Allerdale Borough Council

Executive – 28 June 2019

Provision of information in relation to the detailed business case for the development of a new community stadium for Workington

<table>
<thead>
<tr>
<th>The Reason for the Decision</th>
<th>To provide members with information in relation to the detailed business case for the development of a new community stadium for Workington</th>
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<tbody>
<tr>
<td>Summary of options considered</td>
<td>Not Applicable</td>
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<tr>
<td>Recommendations</td>
<td>It is <strong>recommended</strong> that Members consider the information as part of their consideration of the Overview and Scrutiny Report in relation to the detailed business case for the development</td>
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<tr>
<td>Financial / Resource Implications</td>
<td>The finance/resource implications are as set out in the report considered by Executive on 22 March 2019.</td>
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<tr>
<td>Legal / Governance Implications</td>
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<td>Community Safety Implications</td>
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<td>Health and Safety and Risk Management Implications</td>
<td>The health and safety and risk management implications are as set out in the report considered by Executive on 22 March 2019.</td>
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<tr>
<td>Equality Duty considered / Impact Assessment completed</td>
<td>Yes</td>
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<td>Wards Affected</td>
<td>Workington, St Michaels</td>
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<td>The contribution this decision would make to the Council's priorities</td>
<td><strong>Economic opportunity and growth</strong> – creation of additional employment opportunities, support additional economic activity and attract new visitors to Allerdale. <strong>Stronger and healthier communities</strong> - provision of first class healthcare facilities and encourage increased participation in sport and recreation.</td>
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</table>
Quality places to live – regeneration of a key site, stimulate increased footfall and activity that will support town centre business.

Is this a Key Decision             No

Portfolio Holder                  Councillor Mark Jenkinson

Lead Officer                      Andrew Seekings – Corporate Director
                                  Andrew.Seekings@allerdale.gov.uk

Report Implications (Please delete where applicable).

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<thead>
<tr>
<th>Category</th>
<th>Yes</th>
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<td>Community Safety</td>
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<td>Social Inclusion</td>
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<td>Equality Duty</td>
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<td>Employment (external to the Council)</td>
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<td>Employment (internal)</td>
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<td>Health and Safety</td>
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Background papers:

Executive Report 22 March 2018: Consideration of Detailed Business Case for the Development of a New Community Stadium for Workington (Partially Exempt)


KPMG: Allerdale Borough Council Workington Community Stadium Due Diligence (Exempt)

Correspondence from NHS and Sellafield (Exempt)

1.0 Introduction

1.1 At the meeting of the Executive on 22 March the Executive considered a report setting out a detailed business case for the development of a new community stadium in Workington. The Executive made a series of decisions as set out in Executive minute number 429 these being:

1. The business case for the development of a new community stadium for Allerdale be approved.

2. The Council undertakes a regulated procurement route to select an investor/developer to develop the new community stadium.
3. A business plan be developed for the establishment of a stadium management company. Approval of the business plan including the precise nature and form of the company be delegated to the Corporate Director.

4. The procurement of a contract for the demolition of Borough Park be delegated to the Head of Place Development.

5. The Council authorise a guarantee of the head lease to the investor, the final details of which would be delegated to the Corporate Director in conjunction with the statutory officers.

1.2 On 3 April a request to ‘call-in’ the decision was received by the Council’s Monitoring Officer. A meeting of the Overview and Scrutiny Committee took place on 11 April 2019 to consider the call in as required by the Council’s constitution. The Committee voted in favour of referring three aspects of the call-in reasons to the Executive for further consideration. These are:

- ‘the report states that the proposal is not predicated on hosting three Rugby League World Cup ties in 2021, but the cost-benefit analysis justifying investment seems to include benefits associated with that hosting. The evidences cited are therefore wrongly stated’.

- ‘the proposals rest in part on three cited comparator studies. Of these the York facility was still under construction when visited so can provide no evidence of sustainability, whilst the report itself states that the Warrington facility is less comparable to the proposed community stadium (4.13) leaving only the Leigh Sports Village as a directly meaningful comparator. Hence invalid comparisons have been used to justify the proposal’.

- ‘no sustainability appraisal has been carried out on the Leigh and Warrington stadia to understand their viability in the context of local demographics, demand for sporting venues, transport opportunities and constraints, and then applied to the Allerdale and West Cumbria contexts to evaluate whether the proposed stadium would ever be viable without continuing public subsidies’.

1.3 At the meeting the Overview and Scrutiny members also noted that a robust and borough-wide process of consultation and engagement activities should be a pre-requisite for projects of this nature and scale, both at the initiation of a project, and over the duration of development.

1.4 The comments from the Overview and Scrutiny Committee have been considered by officers and a response is set out below to assist Executive with their further consideration of this matter.

2.0 Cost Benefit Analysis in relation to RLWC 2021

2.0 As members will be aware Workington has been announced as both a host
and training venue for the 2021 Rugby League World Cup (RLWC). As was acknowledged by the Overview and Scrutiny Committee the report considered by Executive on 22 March 2019 made it clear that the business case for the development of the proposed new stadium is not dependant on hosting the RLWC in 2021. Conversely the bid to host RLWC 2021 is heavily reliant on the proposal to develop a new stadium.

