off site' expenditure	<ul style="list-style-type: none"> 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). It has been assumed that the total Gross Direct Effects are increased by 20% to reflect this wider spending. 	Above figures increased by 20%

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%.

3.11 ***Displacement and substitution***

3.12 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).

3.13 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.

3.14 ***Economic Multiplier***

3.15 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.

3.16 Reflecting this, an economic 'multiplier effect' of 1.7 has been assumed. This assumes strong local supply linkages and income effects.

3.17 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

3.18 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)

Facility component	Assumptions	Outputs (FTES)
Stadium including 3G pitch	<ul style="list-style-type: none"> • Assumed employment within WRAFC, WTRFLC, the Stadium Management Company, and catering permanent, part-time, and casual staff. • Based on initial estimates, it is possible that there would be 10 full-time equivalents ('FTEs') employed within the football club and 10 FTEs within the rugby club plus 8 across Cumberland FA/RL • In terms of the Stadium Management Company, the financial modelling suggests a total of 16 FTEs. • Catering - permanent, part time and casual -10 	54
NHS	<ul style="list-style-type: none"> • It is estimated that 50 staff will be employed 	50
Office space	<ul style="list-style-type: none"> • Assumes 100% occupancy of 2800 sq. m. of net lettable office space. 	300

Indirect employment effects

3.19 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.

3.20 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

3.21 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).

3.22 The construction employment effects will be related to the total cost of the development and the length of time the development will take to bring to fruition. Below are the build and fit-out cost estimates for each component of the Community Stadium:

- Stadium including 3G pitch and changing facilities: £15.45million.
- Flexible office space and NHS space: £9.55m million.

3.23 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)

3.24 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 (FTEs)	Indirect Employment (FTEs)
Stadium			205	54	18
Flexible office space			64	300	10
NHS space			64	50	8
TOTAL			333	404	36

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.

Selection Criteria	Key Points of Consideration	Weighting from 100%
<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>i.e. Spectators, Sponsors, other tenants	What will generate most income	12.5%
<u>Usability</u>to Reds & Town.	Playing Surface maintenance/resilience Any site constraints on facilities Simplify Operational use	12.5%
<u>Regeneration Value</u>	Strategic fit (including to potential grant funders)	25%

..benefits as part of strategy for Workington & wider		
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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 (RLWC) in 2021 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 the RLWC in 2021 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.

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

User Attractiveness 12.5%	2 2.5	2 2.5	5 6	5 6.25	7 8.75	9 11.25
Usability 12.5%	6 7.5	4 5	8 10	6 7.5	7 8.75	7 8.75
Regeneration Value 25%	1 2.5	3 7.5	5 12.5	5 12.5	7 17.5	8 20
Weighted Score in %	37.5	45.0	58.75	51.25	60.0	72.5

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.

Site	Oldside ?/10 W%	Moorclose ?/10 W%	Lillyhall N. ?/10 W %	Moss bay ?/10 W%	Derwent Park ?/10 W%	Borough Park ?/10 W%
Deliverability 25%	5 12.5	6 15	6 15	4 10	5 12.5	6 15
Value For Money 25%	5 12.5	6 15	7 17.5	6 15	5 12.5	5 12.5
User Attractiveness 12.5%	2 2.5	4 5	4 5	5 6.25	7 8.75	9 11.25
Usability 12.5%	6 7.5	4 5	8 10	6 7.5	7 8.75	7 8.75
Regeneration Value 25%	3 7.5	3 7.5	5 12.5	5 12.5	6 15	7 17.5
Weighted Score in %	42.5	47.5	60	51.25	57.5	65

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 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 Pre-submission draft was approved for publication at the Council meeting held on 19 September 2018. Following a statutory consultation period the plan will submitted to the Minister for Housing Communities and Local Government for an Examination in Public. 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 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.
- 6.17 Following its submission the planning application will be advertised in the normal way with appropriate consultation undertaken with all statutory and technical consultees. Following assessment by planning officers the planning application will be considered by the Development Panel.

7.0 High Level Financial Analysis

High Level Financial Model

- 7.1 A high level financial model has been created to provide an initial idea of potential revenue streams that could be achieved and the costs of running the stadium facility.
- 7.2 Whilst this model has been developed using a wide range of evidence bases, tested against other operational facilities such as Leigh Sports Village, to the extent that commercial confidence allows, at this stage some of the figures remain as best estimates and remain indicative only
- 7.3 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.
- 7.4 It is acknowledged that there are limitations to this model, mainly due to the risks associated with the complex and unpredictable nature of financial arrangements of professional and in particular semi-professional sporting clubs.
- 7.5 At this stage the model is not a proposal. A detailed financial plan has been created and this considers potential scenarios for how the Stadium could operate.
- 7.6 The work undertaken to date does however provide sufficient information and confidence to further develop the model. The next stage of this work is to further refine the robustness of the numbers used within the model and this will involve updating the financial assumptions relating to the initial design and cost plan, and with the benefit of heads of terms between the parties involved having been agreed once these have been concluded. It is also intended to seek expert advice in relation to the financial modelling and this work has now been commissioned.
- 7.7 What the modelling does identify at this stage is that there is a significant capital funding shortfall. Initially the modelling work undertaken is based on using prudential borrowing (over 30 years) as a means of providing the capital for the build.
- 7.8 Obviously if the funding gap can be reduced, the greater scope there is for increasing the robustness of the commercial model. A number of options are available for alternative sources of financing and these are currently being worked out in further detail.
- 7.9 The options that are currently being considered in further detail are:
- The Council undertakes full borrowing to pay for the stadium;

- The potential to sell future income streams to provide upfront capital;
- Work with an institutional investor/developer to build the stadium

Revenue Model – Income and Expenditure Analysis

7.10 The purpose of this section is to assess the cost of running the stadium. It assumes that the governance model is as that set out in Section 8 and that a separate operating company is established to run the stadium.

