



# Outline Business Case

<b>Project name:</b>	Future use of old QPSC site
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<b>Author:</b>	Michael Rich
<b>Sponsor:</b>	Michael Rich

## 1.0 Executive summary

- 1.1 An outline case for developing two artificial sports pitches within the footprint of the former QPSC, in line with the preferred option on which public consultation took place during autumn 2016.

## 2.0 Strategic Case

- 2.1 The proposal aligns with the Council Plan objectives to:
- Improve the health and well-being of our communities
  - Become financially self-sufficient by 2020
- 2.2 Taking each in turn. The pitches would provide additional facilities allowing more clubs and casual users to participate in sport and physical activity than would otherwise be the case. Depending on how the facility is run, there are opportunities to target access to them at those communities with the most challenging health profiles. Facilities that provide for sports with growth areas such as women's football will also support more diverse participation in physical activity.
- 2.3 The current council sports facilities strategy (2014-2031) shows that there is a shortfall in provision of artificial pitches in the borough, particularly of pitches with surface types most suited to football use. The strategy recommended exploring additional provision in order to address this imbalance and in response to this being a key issue raised during consultation on the strategy.
- 2.4 In terms of value for money services, the financial and commercial case for pitches shows that this facility will bring net income to the



council each year. There would be a choice as to whether some of that surplus is then used in order to enhance the offer in the neighbouring park on a one-off or ongoing basis. In any event, a full business case would need to provide robust evidence for the facility generating net income to the council.

2.5 In terms of potential knock-on effects, it will be important to consider the impact on other providers, particularly since the majority of existing artificial pitch provision is sited at schools and colleges across the borough.

2.6 Additional artificial sports pitch provision is also likely to have an impact on demand for grass pitches (particularly with regard to football use). Given that CBC manages a range of grass pitches, there is the potential for reduced demand and loss of income that needs to be taken into account.

### **3.0 Financial Case**

3.1 A financial outline is set out below. However, there is significant further work needed in order to go beyond these indicative numbers, test the financial case and undertake sensitivity analysis. The affordability of the initial capital expenditure will depend on the overall capital programme, receipts forecast and options for financing. It may be possible to explore a joint venture with a commercial pitch operator, which could reduce the initial capital outlay, but this would be in return for a sharing of profit and therefore a reduced return for the council.

<b>Capital expenditure</b>		
<b>Description</b>	<b>Cost (-Income)</b>	<b>Notes</b>
Two mini-pitches as per preferred option	£600k	Estimates based on costs from one commercial operator
Pavilion/changing and/or refreshment area	£250k	Based on similar projects within Chesterfield. Unlikely there will be demand/need for this facility
Boundary treatment, landscaping etc.	£200k	Estimate, needs significant further work on accurate costs
Grant funding / contribution from sports clubs	??	Not likely to receive FA funding (as not full size pitch), but may be opportunities to secure contribution to capex
<b>Total</b>	<b>£1,050k/£800k</b>	With or without pavilion



<b>Revenue/running costs (p.a.)</b>		
<b>Description</b>	<b>Cost (-Income)</b>	<b>Notes</b>
Staffing costs	£10k	Whilst on-line booking would be used for the pitches, additional staff resource is likely to be required to promote and market pitches, liaise with sports clubs, oversee the booking system, pitch maintenance and security.
Utilities	£15k	Floodlighting will be required in order to maximise opening times and income
Business rates	£5k	Based on other facilities but will require checking
Other re-charges	£5k	Allowance made for further recharge for support from e.g. finance, comms, legal..
Maintenance	£10k	Based on similar facilities
Repair/renewal	£20k	Based on pitches requiring c £150k resurfacing costs in 10 years time plus other renewals/repairs at £50k over same lifetime
Borrowing costs	£20k	Assuming need to borrow for capital expenditure, based on c 2.5% interest for ten years. Earlier repayment (from future receipts) would enable this cost to be eliminated
Income (pitches)	-£170k	Based on estimates from commercial operator working on no more than 66% occupancy during peak times (therefore significant opportunity to increase through more daytime use etc.)
Income (secondary)	??	Nothing factored in at this stage, but a pavilion/ refreshment offer could bring secondary income, as would a simple vending offer.
<b>Total</b>	<b>-£85k</b>	<b>A payback of c 9.5 years</b>