2.2 Hosting RLWC 2021 would bring significant economic benefits to the local area and it was therefore considered important to reference these benefits in the business case for the proposed new community stadium. The report considered by Executive on 22 March 2019 did however make it clear these would be additional benefits and were an illustration of the type of event that the stadium could hope to attract in the future.

2.3 The detailed business case for the proposed community stadium set out a strategic business case and an economic appraisal. The strategic business case considered a range of potential benefits arising from the proposed development including in relation to increasing participation in sport, supporting health improvement and reducing health inequality, the potential to attract additional visitors to Allerdale and the potential for the development to act as a catalyst to further regeneration in the Lower Derwent Valley. The realisation of these potential benefits is not dependant on the stadium hosting the RLWC in 2021 although clearly hosting games as part of RLWC 2021 would offer additional benefits particularly in raising the profile of rugby league in the local area and as a consequence would be beneficial in supporting efforts to increase participation in the sport.

2.4 In relation to the potential to increase sports participation the Council is working to support both Workington Town and Workington Reds to develop community engagement plans which will use the development of the proposed new stadium as a catalyst to increase sports participation in the area. As indicated above the RLWC 2021 is likely to provide a boost to these efforts to increase sports participation particularly in relation to rugby league but even without the added attraction of the world cup games the development of the proposed new stadium is anticipated to support a significant increase in sports participation as set out in the detailed business case.

2.5 As a one off event the RLWC 2021 has the potential to attract additional visitors to Allerdale however as is made clear in the detailed business case the proposed development will, in its own right, serve to assist in diversifying Allerdale’s visitor offer through the inclusion of new conference and other hospitality facilities within the stadium.

2.6 The RLWC 2021 is not considered to offer significant additional benefits in terms of the anticipated positive impact of the stadium development in improving health provision and the role which the development case can play as a catalyst to the regeneration of the Lower Derwent Valley. In terms of the economic appraisal the detailed business case considered the total net additional effects which could be generated by the proposed new stadium.
including from match day events, conferencing and hospitality, rental income from the key tenants (NHS and Sellafield Ltd), expenditure generated as a result of the development as well as temporary benefits resulting from additional construction related employment. Having set out an assessment of these economic benefits the detailed business case then stated that “that as part of the economic proposal, it is important to recognise that the Rugby World Cup will bring a separate set of economic outputs for the area”. These separate outputs included an assessment of direct economic benefit, temporary employment, increased visitor numbers and potential legacy benefits.

2.7 Having regard to the detailed business case considered by the Executive on 22 March this clearly set out the potential strategic and economic benefits of the proposed community stadium development. Given the potential benefits of hosting games as part of RLWC 2021 it was considered important that the detailed business case also considered this in some detail but sought to make it clear in both the business case and accompanying report that these were considered to be separate and additional benefits associated with the RLWC.

2.8 In summary therefore whilst the opportunity to host the Rugby League World Cup in 2021 in the proposed new community stadium would have significant benefits this is not in itself critical to the strategic and economic case for the proposed development. It would, however, have been a significant omission not to consider the potential benefits associated with the RLWC. The detailed business case clearly sets out the strategic and economic case for the development of the proposed stadium. It is considered that the benefits set out could be realised even were the stadium not to host the RLWC in 2021. The detailed business case then considers separately the additional benefits that would arise from hosting the Rugby League World Cup.

3.0 Comparator Assessment and Sustainability Appraisal

3.1 The detailed business case, and indeed the outline business case, which had previously been considered by the Executive included a comparator study which provided a brief overview of stadium developments, both existing and under construction, at York, Leigh and Warrington which had been visited by officer and representatives of the sporting clubs at an early stage in the development of the proposals for the new community stadium in Workington.

3.2 In considering the feedback from the Overview and Scrutiny Committee it is important to understand that the inclusion of this high level comparator study in the business case was in the context that it highlighted some lessons learnt from the visits undertaken to other stadia that have helped to inform the development of the scheme design and business case for the proposed new community stadium for Allerdale. As set out in the business case the key lessons were:
• 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 the company remains financially viable.

3.3 It is important to reiterate that the comparators used are not, and were never intended to be, a direct comparison intended to justify the proposals for Workington.

3.4 Whilst there are some useful comparisons with the development proposals, particularly in relation to Leigh and York in that the stadium developments were Council led, accommodate both football and rugby league and are mixed use developments which incorporate healthcare facilities. There are however also a number of reasons, some of which were highlighted in the ‘call-in’ and discussed by the Overview and Scrutiny Committee which means that the developments referenced do not provide a direct comparison. These reasons include stadium capacity, scale of development, geographical location and context as well as the funding models used. It is for these reasons that the developments referred to, were not intended to be used as a direct comparison aimed at justifying the development proposed for Workington.