7.11 As set out above, further discussions and due diligence is required on the model, but the main assumptions used are set out in the tables below:-

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

EXPENDITURE	ASSUMPTIONS
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 oncosts = [REDACTED]
NNDR	Based on estimated size and based on similar sized stadiums [REDACTED]
Insurance	Based on 0.08% of build costs = [REDACTED]

Cleaning	Based on Allerdale BC rates [REDACTED]
Utilities	Estimated at current rates [REDACTED]
Repairs and Maintenance	Estimated at [REDACTED]

Capital Funding and Deliverability

- 7.12 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 cost consultants. The current estimates of capital costs are between £24.8 to £26.8m but these will be refined further as design development work is progressed.
- 7.13 It is still too early to confirm the external capital funding that will be available to support this project, but initial estimates used for the purposes of this modelling are that the Football Foundation could contribute £750,000 for the 3G synthetic pitch and that the Rugby League World Cup (RLWC) could contribute £875,000 to the project. Again these estimates will be refined as confirmation of funding is received.
- 7.14 At this stage the modelling identifies that there is a significant capital funding shortfall and as such if the Council is to undertake the borrowing then it has to evidence that there is a robust commercial operating model. It is essential that any chosen option can exist notwithstanding the fluctuations of performance of the professional sports teams.
- 7.15 The Council could dispose of assets and use the sales proceeds to reduce the funding gap and borrowing requirement. However, there are no major disposal programmes that would generate the level of cash needed for a project of this size and in any case disposals are likely to take place over years and not months and certainly not in time to secure the World Cup bid. Nevertheless, it is considered that there may be some scope for the limited disposal of assets that could contribute to a reduction in the borrowing requirement for the proposed development.
- 7.16 If the borrowing can be reduced or replaced then there is more scope for the Stadium to generate a profit resulting in a more commercially robust model.
- 7.17 There are other models that could be used to finance the capital costs and the possibility of accessing these funds differs from model to model.
- 7.18 Currently work is on-going to look at two additional models. These are the option to sell the income streams to provide an up-front capital receipt and also another option where an institutional investor takes on the development of the stadium

Option 1 – Council borrows full debt

- 7.19 This model has assumed capital construction costs of £25 million (to be confirmed).
- 7.20 As set out above, it has been assumed that contributions of £1,625,000 will be received from the Football Foundation and the RLWC. This leaves a balance of £23,375,000 that would require financing.
- 7.21 The model has assumed the Council will borrow this amount (£23.375m) 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.
- 7.22 The financial model has assumed that the loan will be taken out over a 30 year life and the applicable interest rate payable would be 3.69%.
- 7.23 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.
- 7.24 The stadium company would then finance the asset by an equivalent loan to the PWLB debt and pay this loan charge to the Council.

Option 2 – Potential to sell future income streams to provide upfront capital

- 7.30 For this model it is assumed that the financial model income and expenditure account is as set out in previous sections.

- 7.31 However, instead of the Stadium Company receiving the rentals each year from the office accommodation, it is assumed that these rental income streams could be sold to an institutional investor for an upfront capital scheme.

- 7.33 This capital receipt would then be used to finance the construction cost of the Stadium and the Council would therefore not need to incur any debt charges and the Stadium Company would not need to cover this expenditure in its income and expenditure account.

- 7.34 This option therefore mitigates the significant risk exposure to the Council as no borrowing will be required. It does however mean that there are no significant income streams to the Stadium and therefore significant control is reduced.

Option 3 – Work with an Institutional Investor to build the stadium

- 7.37 Another option is to investigate working with an institutional investor to take on the development/construction of the stadium.
- 7.38 In this case the investor would provide the capital to pay for the build and then they would lease the asset back to the Stadium Company.
- 7.39 This would mean that the need for debt and associated financing costs are removed from both the Council and the Stadium Operating Company. However, the Stadium Operating Company would need to factor into its Income and Expenditure account this lease charge.
- 7.40 The financial services team are currently working with our Treasury Advisors, Link, to review options around this option and working up detailed financial modelling.

Further assessment of financial business case

- 7.41 The Council is in the process of appointing a suitably qualified and experience consultant to undertake financial diligence and provide the Council with challenge and assistance in evaluating the value for money,

prudence, affordability and financial sustainability of this planned stadium development.

7.42 The work to be undertaken includes:

- reviewing the Council's business plans and assisting the Council in evaluating the project's deliverability;
- providing challenge and advice in relation to the assumptions underpinning the financial model;
- evaluating the quality of the evidence supporting principal cost and income streams included in the financial models;
- assisting the Council in its understanding of the risks (and rewards) associated with a development of this nature and its evaluation and response to identified risks;
- providing advice on the tax implications of the proposed development (including VAT, Corporation Tax and SDLT);
- provide advice and assistance on the proposed operating model and governance arrangements.

8.0 Governance and Management Options

- 8.1 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. 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.
- 8.2 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
- 8.3 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. In due course, the Council would seek to protect its interests through specific terms in any management and operation agreements as well as any lease documents. A hybrid of the main models described could be developed.
- 8.4 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.
- 8.5 Consideration must also be given to the risks that face 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.
- 8.6 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 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 vehicle (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/SPV, 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).

8.7 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 as a business enterprise with the ability to react to commercial 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 a stake in the company 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.