- 3.2 The costs and income above relate solely to the proposal for two additional pitches on the old QPSC site. They do not take into account the existing pitch within the footprint of the park. This pitch is due for an upgrade to the surface, but this is assumed to be provided for within existing budget based on contributions to corporate overheads/recharges. The income on the existing pitch is likely to increase following an upgrade, due to the ability to review fees, share overheads and market it alongside the two new pitches to cater for a variety of regular and casual uses.
- 3.3 There are many assumptions and estimates in the above figures that will require further testing, along with other elements of this business case, prior to submission of a full business case seeking approval for any expenditure. This would include significant liaison with potential users of the facility, in particular sports clubs, in order to test both the financial and commercial case (see below). The interim costs of continuing to manage the project and develop the full business case can be met through the provision already made within reserves to provide resource for budget saving/income generating proposals.
- 3.4 As can be seen, at this outline stage there appears to be a financial case showing significant net surplus and a 'payback period' of less than ten years, based on cautious assumptions regarding income. It is assumed that the initial capital expenditure would require borrowing (interest costs of which are included above) that would then need to be repaid from future capital income (most likely receipts from disposals) during the first ten years of the facility operating.

#### **4.0 Commercial Case**

- 4.1 Evidence of potential demand is in place within the work undertaken for the 2014-2031 Sports Facilities Strategy, including the consultation with sports clubs and other stakeholders undertaken in preparing the strategy. This has been supplemented more recently (2016) by the consultation on future use of the former QPSC site and through ongoing liaison with clubs and stakeholder forums.
- 4.2 Whilst significant further work is needed to firm up the case, the picture that emerges from the evidence in place is that there is significant **current demand** for artificial pitch provision as well as potential **future demand**. Existing demand and how well matched this is to supply is set out extensively in the 2014-2031 strategy. It is not thought that there have been any significant developments regarding supply since this work was undertaken. The evidence for the strategy showed a



shortfall in artificial pitch provision and in particular for 3G surfaces that would suit football use. A number of the existing artificial pitches are located at schools and colleges, restricting the hours during which regular or casual users can use them.

- 4.3 The most significant demand is for a further pitch suitable for full size football use, as only one exists in the borough at present. The FA in Derbyshire has also identified a similar county-wide shortfall. However, the footprint at the former sports centre is unlikely to accommodate a full size pitch and so new pitches there will not benefit from this element of unmet demand. Despite that, the evidence still shows unmet demand for smaller pitches, both for training purposes and as an alternative to grass for matches for mini-soccer levels (e.g. 9, 7 and 5 a side).
- 4.4 Current trends indicate a growth in a number of areas that are likely to give rise to greater demand for artificial pitches. Womens and girls football is the most notable of these, with football now the biggest female team sport in England. Around 147,000 players competed in FA affiliated leagues and competitions during the 2015-16 season, up from just 10,400 in 1993. With growth set to continue, access to all weather facilities for training (and potentially matches for juniors) will be a critical factor and, therefore, an income opportunity.
- 4.5 The consultation last year on future uses for the former QPSC showed a range of comments supportive of increasing the provision of artificial pitches in the borough, including from clubs and interest groups. This is keeping with similar comments expressed during the consultation on the sports facilities strategy. Further discussion with such groups will be critical in preparing a robust full business case.
- 4.6 Based on current evidence, it is thought that the most significant commercial opportunities will lie with pitches suitable for football use, as this represents the largest market and one set to grow (as noted above). However, consideration will also need to be given to the case for at least one of the pitches (of the three that would be provided at the park) being suitable for a wider range of activities in order to balance financial factors against wider participation, access and health factors.
- 4.7 Whilst there is unmet demand and potential future growth in this market, a facility provided by the council would be competing with other artificial pitches across the borough and beyond. Within the borough the competition is largely within schools and colleges. More work will need to be undertaken to understand the price points and the provision in place beyond the borough and to anticipate the likely response of



competitors. As noted above, there is also the potential for the facilities to compete with grass pitch provision already provided by CBC. Whilst this may be an issue, there are also opportunities here, e.g. to provide bookings for matches (for mini-soccer) with a 'fall back' option of an artificial pitch if the weather makes the grass pitch unplayable.