3.5 It should also be noted that the business case made it clear that details of the contractual arrangements in place at the other stadia were commercially confidential therefore it had only been possible to take advantage of general guidance to inform the development of the detailed business case and proposed operating model.

3.6 In terms of the feedback from the Overview and Scrutiny Committee in relation to sustainability appraisal it is understood that this relates to long term financial sustainability rather than environmental sustainability. Officers are unaware of any published studies that provide a post development appraisal of the stadium development at Leigh Sports Village and Warrington although it is noted that Leigh Sports Village has now operated successfully for 10 years since opening and the Halliwell Jones Stadium in Warrington for 15 years. In any event, as outlined above there are significant differences between these stadia and the development proposed for Workington in terms of stadium capacity, scale and mix of associated uses as well as geographical location. An example is that whilst it could be argued that being located within an urban conurbation with a higher population density and better transport links within the immediate area there is also greater competition in terms of alternative
sporting and leisure venues. In view of these differences it would be difficult to apply an appraisal of these developments to the development proposed for Workington and it is considered that any appraisal that was undertaken would be of limited value.

3.7 The view of the Overview and Scrutiny Committee that the long term financial sustainability of the proposed community stadium for Allerdale should be fully understood is of course a valid one. The detailed business case considered by Executive on 22 March 2019 includes a detailed assessment of the capital costs and financial model relating to the proposed stadium. This considers funding, future operational and maintenance costs as well as income from tenants and commercial activities associated with the operation of the community stadium. This analysis is based specifically on the development proposals for Workington and the context in which the development will operate and it is considered that there is limited value in seeking to evaluate this by further comparison with the other stadia referred to given the clear differences identified.

3.8 As part of ensuring the robustness of the project the Council has appointed KPMG to undertake an independent review of the robustness of the business plan and financial model inputs and assumptions for the community stadium and sports developments. The scope includes:

- Reviewing the Council’s business plans and assisting the Council in evaluating the projects deliverability
- Providing challenge and advice in relation to the assumptions underpinning the financial model
- Evaluating the quality of 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
- Provide advice and assistance on the proposed operating model and governance arrangements.

3.9 The work to date has concentrated on the Borrowing model and an updated report is included as a background paper. Work is currently being undertaken on reviewing the Investor/ Developer model.

4.0 Consultation and Engagement

4.1 There was a consultation that was undertaken as part of the pre-application planning process prior to the submission of the planning application. 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. There has been a formal consultation following the submission of the planning application in accordance with statutory requirements.

4.2 It is noted however that the Overview and Scrutiny Committee considered that a robust and borough-wide process of consultation and engagement activities should be a pre-requisite of projects of this nature and scale, both at the initiation of a project, and over the duration of development.

4.3 The feedback from Overview and Scrutiny is something that should be considered at the project initiation stage in developing future projects. The nature and scope of consultation and engagement activities should be tailored specifically to the project under consideration.

4.4 Executive and the Overview and Scrutiny Committee may also wish to give further consideration to the scrutiny process in relation to project development and greater involvement of the Overview and Scrutiny Committee at an earlier stage in the process.

5.0 Additional Issues for Consideration

5.1 Following the appointment of the new Executive members have undertaken an extensive information gathering exercise including briefings from officers, meetings with the clubs and interested parties as well as representatives of the Rugby League World Cup. These discussions have highlighted a number of additional issues that members may wish to address in considering whether to proceed further with the proposed stadium development:

- **Lease terms**: The lease terms to be agreed with the key tenants (NHS and Sellafield) are critical to the financial sustainability of the proposed development and members may wish to consider further those matters e.g. lease term, break clause that they would consider to be determining factors for the development to proceed.

- **Financial Model**: Members may wish to give further consideration to the financial implications of the proposed investor/developer model for funding the development in comparison to the council borrowing directly.

- **Company Structure**: Members may wish to consider further the proposed structure for the stadium management company and whether there would be advantages in establishing a separate property company that would hold the investment in the building structure.

- **Scale of Development**: Members may wish to consider further whether the scale of development and facilities mix proposed is appropriate. Matters to consider include whether the scale of development is consistent with the aspirations of the sporting clubs and
further ambitions to host major events such as the Rugby League World Cup.

- **Rugby League World Cup 2021**: Members will need to consider whether the proposed development can still be delivered in time to host the Rugby League World Cup in 2021 and whether satisfactory assurances can be provided in this respect. Any further delays or amendments to the scheme will prejudice the ability to host RLWC 2021 but should members consider this is necessary to provide adequate reassurance in relation to the long term financial sustainability of the project they may wish to consider the potential long term legacy that the stadium could provide in terms of the development of rugby league and football in West Cumbria whether or not it is possible to host games in 2021.

4.0 **Finance/Resource Implications**

5.1 The finance/resource implications are as set out in the report considered by Executive on 22 March 2019.

6.0 **Legal Implications and Risks**

6.1 The legal implications and risks are as set out in the report considered by Executive on 22 March 2019.

7.0 **Recommendations**

7.1 It is **recommended** that Members consider the information as part of their consideration of the Overview and Scrutiny Report in relation to the detailed business case for the development.