- 4.8 At this stage it is considered that the offer should seek to compete primarily on quality rather than price. If developed, then along with the resurfaced existing pitch, the council would be able to offer brand new facilities with the latest surface technologies. It would not be restricted, as schools are, in the opening times it could offer. And it would build on the council's reputation for offering good quality sports and leisure facilities.
- 4.9 However, price will clearly still be a key consideration and the council is well placed here to put in place the right pricing structure, given its experience at both sports centres, the existing artificial pitch and its range of grass pitches. It can also make the most of its existing relationships with casual users, groups and sports clubs to market and promote the facilities and keep its pricing flexible and competitive.

## **5.0 Legal Case.**

- 5.1 There is not thought to be any legislation in place preventing CBC from developing and running the proposed facility. Indeed, a multi-use games area in QP is already run by the council.
- 5.2 As with other income-generating activities, consideration would need to be given to our ability to do so in-house without setting up a separate company or vehicle. In-house provision should be permissible as part of a wider health and well-being service given that surplus from the pitches would be used to run non-income generating services and therefore avoid showing an overall profit.
- 5.3 Planning permission will be required in order to develop sports pitches on the site. We are already aware of interest from Historic England and their concerns regarding the visual impact that would result from sports pitches as well as the missed opportunity to restore the area to park use. There will therefore need to be careful consideration given to the way in which pitches are sited within the footprint and the impact on the adjacent park etc.





## **6.0 Operational / Technical Case**

- 6.1 Running artificial sports pitches will not be a new venture for the council. It already provides a facility within Queens' Park as well as operating grass pitches across the borough and two well used sports centres. The operational case is considered to be a strong one at this outline stage. The capability to liaise with and respond to potential users in this market and manage facilities in line with their requirements is in place already, although capacity may need to expand (as reflected in the financial case).
- 6.2 Maintenance of the pitches will be an important consideration and as well a provision within the financial case, further work is needed to establish what, if any, technical capability needs to be developed within the council in order to ensure that the pitches are kept up to the best possible quality to maximise income and to extend their usable lifetime.
- 6.3 Bookings will be made through on-line channels as much as possible to reduce the need for staff resources. Existing expertise in marketing and promotion will also be used to maximise uptake of the facility, building on the work already done to bring income to the sports centres for example. There may also be opportunities to promote through or with sports clubs.

## **7.0 Timescale**

- 7.1 Development of pitches will need to await completion of the demolition of the old sports centre. However, this is due to be complete by March 17 and is unlikely to hold up the critical path for any future development.
- 7.2 Depending on the final landscaping post-demolition and availability of contractors, the physical development of two pitches does not require a lengthy construction phase and could be as short as 10-12 weeks. However, there will need to be sufficient time allowed for approval within CBC of a final business case together with capital expenditure, procurement and planning permission. Some of these can be run in parallel to shorten the overall delivery timescale and, whilst challenging, it may be possible to have facilities in place for September 2017. There is clearly a cashflow advantage in having facilities ready at this point since a significant market exists among clubs who will look to move from grass to artificial pitches once the combination of weather and shorter daylight hours changes in September/October.



## 8.0 Key Risks and Mitigating Actions

8.1 A full risk assessment will need to be carried out as part of the full business case. An initial assessment has been set out below.

<b>Risk</b>	<b>Impact</b>	<b>L'hood</b>	<b>Mitigating actions</b>	<b>Impact</b>	<b>L'hood</b>
Costs and/or income are not robustly assessed leading to reduced surplus or at worst a financial loss	H	M	Development of full business case to include further liaison with potential pitch providers, sports clubs and key CBC services including finance	H	L
Planning permission for preferred option not obtained	H	M	Work with stat. agencies and CBC planning to design acceptable scheme	H	L
Planning permission received but conditions lead to increased costs and/or reduced operating times and income	M	M	Obtain advice on likely conditions prior to finalising full business case; sensitivity testing of financial case	L	L
Other facilities compete strongly on price and/or a new operator starts up to increase competition	M	M	Ensure offer is of the right quality and build into model ability to respond flexibly to compete on price and maximise occupancy	M	L
Quality of provision is not adequate and/or does not last in line with predicted lifecycle and cost model	M	M	Develop specification following advice from other LAs and operators; sound procurement and warranty/insurance provision	M	L





## **9.0 Recommendations**

- 9.1 Based on the above outline case, the recommendation is **to proceed to development of a full business case**. This should be completed before any capital expenditure is committed to the project and revenue (project) expenditure should be limited to that already approved and contained within reserves to support budget saving and income generating proposals.